COGECO COMMUNICATIONS

News release

For immediate release

Cogeco Communications Inc. Releases Its Results For The Third Quarter Of Fiscal 2016

- **Revenue increased by $23.8 million, or 4.6%, to reach $540.3 million;**
- **Adjusted EBITDA(1) increased by $3.4 million, or 1.4%, to reach $243.1 million compared to $239.8 million for the third quarter of fiscal 2015;**
- **Free cash flow(1) increased by $8.8 million, or 11.6%, to reach $84.7 million;**
- **A quarterly eligible dividend of $0.39 per share was declared, an increase 11.4% compared to the same period of fiscal 2015; and**
- **A non-cash impairment of goodwill and intangible assets related to the Business information and communications technology ("Business ICT") services segment was recorded during the third quarter of fiscal 2016, amounting to $450 million.**

Montréal, July 6, 2016 – Today, Cogeco Communications Inc. (TSX: CCA) ("Cogeco Communications" or the "Corporation") announced its financial results for the third quarter ended May 31, 2016, in accordance with International Financial Reporting Standards ("IFRS").

For the third quarter of fiscal 2016:

- Revenue increased by $23.8 million, or 4.6%, to reach $540.3 million mainly driven by growth of 24.1% in the American broadband services segment with stable revenue in the Canadian broadband services segment, partly offset by a decrease of 7.8% in the Business ICT services segment.
    - American broadband services revenue increased primarily as a result of the acquisition in the fourth quarter of fiscal 2015 of MetroCast Communications of Connecticut, LLC (the "Connecticut system"), favorable foreign exchange rates compared to the same period of the prior year and organic growth;
    - Canadian broadband services revenue was stable as a result of rate increases implemented in February 2016 and the continued growth in the business sector, partly offset by lower primary service units ("PSU")(2) compared to the same period of the prior year and the impact of the implementation of a small basic service and flexible packaging requirements launched on March 1, 2016;
    - Business ICT services revenue decreased primarily as a result of competitive pricing pressure on the managed hosting and network connectivity services as well as an accelerated transition out of unprofitable services, partly offset by favorable foreign exchange rate for the US dollar over the Canadian dollar compared to the same period of last year;

- Adjusted EBITDA increased by $3.4 million, or 1.4%, to reach $243.1 million compared to $239.8 million in the same period of fiscal 2015 mainly as a result of the following:
    - Higher adjusted EBITDA in the American broadband services resulting from favorable foreign exchange rates compared to the same period of the prior year, the acquisition of the Connecticut system and organic growth, partly offset by non-recurring operating expenses;
    - Higher adjusted EBITDA in the Canadian broadband services resulting from a decline in operating expenses;
    - Lower adjusted EBITDA in the Business ICT services resulting from a decrease in revenue, partly offset by cost reduction initiatives combined with favorable foreign exchange rate for the US dollar over the Canadian dollar compared to the comparable period of the prior year; and
    - Higher management fees of $4.6 million paid to Cogeco Inc. ("Cogeco") during the third quarter of fiscal 2016 under the Amended and Restated Management Services Agreement which became effective on September 1, 2015. The management fees are now payable on a monthly basis. In the previous fiscal year,

management fees were fully paid in the first quarter;
- Operating margin(1) decreased to 45.0% from 46.4% in the third quarter of fiscal 2016, with operating margins of 51.9% in the Canadian broadband services, 41.8% in the American broadband services and 31.7% in the Business ICT services segments. The decrease for the quarter resulted mainly from higher management fees paid to Cogeco during the third quarter of the year under the Amended and Restated Management Services Agreement combined with lower margins in the American broadband services and the Business ICT services segments;
- During the third quarter of fiscal 2016, the Corporation recognized a $450 million non-cash pre-tax impairment of goodwill and intangible assets in its Business ICT services segment resulting from changing industry dynamics and related valuations, and lower expectations for future revenue, profitability and cash flow growth;
- Loss for the period amounted to $387.4 million, or $7.89 per share, compared to a profit for the period of $64.1 million, or $1.31 per share in the comparable period of fiscal 2015, a decrease of $451.5 million resulting mainly from the non-cash pre-tax impairment of goodwill and intangible assets of $450.0 million and from $10.5 million related to the claims and litigations which both occurred in the Business ICT services segment. The remaining variation is explained by the improvement of the adjusted EBITDA combined with the decreases in financial expense, income taxes and integration, restructuring and acquisition costs, partly offset by the increase in depreciation and amortization;
- Free cash flow increased by $8.8 million, or 11.6%, to reach $84.7 million compared to $75.8 million for the same period of the prior year as a result of the improvement of adjusted EBITDA combined with decreases in the acquisitions of property, plant and equipment, intangible and other assets, integration, restructuring and acquisition costs and financial expense, partly offset by the claims and litigations;
- Cash flow from operating activities decreased by $15.8 million, or 8.0%, to reach $181.5 million compared to $197.3 million for fiscal 2015 third-quarter. The decrease for the quarter is mostly attributable to the increase in income taxes paid and the claims and litigations, partly offset by the improvement in adjusted EBITDA, the increase in changes in non-cash operating activities primarily due to changes in working capital and the decrease in integration, restructuring and acquisition costs;
- A quarterly eligible dividend of $0.39 per share was paid to the holders of subordinate and multiple voting shares, representing an increase of $0.04 per share, or 11.4%, compared to an eligible dividend of $0.35 per share paid in the third quarter of fiscal 2015;
- The Corporation revised its financial guidelines for the 2016 fiscal year mainly as a result of lower than expected operating results from the Business ICT services segment combined with the appreciation of the Canadian dollar over the US dollar and higher capital expenditures related to a large colocation contract at Cogeco Peer 1;
- The Corporation released its fiscal 2017 preliminary financial guidelines and expects revenue to grow between 2% and 2.5%, adjusted EBITDA to grow between 2% and 3% and free cash flow between 32% and 36%;
- At its July 6, 2016 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.39 per share for multiple voting and subordinate voting shares payable on August 3, 2016; and
- On May 31, 2016, Cogeco Communications' subsidiary, Atlantic Broadband, extended the maturity of its Revolving and Term Loan A Facilities from November 30, 2017 to September 2, 2019
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(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.

For the nine-month period ended May 31, 2016:

- Revenue increased by $109.2 million, or 7.2%, to reach $1.63 billion mainly driven by growth of 33.5% in the American broadband services segment with stable revenue in the Canadian broadband services, partly offset by a decrease of 2.8% in the Business ICT services segments.
    - American broadband services revenue increased primarily as a result of the acquisition in the fourth quarter of fiscal 2015 of the Connecticut system, the organic growth and the favorable foreign exchange rates compared to the same period of the prior year;
    - Canadian broadband services revenue was stable as a result of rate increases implemented in February 2016 and the continued growth in the business sector, partly offset by lower PSU compared to the same period of the prior year and the impact of the implementation of a small basic service and flexible packaging requirements launched on March 1, 2016;
    - Business ICT services revenue decreased due to the competitive pricing pressure on the managed hosting and network connectivity services as well as an accelerated transition out of unprofitable services, partly offset by favorable foreign exchange rates;
- Adjusted EBITDA increased by $45.8 million, or 6.6%, to reach $735.6 million compared to $689.9 million in the

same period of fiscal 2015 mainly as a result of the following:
    - Higher adjusted EBITDA in the American broadband services resulting from organic growth, favorable foreign exchange rates compared to the same period of the prior year and the acquisition of the Connecticut system;
    - Higher adjusted EBITDA in the Canadian broadband services resulting from a decline in operating expenses;
    - Lower adjusted EBITDA in the Business ICT services resulting from a decrease in revenue, partly offset by cost reduction initiatives as a result of the operational, financial and organizational restructuring combined with favorable foreign exchange rates compared to the comparable period of the prior year;
- Operating margin slightly decreased to 45.1% from 45.3% for the nine-month period ended May 31, 2016, with operating margins of 51.8% in the Canadian broadband services, 42.8% in the American broadband services and 33.5% in the Business ICT services segments. The decrease for the first nine months resulted mainly from higher management fees paid to Cogeco and lower margins in the American broadband services and Business ICT services segments, partly offset by a higher margin in the Canadian broadband services segment;
- Loss for the period amounted to $264.2 million, or $5.39 per share, compared to a profit for the period of $179.8 million, or $3.68 per share in the comparable period of fiscal 2015, a decrease of $444.0 million, resulting mainly from the non-cash pre-tax impairment of goodwill and intangible assets of $450 million and from $10.5 million related to the claims and litigations which both occurred in the Business ICT services segment. The remaining variation is explained by the improvement of adjusted EBITDA and the decrease in financial expense, partly offset by the increase in depreciation and amortization;
- Free cash flow decreased by $14.5 million, or 6.8%, to reach $199.4 million compared to $213.9 million for the same period of the prior year resulting from the timing of the acquisitions of property, plant and equipment, intangible and other assets, the claims and litigations and the increase in current income taxes, partly offset by the improvement of adjusted EBITDA and the decrease in financial expense; and
- Cash flow from operating activities reached $483.5 million compared to $417.6 million an increase of $65.9 million, or 15.8%, compared to the first nine months of fiscal 2015 mainly due to the improvement in adjusted EBITDA combined with a decrease in changes in non-cash operating activities primarily due to changes in working capital, partly offset by the increase in income taxes paid and in claims and litigations.

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

"Cogeco Communications Inc.'s broadband services segments continued to show overall good financial performance during the third quarter of 2016," declared Louis Audet, President and Chief Executive Officer of Cogeco Communications Inc. "Our Canadian services subsidiary, Cogeco Connexion, has reported relatively satisfactory results, leveraging its superior Internet speeds and video solutions in a competitive environment."

"Meanwhile, Atlantic Broadband, our American broadband services subsidiary, continues to report strong results and new growth, particularly in Miami with the recent announcement of a contract to be the exclusive communications services provider for the new 83-story Panorama Towers," added M. Audet. "We are also maintaining solid organic growth, including in our newly acquired Connecticut system."

"We are seeing increased competition in the Business ICT sector from large cloud-based offerings competing with traditional managed hosting providers," stated Mr. Audet. "Cogeco Communications remains committed to investing in and growing the Business ICT sector with Cogeco Peer 1 at the forefront of this strategy, positioned as a trusted partner to its customers. Our integration is now complete and we are confident that with a solid, seasoned management team in place and a competitive product portfolio, our subsidiary can effectively serve the market, adapting to its changing conditions."

"In all our businesses, we move forward and act with our customers in mind, and we feel this strategy continues to be the key to our success," concluded M. Audet

ABOUT COGECO COMMUNICATIONS

Cogeco Communications Inc. is a communications corporation. It is the 8th largest cable operator in North America, operating in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Cogeco Communications Inc. provides its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Through its subsidiary Cogeco Peer 1, Cogeco Communications Inc. provides its business customers with a suite of information and communications technology services (colocation, network connectivity, managed hosting, cloud services and managed IT services), through its 17 data centres, an extensive FastFiber NetworkTM and more than 50 points-of-presence in North America and Europe. Cogeco Communications Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

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Source:	**Cogeco Communications Inc.**
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Analyst Conference Call:	**Thursday, July 7, 2016 at 11:00 a.m.** (Eastern Standard Time)
	Media representatives may attend as listeners only.
	Please use the following dial-in number to have access to the conference call by dialing five minutes before the start of the conference:
	Canada/United States Access Number: **1 800-505-9573** International Access Number: **+ 1 416-204-9498** Confirmation Code: **5432616**
	By Internet at corpo.cogeco.com/cca/en/investors/
	A rebroadcast of the conference call will be available until July 13, 2016, by dialing:
	Canada and United States access number: **1 888-203-1112** International access number: **+ 1 647-436-0148** Confirmation code: **5432616**