COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three and six-month periods ended February 28, 2018

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except percentages, per share data and the number of shares)	Three-months ended February 28, 2018 $	February 28, 2017 $	Change %	Change in constant currency[1] %	Foreign exchange impact[2] $	Six-months ended February 28, 2018 $	February 28, 2017 $	Change %	Change in constant currency[1] %	Foreign exchange impact[2] $
Operations										
Revenue	598,938	560,875	6.8	8.8	(11,159)	1,152,563	1,109,965	3.8	5.8	(21,800)
Adjusted EBITDA[1]	268,083	253,839	5.6	7.4	(4,603)	515,565	503,542	2.4	4.0	(8,078)
Adjusted EBITDA margin[1]	44.8%	45.3%				44.7%	45.4%			
Integration, restructuring and acquisition costs[3]	15,999	—	—			16,391	—	—		
Profit for the period	141,763	76,663	84.9			218,232	151,687	43.9		
Profit for the period attributable to the owners of the Corporation	138,887	76,663	81.2			215,356	151,687	42.0		
Cash flow										
Cash flow from operating activities	214,514	245,550	(12.6)			220,781	369,011	(40.2)		
Acquisitions of property, plant and equipment, intangible and other assets[4]	127,264	86,199	47.6	52.4	(4,133)	223,422	182,693	22.3	26.6	(7,865)
Free cash flow[1]	64,017	116,787	(45.2)	(46.8)	1,868	166,317	218,166	(23.8)	(25.2)	3,184
Financial condition[5]										
Cash and cash equivalents						173,650	211,185	(17.8)		
Short-term investments						34,000	54,000	(37.0)		
Total assets						7,185,645	5,348,380	34.4		
Indebtedness[6]						4,087,502	2,598,058	57.3		
Equity attributable to owners of the Corporation						1,869,746	1,599,267	16.9		
Capital intensity[1]	21.2%	15.4%				19.4%	16.5%			
Per Share Data[7]										
Earnings per share										
Basic	2.82	1.56	80.8			4.37	3.09	41.4		
Diluted	2.79	1.55	80.0			4.33	3.06	41.5		
Dividends	0.475	0.43	10.5			0.95	0.86	10.5		
Weighted average number of multiple and subordinate voting shares outstanding	49,285,885	49,190,249	0.2			49,287,026	49,167,153	0.2		

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

(2) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current periods denominated in US dollars and GBP currency at the foreign exchange rates of the comparable periods of the prior year. For the three and the six-months periods ending February 28, 2017, the average foreign exchange rates used for translation were 1.3210 USD/CDN and 1.6439 GBP/CDN and 1.3238 USD/CDN and 1.6597 GBP/CDN, respectively.

(3) For the three and six-month periods ended February 28, 2018, integration, restructuring and acquisitions costs were related to the MetroCast acquisition completed on January 4, 2018.

(4) For the three and six-month periods ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $131.4 million and $231.3 million, respectively.

(5) At February 28, 2018 and August 31, 2017.

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

(7) Per multiple and subordinate voting share.

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

Three and six-month periods ended February 28, 2018

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco 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" section of the Corporation's 2017 annual MD&A and the "Fiscal 2018 revised financial guidelines" section of the first quarter of fiscal 2018 MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco 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 2017 annual MD&A and the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco 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 six-month periods ended February 28, 2018 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2017 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

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

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

The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA(1), free cash flow(1) and capital intensity(1) on a constant currency basis(1).

2.1 KEY PERFORMANCE INDICATORS

REVENUE

For the six-month period ended February 28, 2018, revenue increased by $42.6 million, or 3.8%, to reach $1.15 billion compared to $1.11 billion for the same period of fiscal 2017 mainly driven by growths of 13.7% in the American broadband services and of 1.3% in the Canadian broadband services segments, partly offset by a decrease of 6.2% in the Business ICT services segment. In constant currency, revenue increased by 5.8% mainly driven by growths of 19.7% in the American broadband services and of 1.3% in the Canadian broadband services segments, partly offset by a decrease of 4.4% in the Business ICT services segment. The increase in the American broadband services segment is mainly due to the acquisition on January 4, 2018 of substantially all the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast").

ADJUSTED EBITDA

For the six-month period ended February 28, 2018, adjusted EBITDA increased by $12.0 million, or 2.4%, to reach $515.6 million compared to $503.5 million for the same period of fiscal 2017. In constant currency, adjusted EBITDA increased by 4.0% resulting essentially from increases in the American and Canadian broadband services segments, partly offset by a decrease in the Business ICT services segment.

FREE CASH FLOW

For the six-month period ended February 28, 2018, Cogeco Communications' free cash flow decreased by $51.8 million, or 23.8% to reach $166.3 million compared to $218.2 million for the same period of the prior year. In constant currency, the free cash flow decreased by 25.2% as a result of the increase in acquisitions of property, plant and equipment, intangible and other assets mainly attributable to the acquisition for $21.2 million (US$16.8 million) of several dark fibres from FiberLight, LLC combined with $16.4 million primarily in acquisitions costs as well as additional financial expense resulting from the MetroCast acquisition. The decrease was partly offset by the increase of adjusted EBITDA.

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

During the six-month period ended February 28, 2018, the acquisitions of property, plant and equipment, intangible and other assets amounted to $223.4 million and revenue to $1.15 billion for a capital intensity ratio of 19.4% compared to 16.5% in the same period of the prior year resulting from capital expenditures growth exceeding revenue growth. On a constant currency basis, the acquisitions of property, plant and equipment, intangible and other assets amounted to $231.3 million.

(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 Canadian broadband services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to $100.3 million compared to $97.3 million for the same period of fiscal 2017. On a constant currency basis, capital expenditures amounted to $102.7 million mainly from additional investments in network infrastructure in order to extend the network in new areas as well as from the purchase of additional equipment to improve the capacity of the Internet platform in some of the areas we serve, partly offset by lower capital expenditures due to the timing of certain initiatives.

In the American broadband services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to $98.0 million compared to $67.1 million for the same period of fiscal 2017. On a constant currency basis, capital expenditures amounted to $103.1 million mainly due to greater investments to extend the network in some of the areas we serve, including an expansion in Florida and the acquisition of several dark fibres throughout south Florida from FiberLight, LLC for a consideration of $21.2 million (US$16.8 million) during the second quarter of fiscal 2018 and acquisitions of property, plant and equipment related to the recent acquisition of MetroCast.

In the Business ICT services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to $25.0 million compared to $18.3 million for the same period of fiscal 2017. On a constant currency basis, capital expenditures amounted to $25.6 million and resulted from the ongoing implementation of a new order management and billing platform, the purchase of additional equipment to serve customers as well as the timing of certain initiatives.

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

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

	Three-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**598,938**	560,875	6.8	8.8	(11,159)
Operating expenses	**325,745**	302,231	7.8	9.9	(6,556)
Management fees – Cogeco Inc.	**5,110**	4,805	6.3	6.3	—
Adjusted EBITDA	**268,083**	253,839	5.6	7.4	(4,603)
Adjusted EBITDA margin	**44.8%**	45.3%			

(1) For the three-month period ended February 28, 2018, the average foreign exchange rates used for translation were 1.2595 USD/CDN and 1.7290 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3210 USD/CDN and 1.6439 GBP/CDN.

	Six-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**1,152,563**	1,109,965	3.8	5.8	(21,800)
Operating expenses	**627,160**	596,930	5.1	7.4	(13,722)
Management fees – Cogeco Inc.	**9,838**	9,493	3.6	3.6	—
Adjusted EBITDA	**515,565**	503,542	2.4	4.0	(8,078)
Adjusted EBITDA margin	**44.7%**	45.4%			

(1) For the six-month period ended February 28, 2018, the average foreign exchange rates used for translation were 1.2574 USD/CDN and 1.6964 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3238 USD/CDN and 1.6597 GBP/CDN.

REVENUE

Fiscal 2018 second-quarter revenue amounted to $598.9 million, an increase of $38.1 million, or 6.8%, compared to the same period of the prior year driven by the growth of 28.8% in the American broadband services segment and stable revenue in the Canadian broadband services segment, partly offset by a decrease of 7.8% in the Business ICT services segments. In constant currency, revenue increased by 8.8% driven by growth of 35.2% in the American broadband services segment and stable revenue in the Canadian broadband services segment, partly offset by a decrease of 6.5% in the Business ICT services segment.

For the first six months of fiscal 2018, revenue amounted to $1.15 billion, an increase of $42.6 million, or 3.8%, compared to the same period of the prior year driven by growths of 13.7% in the American broadband services and of 1.3% in the Canadian broadband services segments, partly offset by a decrease of 6.2% in the Business ICT services segment. In constant currency, revenue increased by 5.8% driven by growths of 19.7% in the American broadband services and of 1.3% in the Canadian broadband services segments, partly offset by the decrease of 4.4% in the Business ICT services segment.

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

OPERATING EXPENSES

Fiscal 2018 second-quarter operating expenses amounted to $325.7 million, an increase of $23.5 million, or 7.8% (9.9% in constant currency), compared to the the same period of the prior year mainly from additional costs in the American broadband services segment due to the MetroCast acquisition, partly offset by a decrease in the Business ICT services segment.

For the first six months of fiscal 2018, operating expenses amounted to $627.2 million, an increase of $30.2 million, or 5.1% (7.4% in constant currency), compared to the same period of the prior year mainly from additional costs in the American broadband services segment due to the MetroCast acquisition and in the Canadian broadband services segment, partly offset by a decrease in the Business ICT services segment.

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

MANAGEMENT FEES

For the three and six-month periods ended February 28, 2018, management fees paid to Cogeco Inc. amounted to $5.1 million and $9.8 million, respectively, compared to $4.8 million and $9.5 million for the same periods of fiscal 2017. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Fiscal 2018 second-quarter adjusted EBITDA increased by $14.2 million, or 5.6%, to reach $268.1 million. In constant currency, adjusted EBITDA increased by 7.4% resulting essentially from an increase in the American broadband services segment as a result of the MetroCast acquisition, partly offset by decreases in the Canadian broadband services and Business ICT services segments.

For the first six months of fiscal 2018, adjusted EBITDA increased by $12.0 million, or 2.4%, to reach $515.6 million. In constant currency, adjusted EBITDA increased by 4.0% mainly as a result of increases in the American broadband services segment as a result of the MetroCast acquisition and in the Canadian broadband services segment, partly offset by a decrease in the Business ICT services segment.

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

3.2 FIXED CHARGES

	Three-months ended			Six-months ended		
	February 28, 2018	February 28, 2017	Change	February 28, 2018	February 28, 2017	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Depreciation and amortization	130,570	119,253	9.5	246,880	238,329	3.6
Financial expense	47,553	32,475	46.4	77,035	64,565	19.3

For the three and six-month periods ended February 28, 2018, depreciation and amortization expense increased by $11.3 million, or 9.5%, to reach $130.6 million and by $8.6 million, or 3.6%, to reach $246.9 million compared to the same periods of the prior year mostly as a result of the MetroCast acquisition, partly offset by the depreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

For the three and six-month periods ended February 28, 2018, financial expense increased by $15.1 million, or 46.4%, to reach $47.6 million, and by $12.5 million, or 19.3%, to reach $77.0 million compared to the same periods of the prior year mainly due to a higher level of Indebtedness as a result of a new Senior Secured Term Loan B and Senior Secured Revolving Credit facility borrowings related to the MetroCast acquisition, increased interest rates on the First Lien Credit Facilities and the write-off to financial expense of the unamortized financing costs pertaining to the early reimbursement of the Term Loan A-2, A-3 and B facilities of $7.3 million, partly offset by the depreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

3.3 INCOME TAXES

For the three and six-month periods ended February 28, 2018, income taxes recovery amounted to $67.8 million and $43.0 million, respectively, representing decreases of $93.3 million and $91.9 million compared to the same periods of the prior year. The variation for both periods is mainly attributable to the effect of the rate reduction in the United States on the net deferred tax liabilities, the decrease in profit before income taxes resulting from non-recurring costs related to the MetroCast acquisition completed in the second quarter of fiscal 2018, the revaluation of deferred tax assets in the Business ICT services segment and the depreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduces the general federal corporate tax rate from 35% to 21% starting after 2017 which reduced net deferred tax liabilities by approximately $89 million (US$70 million). In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance, which together with tax rate reductions, will have an overall favorable impact on the income tax expense in the future.

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

3.4 PROFIT FOR THE PERIOD

For the three-month period ended February 28, 2018, profit for the period amounted to $141.8 million, of which $138.9 million, or $2.82 per share, was attributable to the owners of the Corporation compared to $76.7 million, or $1.56 per share, for the same period of fiscal 2017. For the six-month period ended February 28, 2018, profit for the period amounted to $218.2 million, of which $215.4 million, or $4.37 per share, was attributable to the owners of the Corporation compared to $151.7 million, or $3.09 per share, for the same period of fiscal 2017. The increase for both periods is mainly due to the $89 million (US$70 million) reduction in deferred income taxes related to the recent US tax reform and the improvement of adjusted EBITDA, partly offset by increases in depreciation and amortization, integration, restructuring and acquisition costs and financial expense mainly as a result of the MetroCast acquisition.

The non-controlling interest represents a participation of 21% in Atlantic Broadband's results. The profit for the period attributable to non-controlling interest amounted to $2.9 million for both the second quarter and first six months of fiscal 2018 compared to nil for the same periods of the prior year.

4. 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, the Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement. 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. As contemplated by this provision and following the MetroCast acquisition completed on January 4, 2018, the management fees payable on a monthly basis charged to the Corporation were reviewed and reduced from 0.85% to 0.75% of the consolidated revenue of the Corporation, effective on January 4, 2018.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first six months of fiscal 2018, the Corporation granted 124,625 (81,350 in 2017) stock options, did not grant any (nil in 2017) incentive share units ("ISUs") and granted 18,750 (12,150 in 2017) performance share units ("PSUs") to these executive officers as executive officers of Cogeco Communications. During the three and six-month periods ended February 28, 2018, the Corporation charged Cogeco $201,000 and $395,000 ($139,000 and $302,000 in 2017), nil and $1,000 ($2,000 and $35,000 in 2017) and $248,000 and $482,000 ($170,000 and $306,000 in 2017), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers.

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

5. CASH FLOW ANALYSIS

	Three-months ended			Six-months ended		
	February 28, 2018	February 28, 2017	Change	February 28, 2018	February 28, 2017	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Cash flow from operating activities	214,514	245,550	(12.6)	220,781	369,011	(40.2)
Cash flow from investing activities	(1,888,639)	(85,824)	—	(1,964,237)	(175,030)	—
Cash flow from financing activities	1,725,115	(157,348)	—	1,704,463	(211,102)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	420	(84)	—	1,458	670	—
Net change in cash and cash equivalents	51,410	2,294	—	(37,535)	(16,451)	—
Cash and cash equivalents, beginning of the period	122,240	43,541	—	211,185	62,286	—
Cash and cash equivalents, end of the period	173,650	45,835	—	173,650	45,835	—

5.1 OPERATING ACTIVITIES

Fiscal 2018 second-quarter cash flow from operating activities reached $214.5 million, representing a decrease of $31.0 million, or 12.6%, compared to the same period of the prior year mainly as a result of the following:

- the increase of $35.7 million in income taxes paid;
- $16.0 million primarily in acquisition costs related to the MetroCast acquisition; and
- the increase of $12.5 million in financial expense paid; partly offset by
- the increase of $21.2 million in changes in non-cash operating activities primarily due to changes in working capital; and
- the improvement of $14.2 million in adjusted EBITDA.

For the first six months of fiscal 2018, cash flow from operating activities reached $220.8 million, representing a decrease of $148.2 million, or 40.2%, compared to the same period of the prior year mainly as a result of the following:

- the increase of $128.2 million in income taxes paid mainly as a result of the payment of income tax installments of $85.5 million which were deferred from fiscal 2017 to the first quarter of fiscal 2018 pursuant to a corporate structure reorganization of the Canadian broadband services segment's subsidiaries in fiscal 2017;
- $16.4 million primarily in acquisition costs related to the MetroCast acquisition; and
- the increase of $11.0 million in financial expense paid; partly offset by
- the improvement of $12.0 million in adjusted EBITDA.

5.2 INVESTING ACTIVITIES

For the three and six-month periods ended February 28, 2018, investing activities reached $1.89 billion and $1.96 billion, respectively, compared to $85.8 million and $175.0 million for the same periods of fiscal 2017. The increases for both periods is explained by the MetroCast acquisition of $1.76 billion in the second quarter of fiscal 2018 combined with the acquisitions of property, plant and equipment, intangible and other assets as described below.

BUSINESS COMBINATION IN FISCAL 2018

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

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

	Preliminary February 28, 2018 $
Purchase price	
Consideration paid	1,762,163
Net assets acquired	
Cash and cash equivalents	6
Trade and other receivables	5,075
Prepaid expenses and other	1,989
Property, plant and equipment	297,156
Intangible assets	874,553
Goodwill	588,431
Trade and other payables assumed	(5,047)
	1,762,163

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

The acquisitions of property, plant and equipment, intangible and other assets as well as the capital intensity per operating segment are as follows:

	Three-months ended			
	February 28, 2018	February 28, 2017	Change	February 28, 2018 in constant currency (1)
(in thousands of dollars, except percentages)	$	$	%	$
Canadian broadband services	52,834	46,482	13.7	53,833
Capital intensity	16.3%	14.3%		
American broadband services	61,215	31,314	95.5	64,171
Capital intensity	29.7%	19.6%		
Business ICT services	13,215	8,403	57.3	13,393
Capital intensity	18.8%	11.0%		
Consolidated	127,264	86,199	47.6	131,397
Capital intensity	21.2%	15.4%		

(1) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3210 USD/CDN and 1.6439 GBP/CDN.

	Six-months ended			
	February 28, 2018	February 28, 2017	Change	February 28, 2018 in constant currency (1)
(in thousands of dollars, except percentages)	$	$	%	$
Canadian broadband services	100,335	97,283	3.1	102,661
Capital intensity	15.4%	15.1%		
American broadband services	98,040	67,110	46.1	103,050
Capital intensity	27.0%	21.0%		
Business ICT services	25,047	18,300	36.9	25,576
Capital intensity	17.9%	12.3%		
Consolidated	223,422	182,693	22.3	231,287
Capital intensity	19.4%	16.5%		

(1) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3238 USD/CDN and 1.6597 GBP/CDN.

For the three and six-month periods ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets amounted to $127.3 million and $223.4 million, respectively, representing increases of $41.1 million and $40.7 million, or 47.6% and 22.3% compared to $86.2 million and $182.7 million for the same periods of fiscal 2017. On a constant currency basis, capital expenditures amounted to $131.4 million and $231.3 million and the increases for both periods is mainly due to higher capital expenditures in all of our operating segments.

For the six-month period ended February 28, 2018, capital intensity reached 19.4% compared to 16.5% mainly as a result of capital expenditures growth exceeding revenue growth.

For further details on the Corporation's acquisitions of property, plant and equipment, intangible and other assets, please refer to the "Segmented operating and financial results" section.

5.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2018 second-quarter free cash flow amounted to $64.0 million, a decrease of $52.8 million, or 45.2% (46.8% in constant currency), compared to $116.8 million for the same period of the prior year mainly due to the following:

- the increase of $41.1 million in acquisitions of property, plant and equipment, intangible and other assets resulting mostly from the the acquisition of several dark fibres from FiberLight, LLC and the MetroCast acquisition;
- $16.0 million primarily in acquisition costs related to the MetroCast acquisition; and
- the increase of $15.1 million in financial expense; partly offset by
- the increase of $14.2 million in adjusted EBITDA.

For the first six months of fiscal 2018, free cash flow amounted to $166.3 million, a decrease of $51.8 million, or 23.8% (25.2% in constant currency) compared to $218.2 million for the same period of the prior year mainly due to the following:

- the increase of $40.7 million in acquisitions of property, plant and equipment, intangible and other assets resulting mostly from the acquisition of several dark fibres from FiberLight, LLC and the MetroCast acquisition;
- $16.4 million primarily in acquisition costs related to the MetroCast acquisition; and
- the increase of $12.5 million in financial expense; partly offset by
- the increase of $12.0 million in adjusted EBITDA.

FINANCING ACTIVITIES

For the three and six-month periods ended February 28, 2018, the change in cash flows arising from financing activities is mainly explained as follows:

	Three-months ended			Six-months ended			
	February 28, 2018	February 28, 2017	Change	**February 28, 2018**	February 28, 2017	Change	Explanations
(in thousands of dollars)	**$**	$	$	**$**	$	$	
Increase (decrease) in bank indebtedness	**(24,583)**	(16,465)	(8,118)	**577**	1,295	(718)	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**9,369**	(121,902)	131,271	**908**	(152,997)	153,905	Repayments of the revolving facilities in fiscal 2017 as a result of generated free cash flow.
Issuance of long-term debt, net of discounts and transaction costs	**2,082,408**	—	2,082,408	**2,082,408**	—	2,082,408	Issuance of a US$1.7 billion Senior Secured Term Loan B and drawing of US$40.4 million on the US $150 million Senior Secured Revolving Credit Facility on January 4, 2018 to finance the MetroCast acquisition.
Repayment of long-term debt	**(705,067)**	(205)	(704,862)	**(712,056)**	(17,843)	(694,213)	Repayment of long-term debt.
Repayment of balance due on a business combination	**—**	—	—	**(118)**	—	(118)	Repayment of balance due on a business combination during the first quarter of fiscal 2018.
	1,362,127	(138,572)	1,500,699	**1,371,719**	(169,545)	1,541,264	

DIVIDENDS

During the second quarter of fiscal 2018, a quarterly eligible dividend of $0.475 per share was paid to the holders of multiple and subordinate voting shares, for a total paid of $23.4 million compared to a quarterly eligible dividend paid of $0.43 per share, for a total paid of $21.2 million in the second quarter of fiscal 2017. Dividends payments in the first six months totaled $0.95 per share, or $46.9 million, compared to $0.86 per share, or $42.3 million, in the prior year.

5.4 DIVIDEND DECLARATION

At its April 12, 2018 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.475 per share for multiple voting and subordinate voting shares, payable on May 10, 2018 to shareholders of record on April 26, 2018. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

6. SEGMENTED OPERATING AND FINANCIAL 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.

6.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**323,851**	325,790	(0.6)	(0.6)	—
Operating expenses	**156,705**	156,088	0.4	0.6	(327)
Adjusted EBITDA	**167,146**	169,702	(1.5)	(1.7)	327
Adjusted EBITDA margin	**51.6%**	52.1%			
Acquisitions of property, plant and equipment, intangible and other assets(3)	**52,834**	46,482	13.7	15.8	(999)
Capital intensity	**16.3%**	14.3%			

(1) For the three-month period ended February 28, 2018, the average foreign exchange rate used for translation was 1.2595 USD/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2017 which was 1.3210 USD/CDN.

(3) For the three-month period ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $53.8 million.

	Six-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**650,792**	642,625	1.3	1.3	—
Operating expenses	**311,273**	307,871	1.1	1.4	(1,025)
Adjusted EBITDA	**339,519**	334,754	1.4	1.1	1,025
Adjusted EBITDA margin	**52.2%**	52.1%			
Acquisitions of property, plant and equipment, intangible and other assets(3)	**100,335**	97,283	3.1	5.5	(2,326)
Capital intensity	**15.4%**	15.1%			

(1) For the six-month period ended February 28, 2018, the average foreign exchange rate used for translation was 1.2574 USD/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2017 which was 1.3238 USD/CDN.

(3) For the six-month period ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $102.7 million.

REVENUE

For the three-month period ended February 28, 2018, revenue remained stable at $323.9 million compared to $325.8 million for the same period of the prior year mainly due to promotional pricing provided to customers and a decline in video and telephony services customers, partly offset by rate increases implemented in September 2017 and November 2017 in Ontario and Québec, respectively.

For the six-month period ended February 28, 2018, revenue increased by $8.2 million, or 1.3%, to reach $650.8 million compared to the same period of the prior year. The increase is mainly due to rate increases implemented in September 2017 and November 2017 in Ontario and Québec, respectively, and the continued growth in Internet service customers, partly offset by promotional pricing provided to customers and a decline in video and telephony services customers.

OPERATING EXPENSES

For the three-month period ended February 28, 2018, operating expenses remained essentially the same at $156.7 million compared to $156.1 million for the same period of the prior year and on a constant currency basis. Operating expense variation is mainly attributable to higher headcount mostly related to sales and marketing initiatives combined with additional costs related to the implementation of a new customer management system, partly offset by lower programming costs and a shift in product mix to higher margin Internet services from video services.

For the six-month period ended February 28, 2018, operating expenses increased by $3.4 million, or 1.1%, to reach $311.3 million compared to the same period of the prior year. On a constant currency basis, operating expenses increased by 1.4% mainly from higher headcount mostly related to sales and marketing initiatives, partly offset by lower programming costs and by a shift in product mix to higher margin Internet services from video services.

ADJUSTED EBITDA

For the three-month period ended February 28, 2018, adjusted EBITDA decreased by $2.6 million, or 1.5% (1.7% in constant currency) to reach $167.1 million compared to the same period of the prior year mainly as a result of operating expenses growth and stable revenue.

For the six-month period ended February 28, 2018, adjusted EBITDA increased by $4.8 million, or 1.4% (1.1% in constant currency) to reach $339.5 million compared to the same period of the prior year mainly as a result of revenue growth exceeding operating expenses growth.

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

Fiscal 2018 second-quarter and first six months acquisitions of property, plant and equipment, intangible and other assets amounted to $52.8 million and $100.3 million, respectively, representing increases of $6.4 million and $3.1 million, or 13.7% and 3.1%, compared to the same periods of the prior year. On a constant currency basis, acquisitions of property, plant and equipment increased by 15.8% and 5.5%, respectively, compared to the same periods of the prior year mainly from additional investments in network infrastructure in order to extend the network in new areas as well as from the purchase of additional equipment to improve the capacity of the Internet platform in some of the areas we serve, partly offset by lower capital expenditures due to the timing of certain initiatives.

For the six-month period ended February 28, 2018, capital intensity reached 15.4% compared to 15.1% for the same period of fiscal 2017 mainly as a result of capital expenditures growth exceeding revenue growth.

CUSTOMER STATISTICS

		Net additions (losses) Three-months ended		Net additions (losses) Six-months ended		% of penetration[1][3]	
	February 28, 2018	**February 28, 2018**	February 28, 2017	**February 28, 2018**	February 28, 2017 [2]	**February 28, 2018**	February 28, 2017
Primary service units[1]	**1,914,178**	**(5,761)**	4,205	**(6,890)**	19,191		
Internet service customers	**786,314**	**6,880**	9,877	**16,445**	24,643	**45.1**	44.2
Video service customers	**708,584**	**(7,020)**	(2,880)	**(12,052)**	(2,787)	**40.7**	42.9
Telephony service customers[1]	**419,280**	**(5,621)**	(2,792)	**(11,283)**	(2,665)	**24.1**	25.6

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

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

(3) As a percentage of homes passed.

INTERNET

For the three and six-month periods ended February 28, 2018, Internet service customers net additions stood at 6,880 and 16,445, respectively, compared to 9,877 and 24,643 for the same periods of the prior year. The lower net additions for both periods is mainly due to competitive offers in the industry combined with a higher churn following the end of promotional activity. Internet service customers net additions stemmed from the ongoing interest in high speed offerings and in TiVo's digital advanced video services which requires an Internet subscription, the increased demand from Internet resellers and from the business sector as well as the sustained interest in bundle offers.

VIDEO

For the three and six-month periods ended February 28, 2018, video service customers net losses stood at 7,020 and 12,052, respectively, compared to 2,880 and 2,787 for the same periods of the prior year. The higher net losses for both periods is mainly due to highly competitive offers in the industry, a changing video consumption environment and a higher churn following the end of higher promotional activity, partly offset by our customers' ongoing interest in video product offering, including TiVo's digital advanced video services, as well as bundles with fast Internet offerings.

TELEPHONY

For the three and six-month periods ended February 28, 2018, telephony service customers net losses amounted to 5,621 and 11,283, respectively, compared to 2,792 and 2,665 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 February 28, 2018, 71% (72% in 2017) 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: 29% who subscribe to the single play (28% in 2017), 39% to the double-play (39% in 2017) and 32% to the triple-play (33% in 2017).

6.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	205,940	159,894	28.8	35.2	(10,182)
Operating expenses	114,486	92,184	24.2	30.4	(5,691)
Adjusted EBITDA	91,454	67,710	35.1	41.7	(4,491)
Adjusted EBITDA margin	44.4%	42.3%			
Acquisitions of property, plant and equipment, intangible and other assets(3)	61,215	31,314	95.5	104.9	(2,956)
Capital intensity	29.7%	19.6%			

(1) For the three-month period ended February 28, 2018, the average foreign exchange rate used for translation was 1.2595 USD/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2017 which was 1.3210 USD/CDN.

(3) For the three-month period ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $64.2 million.

	Six-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	363,634	319,875	13.7	19.7	(19,147)
Operating expenses	209,769	182,340	15.0	21.1	(11,105)
Adjusted EBITDA	153,865	137,535	11.9	17.7	(8,042)
Adjusted EBITDA margin	42.3%	43.0%			
Acquisitions of property, plant and equipment, intangible and other assets(3)	98,040	67,110	46.1	53.6	(5,010)
Capital intensity	27.0%	21.0%			

(1) For the six-month period ended February 28, 2018, the average foreign exchange rate used for translation was 1.2574 USD/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2017 which was 1.3238 USD/CDN.

(3) For the six-month period ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $103.1 million.

REVENUE

For the three and six-month periods ended February 28, 2018, revenue increased by $46.0 million and $43.8 million, or 28.8% and 13.7%, to reach $205.9 million and $363.6 million, respectively, compared to the same periods of the prior year. On a constant currency basis, revenue increased by 35.2% and 19.7%, respectively, mainly as a result of the MetroCast acquisition completed in the second quarter of fiscal 2018. The increase for both periods was also attributable to organic growth from rate increases implemented in September 2017, the continued growth in Internet and telephony services customers combined with a smaller decrease in video service customers. Excluding the MetroCast acquisition, revenue in constant currency increased by 4.1% for the second quarter of fiscal 2018.

OPERATING EXPENSES

For the three and six-month periods ended February 28, 2018, operating expenses increased by $22.3 million and $27.4 million, or 24.2% and 15.0%, to reach $114.5 million and $209.8 million, respectively, compared to the same periods of the prior year. On a constant currency basis, operating expenses increased by 30.4% and 21.1%, respectively, mainly as a result of the MetroCast acquisition completed in the second quarter of fiscal 2018. The increase for both periods also resulted from programming rate increases and higher costs related to growing demands for higher Internet capacity packages as well as additional costs such as employee and outsourced services compensation costs and marketing expenses to support the continued expansion in Florida and for the business sector. In addition, the increase in operating expenses for the first six months was also attributable to non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.

ADJUSTED EBITDA

For the three and six-month periods ended February 28, 2018, adjusted EBITDA increased by $23.7 million and $16.3 million, or 35.1% and 11.9%, to reach $91.5 million and $153.9 million, respectively, compared to the same periods of the prior year. On a constant currency basis, adjusted EBITDA increased by 41.7% and 17.7% , respectively, mainly as a result of the MetroCast acquisition. Excluding the MetroCast acquisition, adjusted EBITDA in constant currency increased by 1.9% for the second quarter of fiscal 2018.

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

Fiscal 2018 second-quarter and first six months acquisitions of property, plant and equipment, intangible and other assets amounted to $61.2 million and $98.0 million, respectively, representing increases of $29.9 million and $30.9 million, or 95.5% and 46.1%, compared to the same periods of the prior year. On a constant currency basis, acquisitions of property, plant and equipment, intangible and other assets increased by 104.9% and 53.6%, respectively, compared to the same periods of the prior year mainly due to greater investments to extend the network in some of the areas we serve, including an expansion in Florida, the acquisitions of several dark fibres throughout south Florida from FiberLight, LLC for a consideration of $21.2 million (US$16.8 million) during the second quarter of fiscal 2018 and the acquisition of property, plant and equipment related to the recent acquisition of MetroCast.

For the six month period ended February 28, 2018, capital intensity reached 27.0% compared to 21.0% for the same period of fiscal 2017 mainly as a result of capital expenditures growth exceeding revenue growth.

CUSTOMER STATISTICS

		Net additions (losses) Three-months ended		Net additions (losses) Six-months ended		% of penetration[(1)(3)]	
	February 28, 2018	**February 28, 2018** [(2)]	February 28, 2017	**February 28, 2018** [(2)]	February 28, 2017	**February 28, 2018**	February 28, 2017
Primary service units[(1)]	**874,090**	**9,686**	5,945	**9,876**	9,122		
Internet service customers	**412,887**	**7,571**	6,032	**9,356**	10,703	**49.5**	44.7
Video service customers	**321,317**	**270**	(1,805)	**(2,695)**	(4,610)	**38.5**	40.4
Telephony service customers[(1)]	**139,886**	**1,845**	1,718	**3,215**	3,029	**16.8**	16.9

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

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

(3) As a percentage of homes passed.

INTERNET

For the three and six-month periods ended February 28, 2018, Internet service customers net additions stood at 7,571 and 9,356, respectively, compared to 6,032 and 10,703 for the same periods of the prior year. The net additions for both periods stemmed from our customers' ongoing interest in high speed offerings, growth in both the residential and business sectors and the sustained interest in bundle offers combined with additional connects from the Florida expansion during the second quarter of fiscal 2018.

VIDEO

For the three and six-month periods ended February 28, 2018, video service customers net additions and net losses stood at 270 and 2,695, respectively, compared to net losses of 1,805 and 4,610 for the same periods of the prior year. The improvement for both periods resulted mainly from our customers' ongoing interest in TiVo's digital advanced video services combined with additional connects from the Florida expansion during the second quarter of fiscal 2018, partly offset by competitive offers in the industry and a changing video consumption environment.

TELEPHONY

For the three and six-month periods ended February 28, 2018, telephony service customers net additions stood at 1,845 and 3,215, respectively, compared to 1,718 and 3,029 for the same periods of the prior year mainly as a result of the continued growth in the business sector.

DISTRIBUTION OF CUSTOMERS

At February 28, 2018, 50% (55% in 2017) 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: 50% (45% in 2017) who subscribe to the single play, 31% (35% in 2017) to the double-play and 19% (20% in 2017) to the triple-play. The variation compared to the prior year is mainly due to MetroCast which has a higher proportion of single and double-play services customers.

6.3 BUSINESS ICT SERVICES

OPERATING AND FINANCIAL RESULTS

	Three-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	70,169	76,112	(7.8)	(6.5)	(977)
Operating expenses	49,225	51,289	(4.0)	(3.0)	(524)
Adjusted EBITDA	20,944	24,823	(15.6)	(13.8)	(453)
Adjusted EBITDA margin	29.8%	32.6%			
Acquisitions of property, plant and equipment, intangible and other assets(3)	13,215	8,403	57.3	59.4	(178)
Capital intensity	18.8%	11.0%			

(1) For the three-month period ended February 28, 2018, the average foreign exchange rates used for translation were 1.2595 USD/CDN and 1.7290 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3210 USD/CDN and 1.6439 GBP/CDN.

(3) For the three-month period ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $13.4 million.

	Six-months ended				
	February 28, 2018 (1)	February 28, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	140,052	149,320	(6.2)	(4.4)	(2,653)
Operating expenses	97,988	101,528	(3.5)	(1.9)	(1,561)
Adjusted EBITDA	42,064	47,792	(12.0)	(9.7)	(1,092)
Adjusted EBITDA margin	30.0%	32.0%			
Acquisitions of property, plant and equipment, intangible and other assets(3)	25,047	18,300	36.9	39.8	(529)
Capital intensity	17.9%	12.3%			

(1) For the six-month period ended February 28, 2018, the average foreign exchange rates used for translation were 1.2574 USD/CDN and 1.6964 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3238 USD/CDN and 1.6597 GBP/CDN.

(3) For the six-month period ended February 28, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $25.6 million.

REVENUE

For the three and six-month periods ended February 28, 2018, revenue decreased by $5.9 million and $9.3 million, or 7.8% and 6.2%, to reach $70.2 million and $140.1 million, respectively, compared to the same periods of fiscal 2017. On a constant currency basis, revenue decreased by 6.5% and 4.4%, respectively, primarily due to higher churn and competitive pricing pressures on the hosting and network connectivity services combined with last year's $2 million non-recurring revenue related to an Indefeasible rights of use ("IRU") agreement concluded in the second quarter of fiscal 2017. Excluding last year's non-recurring revenue of $2 million, fiscal 2018 second-quarter and first six-month periods revenue in constant currency would have decreased by 4.0% and 3.1%, respectively.

OPERATING EXPENSES

For the three-month period ended February 28, 2018, operating expenses decreased by $2.1 million, or 4.0% (3.0% in constant currency), to reach $49.2 million compared to $51.3 million for the same period of the prior year mainly due to lower software licenses and fees paid to third parties as a result of lower revenue combined with lower marketing costs due to the timing of certain initiatives, partly offset by higher network infrastructure and facilities costs.

For the six-month period ended February 28, 2018, operating expenses decreased by $3.5 million, or 3.5% (1.9% in constant currency), to reach $98.0 million compared to $101.5 million for the same period of the prior year mainly due to lower software licenses and fees paid to third parties as a result of lower revenue, partly offset by last year's $1.8 million gain on disposal of property, plant and equipment recognized as a reduction of operating expenses in the first quarter of fiscal 2017 combined with higher network infrastructure costs. Excluding last year's non-recurring gain of $1.8 million on disposal of property, plant and equipment, fiscal 2018 operating expenses for the first six-month period in constant currency would have decreased by 3.7%.

ADJUSTED EBITDA

For the three and six-month periods ended February 28, 2018, adjusted EBITDA decreased by $3.9 million and $5.7 million, or 15.6% and 12.0%, to reach $20.9 million and $42.1 million, respectively. On a constant currency basis, adjusted EBITDA decreased for the same periods by 13.8% and 9.7%, respectively, due to declining revenue. Excluding last year's non-recurring revenue of $2 million and non-recurring gain of $1.8 million described above, fiscal 2018 second-quarter and first six-month periods adjusted EBITDA in constant currency would have decreased by 6.2% and 1.9%, respectively.

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

Fiscal 2018 second-quarter and first six months acquisitions of property, plant and equipment, intangible and other assets amounted to $13.2 million and $25.0 million, respectively, representing increases of $4.8 million and $6.7 million, or 57.3% and 36.9%. On a constant currency basis, acquisitions of property, plant and equipment increased by 59.4% and 39.8%, respectively, compared to the same periods of the prior year resulting from the ongoing implementation of a new order management and billing platform as well as the timing of certain initiatives. Moreover, the increase for the first six months was also due to the purchase of additional equipment to serve customers.

For the six-month period ended February 28, 2018, capital intensity reached 17.9% compared to 12.3% for the same period of the prior year as a result of declining revenue combined with an increase in acquisitions of property, plant and equipment, intangible and other assets.

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)	February 28, 2018 $	August 31, 2017 $	Change $	Explanations
Current assets				
Cash and cash equivalents	**173,650**	211,185	(37,535)	Please refer to the "Cash flow and analysis" section.
Short-term investments	**34,000**	54,000	(20,000)	$20.0 million of short-term investments matured in October 2017.
Trade and other receivables	**100,822**	90,387	10,435	Mostly due to the MetroCast acquisition and revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	**24,265**	4,210	20,055	Mostly related to income tax installments made during the first quarter of fiscal 2018 in the Canadian broadband services segment.
Prepaid expenses and other	**35,484**	20,763	14,721	Increase in prepayments for annual maintenance agreements.
Derivative financial instrument	**382**	98	284	Non significant.
	368,603	380,643	(12,040)	
Current liabilities				
Bank indebtedness	**4,378**	3,801	577	Non significant.
Trade and other payables	**256,700**	316,762	(60,062)	Timing of payments made to suppliers.
Provisions	**21,089**	23,010	(1,921)	Non significant.
Income tax liabilities	**37,105**	103,649	(66,544)	Timing of payments of income taxes related to the deferral to the first quarter of fiscal 2018 of income tax installments pursuant to a corporate structure reorganization of the Canadian broadband services segment subsidiaries in fiscal 2017.
Deferred and prepaid revenue	**81,988**	85,005	(3,017)	Non significant.
Balance due on a business combination	**—**	118	(118)	Non significant.
Derivative financial instruments	**—**	192	(192)	Non significant.
Current portion of long-term debt	**171,289**	131,915	39,374	Mostly related to the $55 million Senior Secured Notes Series B maturing in October 2018 combined with the appreciation of the US dollar against the Canadian dollar, partly offset by the repayments of long-term debt.
	572,549	664,452	(91,903)	
Working capital deficiency	**(203,946)**	(283,809)	79,863	

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	February 28, 2018 $	August 31, 2017 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	2,265,382	1,947,239	318,143	Mostly related to the MetroCast acquisition in the second quarter of fiscal 2018 combined with capital expenditures exceeding depreciation expense and the appreciation of the US dollar and the British Pound against the Canadian dollar.
Intangible assets	2,866,364	1,978,302	888,062	Mostly related to the MetroCast acquisition in the second quarter of fiscal 2018 combined with the appreciation of the US dollar and the British Pound against the Canadian dollar, partly offset by amortization expense.
Goodwill	1,643,262	1,023,424	619,838	Related to the MetroCast acquisition combined with the appreciation of the US dollar and the British Pound against the Canadian dollar.
Derivative financial instruments	29,223	759	28,464	Interest rate swap related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition.
Non-current liabilities				
Long-term debt	3,855,789	2,444,518	1,411,271	Issuance of a US$1.7 billion Senior Secured Term Loan B and drawing of US$40.4 million on the US$150 million Senior Secured Revolving Credit Facility on January 4, 2018 to finance the MetroCast acquisition combined with the appreciation of the US dollar against the Canadian dollar, partly offset by the repayments of Term Loan A-2, Term Loan A-3 and Term Loan B Facilities in the second quarter of fiscal 2018.
Deferred tax liabilities	520,948	603,747	(82,799)	Mostly related to the US tax reform combined with the appreciation of the US dollar against the Canadian dollar.
Shareholders' equity				
Equity attributable to non-controlling interest	323,744	—	323,744	Equity investment of US$315 million made by CDPQ in Atlantic Broadband's holding company for the MetroCast acquisition, representing 21% of Atlantic Broadband.

7.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at March 31, 2018 is presented in the table below. Additional details are provided in Note 10 of the consolidated financial statements.

(in thousands of dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	33,869,562	936,995
Options to purchase subordinate voting shares		
Outstanding options	827,930	
Exercisable options	277,765	

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 2017 Annual Report, have not materially changed since August 31, 2017 except as follows.

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

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

At February 28, 2018, the Corporation had used $6.9 million of its $800 million Term Revolving Facility for a remaining availability of $793.1 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Revolving Facility of $192.1 million (US$150 million), of which $41.1 million (US$32.1 million) was used at February 28, 2018 for a remaining availability of $151.0 million (US$117.9 million).

7.5 CREDIT RATINGS

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

At February 28, 2018	S&P	DBRS	Fitch	Moody's
Cogeco Communications				
Senior Secured Notes and Debentures	BBB-	BBB (low)	BBB-	NR
Senior Unsecured Notes	BB-	BB	BB+	NR
Atlantic Broadband				
First Liens Credit Facilities	BB-	NR	NR	B1

NR : Not rated

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

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 February 28, 2018, 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's US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 28, 2018:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.1 million based on the outstanding debt at February 28, 2018.

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 $14.2 million based on the outstanding debt at February 28, 2018.

The Corporation faces exposure to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation entered into foreign currency forward contracts and designated them as a cash-flow hedge for accounting purposes. The following table shows the forward contracts outstanding at February 28, 2018:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$7.9 million	March 2018	1.2311 - 1.2323	Purchase commitments of property, plant and equipment

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. The risk related to the US dollar aggregate investments is mitigated since the major part was borrowed in US dollars.

The following table shows the net investments in foreign operations outstanding at February 28, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$952.5 million	Net investments in foreign operations in US dollar
N/A	£—	£26.7 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 February 28, 2018 was $1.2809 ($1.2536 at August 31, 2017) per US dollar and $1.7667 ($1.6161 at August 31, 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $25.5 million.

7.7 FOREIGN CURRENCY

For the three and six-month periods ended February 28, 2018, 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:

	Three-months ended				Six-months ended			
	February 28, 2018	February 28, 2017	Change	Change	February 28, 2018	February 28, 2017	Change	Change
	$	$	$	%	$	$	$	%
US dollar vs Canadian dollar	1.2595	1.3210	(0.06)	(4.7)	1.2574	1.3238	(0.07)	(5.0)
British Pound vs Canadian dollar	1.7290	1.6439	0.09	5.2	1.6964	1.6597	0.04	2.2

The following table highlights in Canadian dollars, the impact of a $0.07 decrease in the US dollar and $0.04 increase in the British Pound against the Canadian dollar on Cogeco Communications' segmented and consolidated operating results for the six-month period ended February 28, 2018:

	Canadian broadband services	American broadband services	Business ICT services	Consolidated (1)
Six months ended February 28, 2018	Exchange rate impact	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of dollars)	$	$	$	$
Revenue	—	(19,147)	(2,653)	(21,800)
Operating expenses	(1,025)	(11,105)	(1,561)	(13,722)
Management fees - Cogeco Inc.				—
Adjusted EBITDA	1,025	(8,042)	(1,092)	(8,078)
Acquisitions of property, plant and equipment, intangible and other assets	(2,326)	(5,010)	(529)	(7,865)
Free cash flow				3,184

(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. 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 February 28, 2018, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and six-month periods ended February 28, 2018.

9. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2017 Annual Report, available at www.sedar.com and corpo.cogeco.com. There has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2017.

10. ACCOUNTING POLICIES

10.1 NEW ACCOUNTING STANDARDS

A number of new standards, interpretations and amendments to existing standards were issued by the *International Accounting Standards Board* ("IASB") that are mandatory but not yet effective for the three and six-month periods ended February 28, 2018 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under the "Future accounting developments in Canada" section in the Corporation's 2017 Annual Report available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

10.2 CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

11. 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", "adjusted EBITDA 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.

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

Non-IFRS measure	Application	Calculation	Most comparable IFRS 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 adjusted EBITDA margin	Adjusted EBITDA and adjusted EBITDA 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 2 of the Condensed Interim Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the period add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period
		Adjusted EBITDA margin: - Adjusted EBITDA divided by: - Revenue	No comparable IFRS measure
Constant currency basis	Revenue, adjusted EBITDA, acquisitions of property, plant and equipment, intangible and other assets and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis are obtained by translating financial results from the current periods denominated in US dollars and GBP currency at the foreign exchange rates of the comparable periods of the prior year. For the three and the six-months periods ended February 28, 2017, the average foreign exchange rates used for translation were 1.3210 USD/CDN and 1.6439 GBP/CDN and 1.3238 USD/CDN and 1.6597 GBP/CDN, respectively.	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

11.1 FREE CASH FLOW RECONCILIATION

	Three-months ended		Six-months ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
(in thousands of dollars)	$	$	$	$
Cash flow from operating activities	214,514	245,550	220,781	369,011
Amortization of deferred transaction costs and discounts on long-term debt	9,489	2,207	11,656	4,398
Changes in non-cash operating activities	(29,553)	(8,321)	76,181	72,071
Income taxes paid	37,083	1,428	133,291	5,089
Current income taxes	(24,132)	(24,290)	(46,742)	(45,715)
Financial expense paid	31,433	18,887	71,607	60,570
Financial expense	(47,553)	(32,475)	(77,035)	(64,565)
Acquisition of property, plant and equipment	(122,286)	(82,143)	(213,611)	(173,105)
Acquisition of intangible and other assets	(4,978)	(4,056)	(9,811)	(9,588)
Free cash flow	64,017	116,787	166,317	218,166

11.2 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

	Three-months ended		Six-months ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
(in thousands of dollars, except percentages)	$	$	$	$
Profit for the period	141,763	76,663	218,232	151,687
Income taxes	(67,802)	25,448	(42,973)	48,961
Financial expense	47,553	32,475	77,035	64,565
Depreciation and amortization	130,570	119,253	246,880	238,329
Integration, restructuring and acquisition costs	15,999	—	16,391	—
Adjusted EBITDA	268,083	253,839	515,565	503,542
Revenue	598,938	560,875	1,152,563	1,109,965
Adjusted EBITDA margin	44.8%	45.3%	44.7%	45.4%

11.3 CAPITAL INTENSITY RECONCILIATION

	Three-months ended		Six-months ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
(in thousands of dollars, except percentages)	$	$	$	$
Acquisition of property, plant and equipment	122,286	82,143	213,611	173,105
Acquisition of intangible and other assets	4,978	4,056	9,811	9,588
Total acquisitions of property, plant and equipment, intangible and other assets	127,264	86,199	223,422	182,693
Revenue	598,938	560,875	1,152,563	1,109,965
Capital intensity	21.2%	15.4%	19.4%	16.5%

12. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three-months ended	February 28,		November 30,		August 31,		May 31,	
(in thousands of dollars, except percentages and per share data)	**2018**	2017	**2017**	2016	2017	2016	2017	2016
	$	$	**$**	$	$	$	$	$
Revenue	**598,938**	560,875	**553,625**	549,090	551,728	544,056	565,158	540,257
Adjusted EBITDA	**268,083**	253,839	**247,482**	249,703	247,195	247,810	254,233	243,115
Adjusted EBITDA margin	**44.8%**	45.3%	**44.7%**	45.5%	44.8%	45.5%	45.0%	45.0%
Integration, restructuring and acquisition costs	**15,999**	—	**392**	—	3,191	1,326	—	1,126
Claims and litigations	**—**	—	**—**	—	—	292	—	10,499
Impairment of goodwill and intangible assets	**—**	—	**—**	—	—	—	—	450,000
Profit (loss) for the period	**141,763**	76,663	**76,469**	75,024	71,335	74,581	76,203	(387,357)
Profit (loss) for the period attributable to the owners of the Corporation	**138,887**	76,663	**76,469**	75,024	71,335	74,581	76,203	(387,357)
Cash flow from operating activities	**214,514**	245,550	**6,267**	123,461	345,957	261,623	241,689	181,498
Acquisitions of property, plant and equipment, intangible and other assets	**127,264**	86,199	**96,158**	96,494	145,162	110,017	100,202	94,442
Free cash flow	**64,017**	116,787	**100,133**	101,379	50,841	81,594	104,728	84,664
Capital intensity	**21.2%**	15.4%	**17.4%**	17.6%	26.3%	20.2%	17.7%	17.5%
Earnings (loss) per share(1)								
Basic	**2.82**	1.56	**1.55**	1.53	1.45	1.52	1.55	(7.89)
Diluted	**2.79**	1.55	**1.54**	1.52	1.44	1.52	1.54	(7.89)
Dividends per share	**0.475**	0.43	**0.475**	0.43	0.43	0.39	0.43	0.39
Weighted average number of multiple and subordinate voting shares outstanding	**49,285,885**	49,190,249	**49,288,155**	49,144,311	49,250,857	49,111,998	49,230,481	49,096,586

(1) Per multiple and subordinate voting share.

12.1 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 Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the 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.

13. ADDITIONAL INFORMATION

This MD&A was prepared on April 12, 2018. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Communications Inc.
Montréal, Québec
April 12, 2018

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six-month periods ended February 28, 2018

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

		Three months ended February 28,		Six months ended February 28,	
	Notes	**2018**	2017	**2018**	2017
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*2*	**598,938**	560,875	**1,152,563**	1,109,965
Operating expenses	*4*	**325,745**	302,231	**627,160**	596,930
Management fees – Cogeco Inc.	*15*	**5,110**	4,805	**9,838**	9,493
Integration, restructuring and acquisition costs	*2*	**15,999**	—	**16,391**	—
Depreciation and amortization	*5*	**130,570**	119,253	**246,880**	238,329
Financial expense	*6*	**47,553**	32,475	**77,035**	64,565
Income taxes	*7*	**(67,802)**	25,448	**(42,973)**	48,961
Profit for the period		**141,763**	76,663	**218,232**	151,687
Profit for the period attributable to:					
Owners of the Corporation		**138,887**	76,663	**215,356**	151,687
Non-controlling interest		**2,876**	—	**2,876**	—
		141,763	76,663	**218,232**	151,687
Earnings per share					
Basic	*8*	**2.82**	1.56	**4.37**	3.09
Diluted	*8*	**2.79**	1.55	**4.33**	3.06

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

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**141,763**	76,663	**218,232**	151,687
Other comprehensive income				
Items to be subsequently reclassified to profit or loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**24,933**	578	**28,940**	1,605
Related income taxes	**(6,559)**	(135)	**(7,542)**	(407)
	18,374	443	**21,398**	1,198
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**11,293**	(8,864)	**34,463**	7,186
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(4,658)**	7,458	**(21,266)**	(6,275)
Related income taxes	**65**	(65)	**369**	(251)
	6,700	(1,471)	**13,566**	660
	25,074	(1,028)	**34,964**	1,858
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability	**1,187**	3,929	**2,194**	8,027
Related income taxes	**(314)**	(1,041)	**(581)**	(2,127)
	873	2,888	**1,613**	5,900
Other comprehensive income for the period	**25,947**	1,860	**36,577**	7,758
Comprehensive income for the period	**167,710**	78,523	**254,809**	159,445
Comprehensive income for the period attributable to:				
Owners of the Corporation	**158,025**	78,523	**245,124**	159,445
Non-controlling interest	**9,685**	—	**9,685**	—
	167,710	78,523	**254,809**	159,445

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

	Equity attributable to the owners of the Corporation					
(In thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Accumulated other comprehensive income $	Retained earnings $	Equity attributable to non-controlling interest $	Total shareholders' equity $
	(Note 10)		*(Note 11)*			
Balance at August 31, 2016	1,008,467	13,328	84,627	273,493	—	1,379,915
Profit for the period	—	—	—	151,687	—	151,687
Other comprehensive income for the period	—	—	1,858	5,900	—	7,758
Comprehensive income for the period	—	—	1,858	157,587	—	159,445
Issuance of subordinate voting shares under the Stock Option Plan	4,632	—	—	—	—	4,632
Share-based payment	—	2,224	—	—	—	2,224
Share-based payment previously recorded in share-based payment reserve for options exercised	964	(964)	—	—	—	—
Dividends on multiple voting shares (Note 10 C))	—	—	—	(13,494)	—	(13,494)
Dividends on subordinate voting shares (Note 10 C))	—	—	—	(28,819)	—	(28,819)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(3,436)	—	—	—	—	(3,436)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,867	(3,655)	—	(212)	—	—
Total contributions by (distributions to) shareholders	6,027	(2,395)	—	(42,525)	—	(38,893)
Balance at February 28, 2017	1,014,494	10,933	86,485	388,555	—	1,500,467
Balance at August 31, 2017	**1,017,636**	**13,086**	**76,635**	**491,910**	**—**	**1,599,267**
Profit for the period	**—**	**—**	**—**	**215,356**	**2,876**	**218,232**
Other comprehensive income for the period	**—**	**—**	**28,155**	**1,613**	**6,809**	**36,577**
Comprehensive income for the period	**—**	**—**	**28,155**	**216,969**	**9,685**	**254,809**
Issuance of subordinate voting shares under the Stock Option Plan	**3,075**	**—**	**—**	**—**	**—**	**3,075**
Share-based payment	**—**	**3,502**	**—**	**—**	**—**	**3,502**
Share-based payment previously recorded in share-based payment reserve for options exercised	**508**	**(508)**	**—**	**—**	**—**	**—**
Dividends on multiple voting shares (Note 10 C))	**—**	**—**	**—**	**(14,907)**	**—**	**(14,907)**
Dividends on subordinate voting shares (Note 10 C))	**—**	**—**	**—**	**(31,951)**	**—**	**(31,951)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**74,988**	**(74,988)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(9,352)**	**—**	**—**	**—**	**—**	**(9,352)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**4,572**	**(4,453)**	**—**	**(119)**	**—**	**—**
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs	**—**	**—**	**—**	**—**	**389,047**	**389,047**
Total contributions by (distributions to) shareholders	**(1,197)**	**(1,459)**	**—**	**28,011**	**314,059**	**339,414**
Balance at February 28, 2018	**1,016,439**	**11,627**	**104,790**	**736,890**	**323,744**	**2,193,490**

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

(In thousands of Canadian dollars)	*Notes*	February 28, 2018 $	August 31, 2017 $
Assets			
Current			
Cash and cash equivalents	*12 B)*	173,650	211,185
Short-term investments		34,000	54,000
Trade and other receivables		100,822	90,387
Income taxes receivable		24,265	4,210
Prepaid expenses and other		35,484	20,763
Derivative financial instruments		382	98
		368,603	380,643
Non-current			
Other assets		8,840	7,095
Property, plant and equipment		2,265,382	1,947,239
Intangible assets		2,866,364	1,978,302
Goodwill		1,643,262	1,023,424
Derivative financial instruments		29,223	759
Deferred tax assets		3,971	10,918
		7,185,645	5,348,380
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		4,378	3,801
Trade and other payables		256,700	316,762
Provisions		21,089	23,010
Income tax liabilities		37,105	103,649
Deferred and prepaid revenue		81,988	85,005
Balance due on a business combination		—	118
Derivative financial instruments		—	192
Current portion of long-term debt	9	171,289	131,915
		572,549	664,452
Non-current			
Long-term debt	9	3,855,789	2,444,518
Deferred and prepaid revenue and other liabilities		41,376	31,462
Pension plan liabilities and accrued employee benefits		1,493	4,934
Deferred tax liabilities		520,948	603,747
		4,992,155	3,749,113
Shareholders' equity			
Share capital	*10 B)*	1,016,439	1,017,636
Share-based payment reserve		11,627	13,086
Accumulated other comprehensive income	*11*	104,790	76,635
Retained earnings		736,890	491,910
		1,869,746	1,599,267
Equity attributable to non-controlling interest		323,744	—
		2,193,490	1,599,267
		7,185,645	5,348,380

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

		Three months ended February 28,		Six months ended February 28,	
	Notes	**2018**	2017	**2018**	2017
(In thousands of Canadian dollars)		**$**	$	**$**	$
Cash flow from operating activities					
Profit for the period		**141,763**	76,663	**218,232**	151,687
Adjustments for:					
Depreciation and amortization	*5*	**130,570**	119,253	**246,880**	238,329
Financial expense	*6*	**47,553**	32,475	**77,035**	64,565
Income taxes	*7*	**(67,802)**	25,448	**(42,973)**	48,961
Share-based payment	*10 D)*	**953**	1,715	**2,746**	2,736
Loss (gain) on disposals and write-offs of property, plant and equipment		**107**	1,370	**472**	(490)
Defined benefit plans contributions, net of expense		**333**	620	**(532)**	953
		253,477	257,544	**501,860**	506,741
Changes in non-cash operating activities	*12 A)*	**29,553**	8,321	**(76,181)**	(72,071)
Financial expense paid		**(31,433)**	(18,887)	**(71,607)**	(60,570)
Income taxes paid		**(37,083)**	(1,428)	**(133,291)**	(5,089)
		214,514	245,550	**220,781**	369,011
Cash flow from investing activities					
Acquisition of property, plant and equipment		**(122,286)**	(82,143)	**(213,611)**	(173,105)
Acquisition of intangible and other assets		**(4,978)**	(4,056)	**(9,811)**	(9,588)
Redemption of a short-term investment		**—**	—	**20,000**	—
Business combination, net of cash and cash equivalents acquired	*3*	**(1,762,157)**	—	**(1,762,157)**	(804)
Proceeds on disposals of property, plant and equipment		**782**	375	**1,342**	8,467
		(1,888,639)	(85,824)	**(1,964,237)**	(175,030)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness		**(24,583)**	(16,465)	**577**	1,295
Net increase (decrease) under the revolving facilities		**9,369**	(121,902)	**908**	(152,997)
Issuance of long-term debt, net of discounts and transaction costs		**2,082,408**	—	**2,082,408**	—
Repayments of long-term debt		**(705,067)**	(205)	**(712,056)**	(17,843)
Repayment of balance due on a business combination		**—**	—	**(118)**	—
Increase in deferred transaction costs		**(3,168)**	(440)	**(3,168)**	(440)
Issuance of subordinate voting shares	*10 B)*	**519**	2,820	**3,075**	4,632
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		**389,047**	—	**389,047**	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*10 B)*	**—**	—	**(9,352)**	(3,436)
Dividends paid on multiple voting shares	*10 C)*	**(7,454)**	(6,747)	**(14,907)**	(13,494)
Dividends paid on subordinate voting shares	*10 C)*	**(15,956)**	(14,409)	**(31,951)**	(28,819)
		1,725,115	(157,348)	**1,704,463**	(211,102)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**420**	(84)	**1,458**	670
Net change in cash and cash equivalents		**51,410**	2,294	**(37,535)**	(16,451)
Cash and cash equivalents, beginning of the period		**122,240**	43,541	**211,185**	62,286
Cash and cash equivalents, end of the period		**173,650**	45,835	**173,650**	45,835

NATURE OF OPERATIONS

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

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

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

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and do not include all 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 2017 annual consolidated financial statements.

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

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that in the Canadian and American broadband services segments, the number of customers in the Internet and video services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. 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 April 12, 2018.

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

2. OPERATING SEGMENTS

The Corporation's segment profit (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 Internet, video 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 11 states along the East Coast, from Maine to Florida.

The Business ICT services segment provides colocation, network connectivity, hosting, cloud and an extensive 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. The primary activities of the Business ICT services segment are carried out by Cogeco Peer 1 across Canada (British Columbia, Ontario and Québec), the United States (California, Texas, Virginia, Florida and Georgia) and Europe (London and Southampton, United Kingdom and France). Cogeco Peer 1 has more than 50 points of presence, including in Germany, the Netherlands and Mexico.

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.

	Three months ended February 28, 2018				
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue (1)	323,851	205,940	70,169	(1,022)	598,938
Operating expenses	156,705	114,486	49,225	5,329	325,745
Management fees – Cogeco Inc.	—	—	—	5,110	5,110
Segment profit (loss)	167,146	91,454	20,944	(11,461)	268,083
Integration, restructuring and acquisition costs (2)	—	15,999	—	—	15,999
Depreciation and amortization	59,048	46,414	25,032	76	130,570
Financial expense					47,553
Income taxes					(67,802)
Profit for the period					141,763
Acquisition of property, plant and equipment	50,644	59,945	11,697	—	122,286
Acquisition of intangible and other assets	2,190	1,270	1,518	—	4,978

(1) Revenue by geographic market includes $365,660 in Canada, $225,164 in the United States and $8,114 in Europe.
(2) Comprised of acquisition and integration costs in connection with the MetroCast acquisition completed on January 4, 2018 (see Note 3).

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

	Three months ended February 28, 2017				
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue [(1)]	325,790	159,894	76,112	(921)	560,875
Operating expenses	156,088	92,184	51,289	2,670	302,231
Management fees – Cogeco Inc.	—	—	—	4,805	4,805
Segment profit (loss)	169,702	67,710	24,823	(8,396)	253,839
Depreciation and amortization	58,695	34,417	26,066	75	119,253
Financial expense					32,475
Income taxes					25,448
Profit for the period					76,663
Acquisition of property, plant and equipment	44,081	30,147	7,915	—	82,143
Acquisition of intangible and other assets	2,401	1,167	488	—	4,056

(1) Revenue by geographic market includes $371,077 in Canada, $181,817 in the United States and $7,981 in Europe.

	Six months ended February 28, 2018				
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue [(1)]	650,792	363,634	140,052	(1,915)	1,152,563
Operating expenses	311,273	209,769	97,988	8,130	627,160
Management fees – Cogeco Inc.	—	—	—	9,838	9,838
Segment profit (loss)	339,519	153,865	42,064	(19,883)	515,565
Integration, restructuring and acquisition costs [(2)]	—	16,391	—	—	16,391
Depreciation and amortization	116,109	80,155	50,465	151	246,880
Financial expense					77,035
Income taxes					(42,973)
Profit for the period					218,232
Property, plant and equipment	1,094,571	791,008	379,501	302	2,265,382
Intangible assets	989,831	1,802,502	74,031	—	2,866,364
Goodwill	4,662	1,367,702	270,898	—	1,643,262
Acquisition of property, plant and equipment	95,541	95,529	22,541	—	213,611
Acquisition of intangible and other assets	4,794	2,511	2,506	—	9,811

(1) Revenue by geographic market includes $734,345 in Canada, $402,580 in the United States and $15,638 in Europe.

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

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

					Six months ended February 28, 2017
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue (1)	642,625	319,875	149,320	(1,855)	1,109,965
Operating expenses	307,871	182,340	101,528	5,191	596,930
Management fees – Cogeco Inc.	—	—	—	9,493	9,493
Segment profit (loss)	334,754	137,535	47,792	(16,539)	503,542
Depreciation and amortization	117,031	67,743	53,405	150	238,329
Financial expense					64,565
Income taxes					48,961
Profit for the period					151,687
Property, plant and equipment (2)	1,110,926	443,257	392,603	453	1,947,239
Intangible assets (2)	990,600	905,805	81,897	—	1,978,302
Goodwill (2)	4,662	749,982	268,780	—	1,023,424
Acquisition of property, plant and equipment	91,950	64,776	16,379	—	173,105
Acquisition of intangible and other assets	5,333	2,334	1,921	—	9,588

(1) Revenue by geographic market includes $729,767 in Canada, $364,158 in the United States and $16,040 in Europe.

(2) At August 31, 2017.

The following tables set out certain geographic market information at February 28, 2018 and August 31, 2017:

				At February 28, 2018
	Canada	**United States**	**Europe**	**Total**
	$	**$**	**$**	**$**
Property, plant and equipment	**1,399,923**	**835,206**	**30,253**	**2,265,382**
Intangible assets	**1,039,688**	**1,823,580**	**3,096**	**2,866,364**
Goodwill	**221,867**	**1,406,173**	**15,222**	**1,643,262**

				At August 31, 2017
	Canada	United States	Europe	Total
	$	$	$	$
Property, plant and equipment	1,426,089	490,820	30,330	1,947,239
Intangible assets	1,044,991	929,565	3,746	1,978,302
Goodwill	221,867	787,633	13,924	1,023,424

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

3. BUSINESS COMBINATION

MetroCast business combination

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

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

	Preliminary February 28, 2018 $
Purchase price	
Consideration paid	1,762,163
Net assets acquired	
Cash and cash equivalents	6
Trade and other receivables	5,075
Prepaid expenses and other	1,989
Property, plant and equipment	297,156
Intangible assets	874,553
Goodwill	588,431
Trade and other payables assumed	(5,047)
	1,762,163

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

In connection with this acquisition, the Corporation incurred acquisition-related costs of $19.6 million, of which $16.4 million were recognized in the current year, as " Integration, restructuring and acquisition costs " in the Corporation's consolidated statement of profit and loss.

During the three and six-month periods ended February 28, 2018, the Corporation recognized $47.5 million of revenue and $13.1 million of profit related to the additional operations generated by the acquisition of MetroCast which excludes acquisition and integration costs and financial expense, net of the related income tax effect. The MetroCast revenue, operating expenses and depreciation and amortization are recognized in the American broadband services operating segment.

Had the business combination been effective at September 1, 2017, the consolidated revenue of the Corporation would have been $1.247 billion, and the profit would have been $219.8 million for the six-month period ended February 28, 2018. Management considers these “pro-forma” numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on September 1, 2017.

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

4. OPERATING EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Salaries, employee benefits and outsourced services	**97,920**	90,927	**187,255**	178,194
Service delivery costs (1)	**176,171**	166,224	**338,636**	328,969
Customer related costs (2)	**17,642**	16,721	**36,397**	33,946
Other external purchases (3)	**34,012**	28,359	**64,872**	55,821
	325,745	302,231	**627,160**	596,930

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

5. DEPRECIATION AND AMORTIZATION

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Depreciation of property, plant and equipment	**110,012**	103,746	**211,140**	207,324
Amortization of intangible assets	**20,558**	15,507	**35,740**	31,005
	130,570	119,253	**246,880**	238,329

6. FINANCIAL EXPENSE

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Interest on long-term debt (1)	**47,554**	30,940	**77,589**	62,453
Net foreign exchange losses (gains)	**(496)**	308	**(1,454)**	(189)
Amortization of deferred transaction costs	**389**	633	**1,005**	1,246
Capitalized borrowing costs (2)	**(708)**	(705)	**(1,574)**	(1,359)
Other	**814**	1,299	**1,469**	2,414
	47,553	32,475	**77,035**	64,565

(1) In connection with the MetroCast acquisition, an amount of $7.3 million was charged to financial expense, representing the unamortized deferred financing costs pertaining to the early reimbursement of the Term Loan A-2, A-3 and B facilities in January 2018.

(2) For the three and six-month periods ended February 28, 2018 and 2017, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

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

7. INCOME TAXES

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Current	**24,132**	24,290	**46,742**	45,715
Deferred	**(91,934)**	1,158	**(89,715)**	3,246
	(67,802)	25,448	**(42,973)**	48,961

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 February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Profit before income taxes	**73,961**	102,111	**175,259**	200,648
Combined Canadian income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**19,600**	27,060	**46,444**	53,172
Adjustment for losses or profit subject to lower or higher tax rates	**(2,330)**	2,449	**(522)**	5,489
Revaluation of deferred tax assets	**9,356**	(112)	**9,557**	264
Impact on deferred taxes as a result of changes in substantively enacted tax rates (1)	**(88,898)**	—	**(89,056)**	(1,714)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(45)**	168	**(175)**	95
Tax impacts related to foreign operations	**(5,379)**	(4,205)	**(9,424)**	(8,435)
Other	**(106)**	88	**203**	90
Income taxes at effective income tax rate	**(67,802)**	25,448	**(42,973)**	48,961

(1) On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduced the general federal corporate tax rate from 35% to 21% starting after 2017. As a result, deferred income taxes and net deferred tax liabilities have been reduced by approximately $89 million (US$70 million).In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance.

8. EARNINGS PER SHARE

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

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Profit for the period attributable to the owners of the Corporation	**138,887**	76,663	**215,356**	151,687
Weighted average number of multiple and subordinate voting shares outstanding	**49,285,885**	49,190,249	**49,287,026**	49,167,153
Effect of dilutive stock options (1)	**182,878**	143,001	**215,547**	123,300
Effect of dilutive incentive share units	**113,186**	107,420	**108,275**	119,591
Effect of dilutive performance share units	**144,121**	118,747	**134,352**	107,421
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,726,070**	49,559,417	**49,745,200**	49,517,465
Earnings per share				
Basic	**2.82**	1.56	**4.37**	3.09
Diluted	**2.79**	1.55	**4.33**	3.06

(1) For the three and six-month periods ended February 28, 2018, 258,175 and nil stock options (1,100 and 129,860 in 2017) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

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

9. LONG-TERM DEBT

	Maturity	Interest rate		February 28, 2018	August 31, 2017
		%		$	$
Corporation (1)					
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		31,918	31,229
Series B - US$150 million	September 2026	4.29		191,453	187,325
Senior Secured Notes Series B	October 2018	7.60		54,958	54,922
Senior Secured Notes - US$215 million	June 2025	4.30		274,362	268,432
Senior Secured Debentures Series 2	November 2020	5.15		199,449	199,354
Senior Secured Debentures Series 3	February 2022	4.93		199,158	199,061
Senior Secured Debentures Series 4	May 2023	4.18		298,230	298,078
Senior Unsecured Debenture	March 2018	5.94		99,999	99,979
Senior Unsecured Notes – US$400 million	May 2020	4.88		509,661	498,141
Subsidiaries					
First Lien Credit Facilities (4) (5)					
Senior Secured Term Loan B Facility - US$1.7 billion	January 2025	4.02	(2) (3)	2,129,207	—
Senior Secured Revolving Facility - US$30.2 million	January 2023	4.02	(2)	38,683	—
Term Loan A-2 Facility – US$94.4 million at August 31, 2017	—	—		—	117,397
Term Loan A-3 Facility - US$118.4 million at August 31, 2017	—	—		—	147,073
Term Loan B Facility – US$355.4 million at August 31, 2017	—	—		—	439,088
Revolving Facility – US$29 million at August 31, 2017	—	—		—	36,354
				4,027,078	2,576,433
Less current portion				171,289	131,915
				3,855,789	2,444,518

(1) On December 11, 2017, the Corporation extended its $800 million Term Revolving Facility maturity date by an additional year until January 24, 2023.

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

(3) A US subsidiary of the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.175 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 0.987% to 2.262% for maturities between July 31, 2019 and November 30, 2024, under the Senior Secured Term Loan B Facility.Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.31%.

(4) A US$1.7 billion Senior Secured Term Loan B was issued on January 4, 2018 to finance the MetroCast acquisition and also to refinance the existing Atlantic Broadband First Lien Credit Facilities. US$583 million was used to reimburse the existing Term Loan A-2, A-3, B and Revolving facility.

(5) In connection with the Metrocast acquisition, a US$150 million Senior Secured Revolving Facility was issued on January 4, 2018.

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

10. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

	February 28, 2018	August 31, 2017
	$	$
15,691,100 multiple voting shares	98,346	98,346
33,865,467 subordinate voting shares (33,813,777 at August 31, 2017)	936,732	933,149
	1,035,078	1,031,495
112,845 subordinate voting shares held in trust under the Incentive Share Unit Plan (105,219 at August 31, 2017)	(7,643)	(5,801)
145,621 subordinate voting shares held in trust under the Performance Share Unit Plan (122,614 at August 31, 2017)	(10,996)	(8,058)
	1,016,439	1,017,636

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

	Number of shares	Amount
		$
Balance at August 31, 2017	33,813,777	933,149
Shares issued for cash under the Stock Option Plan	51,690	3,075
Share-based payment previously recorded in share-based payment reserve for options exercised	—	508
Balance at February 28, 2018	33,865,467	936,732

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

	Number of shares	Amount
		$
Balance at August 31, 2017	105,219	5,801
Subordinate voting shares acquired	42,390	3,790
Subordinate voting shares distributed to employees	(34,764)	(1,948)
Balance at February 28, 2018	112,845	7,643

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

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

	Number of shares	Amount
		$
Balance at August 31, 2017	122,614	8,058
Subordinate voting shares acquired	62,204	5,562
Subordinate voting shares distributed to employees	(39,197)	(2,624)
Balance at February 28, 2018	145,621	10,996

C) DIVIDENDS

For the six-month period ended February 28, 2018, quarterly eligible dividends of $0.475 per share for a total of $0.95 per share, were paid to the holders of multiple and subordinate voting shares, totaling $46.9 million, compared to a quarterly eligible dividend of $0.43 per share for a total of $0.86 per share or $42.3 million for the six-month period ended February 28, 2017.

At its April 12, 2018 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.475 per share for multiple and subordinate voting shares, payable on May 10, 2018 to shareholders of record on April 26, 2018.

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 2017 annual consolidated financial statements of the Corporation.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at February 28, 2018:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2017	652,385	56.61
Granted (1)	279,550	85.20
Exercised (2)	(51,690)	59.48
Cancelled	(48,220)	72.25
Outstanding at February 28, 2018	832,025	65.13
Exercisable at February 28, 2018	281,860	49.53

(1) During the six-month period ended February 28, 2018, the Corporation granted 124,625 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 $85.60.

A compensation expense of $121,000 and $356,000 ($149,000 and $256,000 in 2017) was recorded for the three and six-month periods ended February 28, 2018 related to this plan.

The weighted average fair value of stock options granted for the six-month period ended February 28, 2018 was $13.40 ($8.91 in 2017) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	2018	2017
	%	%
Expected dividend yield	2.23	2.52
Expected volatility	20.12	21.30
Risk-free interest rate	1.65	0.80
Expected life (in years)	6.0	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 February 28, 2018:

Outstanding at August 31, 2017	101,538
Granted (1)	47,625
Distributed	(34,764)
Cancelled	(6,580)
Outstanding at February 28, 2018	**107,819**

(1) During the six-month period ended February 28, 2018, the Corporation did not grant any ISUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $669,000 and $1,183,000 ($507,000 and $950,000 in 2017) was recorded for the three and six-month periods ended February 28, 2018 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at February 28, 2018:

Outstanding at August 31, 2017	115,207
Granted (1)	65,250
Performance-based additional units granted	2,260
Distributed	(39,197)
Cancelled	(11,040)
Dividend equivalents	1,613
Outstanding at February 28, 2018	**134,093**

(1) During the six-month period ended February 28, 2018, the Corporation granted 18,750 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $598,000 and $1,085,000 ($324,000 and $375,000 in 2017) was recorded for the three and six-month periods ended February 28, 2018 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at February 28, 2018:

Outstanding at August 31, 2017	40,446
Issued	6,662
Redeemed	(5,549)
Dividend equivalents	468
Outstanding at February 28, 2018	**42,027**

A compensation expense reduction of $399,000 and $271,000 (compensation expense of $424,000 and $512,000 in 2017) was recorded for the three and six-month periods ended February 28, 2018 related to this plan.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2016	(121)	84,748	84,627
Other comprehensive income	1,198	660	1,858
Balance at February 28, 2017	1,077	85,408	86,485
Balance at August 31, 2017	438	76,197	76,635
Other comprehensive income	21,398	6,757	28,155
Balance at February 28, 2018	**21,836**	**82,954**	**104,790**

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

12. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Trade and other receivables	**(3,041)**	4,416	**(4,793)**	(2,629)
Prepaid expenses and other	**(2,040)**	461	**(12,035)**	(6,508)
Trade and other payables	**30,459**	2,749	**(65,876)**	(66,532)
Provisions	**479**	(94)	**589**	1,925
Deferred and prepaid revenue and other liabilities	**3,696**	789	**5,934**	1,673
	29,553	8,321	**(76,181)**	(72,071)

B) CASH AND CASH EQUIVALENTS

	February 28, 2018	August 31, 2017
	$	$
Cash	**157,650**	162,222
Cash equivalents [(1)]	**16,000**	48,963
	173,650	211,185

(1) At February 28, 2018, comprised of a certificate of deposit bearing interest at 1.51% with a maturity date of March 2nd, 2018. At August 31, 2017, comprised of banker's acceptances and a certificate of deposit, bearing interest between 1.12% to 1.30% and with maturity dates ranging from September 21st to October 19th, 2017.

13. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	**384**	750	**904**	1,323
Administrative expense	**62**	74	**125**	130
Recognized in financial expense (other)				
Net interest	**15**	93	**41**	116
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,183**	2,385	**4,789**	4,600
	2,644	3,302	**5,859**	6,169

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

14. 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 February 28, 2018, the Corporation had used $6.9 million of its $800 million Term Revolving Facility for a remaining availability of $793.1 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $192.1 million (US $150 million), of which $41.1 million (US$32.1 million) was used at February 28, 2018 for a remaining availability of $151 million (US $117.9 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 February 28, 2018, 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's US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 28, 2018:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.1 million based on the outstanding debt at February 28, 2018.

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 $14.2 million based on the outstanding debt at February 28, 2018.

The Corporation faces exposure to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation entered into foreign currency forward contracts and designated them as a cash-flow hedge for accounting purposes. The following table shows the forward contracts outstanding at February 28, 2018:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$7.9 million	March 2018	1.2311 - 1.2323	Purchase commitments of property, plant and equipment

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. The risk related to the US dollar aggregate investments is mitigated since the major part was borrowed in US dollars.

The following table shows the net investments in foreign operations outstanding at February 28, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$952.5 million	Net investments in foreign operations in US dollar
N/A	£—	£26.7 million	N/A

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

The exchange rates used to translate the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at February 28, 2018 was $1.2809 ($1.2536 at August 31, 2017) per US dollar and $1.7667 ($1.6161 at August 31, 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $25.5 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	February 28, 2018		August 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	**4,027,078**	**4,128,722**	2,576,433	2,684,981

C) CAPITAL MANAGEMENT

At February 28, 2018 and August 31, 2017, 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:

	February 28, 2018	August 31, 2017
Net secured indebtedness (1) / adjusted EBITDA (2)	**3.2**	1.7
Net indebtedness (3) / adjusted EBITDA (2)	**3.8**	2.3
Adjusted EBITDA (2) / financial expense (2)	**7.2**	7.8

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month periods ended February 28, 2018, which include two months of Metrocast operations, and August 31, 2017.

(3) Net indebtedness is defined as the total of bank indebtedness, balance due on a business combination and principal on long-term debt, less cash and cash equivalents and short-term investments.

15. RELATED PARTY TRANSACTIONS

Cogeco provides executive, administrative, financial and strategic planning services and other services to 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, the Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement. 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. As contemplated by this provision and following the MetroCast acquisition completed on January 4, 2018, the management fees payable on a monthly basis charged to the Corporation were reviewed and reduced from 0.85% to 0.75% of the consolidated revenue of the Corporation, effective on January 4, 2018. For the three and six-month periods ended February 28, 2018, management fees paid to Cogeco amounted to $5.1 million and $9.8 million, respectively, compared to $4.8 million and $9.5 million for the same periods of fiscal 2017.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the six-month period ended February 28, 2018, the Corporation granted 124,625 (81,350 in 2017) stock options, did not grant any ISUs (nil in 2017) and granted 18,750 (12,150 in 2017) PSUs to these executive officers as executive officers of Cogeco Communications. During the three and six-month periods ended February 28, 2018, the Corporation charged Cogeco $201,000 and $395,000 ($139,000 and $302,000 in 2017), nil and $1,000 ($2,000 and $35,000 in 2017) and $248,000 and $482,000 ($170,000 and $306,000 in 2017), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers.

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

CUSTOMER STATISTICS

	February 28, 2018	November 30, 2017	August 31, 2017	May 31, 2017	February 28, 2017
CONSOLIDATED					
Primary service units[1]	**2,788,268**	**2,532,964**	2,533,903	2,539,566	2,540,917
Internet service customers	**1,199,201**	**1,054,346**	1,042,996	1,034,686	1,023,519
Video service customers	**1,029,901**	**948,778**	956,775	967,020	976,997
Telephony service customers[1]	**559,166**	**529,840**	534,132	537,860	540,401
CANADA					
Primary service units[1]	**1,914,178**	**1,919,939**	1,921,068	1,930,037	1,937,639
Internet service customers	**786,314**	**779,434**	769,869	764,350	759,152
Penetration as a percentage of homes passed	**45.1%**	**44.9%**	44.5%	44.3%	44.2%
Video service customers	**708,584**	**715,604**	720,636	729,701	737,975
Penetration as a percentage of homes passed	**40.7%**	**41.2%**	41.6%	42.3%	42.9%
Telephony service customers[1]	**419,280**	**424,901**	430,563	435,986	440,512
Penetration as a percentage of homes passed[1]	**24.1%**	**24.5%**	24.9%	25.3%	25.6%
UNITED STATES					
Primary service units[1]	**874,090**	**613,025**	612,835	609,529	603,278
Internet service customers	**412,887**	**274,912**	273,127	270,336	264,367
Penetration as a percentage of homes passed	**49.5%**	**46.2%**	45.9%	45.7%	44.7%
Video service customers	**321,317**	**233,174**	236,139	237,319	239,022
Penetration as a percentage of homes passed	**38.5%**	**39.2%**	39.7%	40.1%	40.4%
Telephony service customers[1]	**139,886**	**104,939**	103,569	101,874	99,889
Penetration as a percentage of homes passed[1]	**16.8%**	**17.6%**	17.4%	17.2%	16.9%

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