COGECO COMMUNICATIONS

News release

For immediate release

Cogeco Communications Inc. Releases Its Results For The Fourth Quarter Of Fiscal 2016 And Increases Its Dividend

- *Revenue increased by $23.6 million, or 4.5% to reach $544.1 million;*
- *Adjusted EBITDA(1) increased by $7.2 million, or 3.0%, to reach $247.8 million compared to $240.6 million in the fourth quarter of fiscal 2015;*
- *Free cash flow(1) increased by $9.5 million compared to the fourth quarter of fiscal 2015, or 13.3%, to reach $81.6 million; and*
- *A quarterly eligible dividend of $0.43 per share was declared, an increase of 10.3% compared to the same period of fiscal 2015.*

Montréal, November 2, 2016 – Today, Cogeco Communications Inc. (TSX: CCA) ("Cogeco Communications" or the "Corporation") announced its financial results for the fourth quarter ended August 31, 2016, in accordance with International Financial Reporting Standards ("IFRS").

For the fourth quarter of fiscal 2016:

- Revenue increased by $23.6 million, or 4.5%, to reach $544.1 million mainly driven by growths of 19.3% in the American broadband services segment and of 1.4% in the Canadian broadband services segment, partly offset by a decrease of 6.9% in the Business information and communications technology ("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"), organic growth through primary service units ("PSU")(2) progression in the residential and commercial sectors as well as rate increases;
  - Canadian broadband services revenue increased as a result of rate increases implemented in February 2016 and the continued growth in the business sector as well as non-recurring revenue of $1.7 million in the quarter, partly offset by a decline in video and telephony customers at August 31, 2016 compared to August 31, 2015 due to the competitive environment and service category maturity combined with the impact of the implementation of flexible video packages launched on March 1, 2016;
  - Business ICT services revenue decreased primarily as a result of competitive pricing pressures on the hosting and network connectivity services, transition out of unprofitable services as well as the depreciation of the British Pound currency against the Canadian dollar compared to the same period of last year;
- Adjusted EBITDA increased by $7.2 million, or 3.0%, to reach $247.8 million compared to $240.6 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 the acquisition of the Connecticut system and organic growth;
  - Higher adjusted EBITDA in the Canadian broadband services resulting mainly from an increase in revenue and the favorable impact of $3 million in non-recurring items in fiscal 2016 compared to the unfavorable impact of $3.4 million in non-recurring items in fiscal 2015; partly offset by
  - Lower adjusted EBITDA in the Business ICT services resulting from a decrease in revenue and additional costs related to the commissioning of pods 1 and 2 at the Kirkland data centre as well as the depreciation of the British Pound currency against the Canadian dollar, partly offset by cost reduction initiatives as a

result of the operational, financial and organizational restructuring completed in fiscal 2016; and
    - Higher management fees of $4.6 million paid to Cogeco Inc. ("Cogeco") during the fourth 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 45.5% from 46.2% in the fourth quarter of fiscal 2016, with operating margins of 52.8% in the Canadian broadband services, 42.4% in the American broadband services and 29.7% in the Business ICT services segments. The decrease for the quarter resulted mainly from higher management fees paid to Cogeco during the fourth quarter of the year under the Amended and Restated Management Services Agreement combined with lower margin in the Business ICT services segment, partly offset by higher margins in the Canadian broadband services and American broadband services segments;
- Profit for the period amounted to $74.6 million, or $1.52 per share, compared to a profit for the period of $78.0 million, or $1.59 per share in the comparable period of fiscal 2015, a decrease of $3.4 million. The decline is mainly due to the $27.4 million recognized in fiscal 2015 resulting from the settlement of a claim with a supplier, which is partly offset in fiscal 2016 by the improvement of adjusted EBITDA combined with the reduction in integration, restructuring and acquisition costs;
- Free cash flow increased by $9.5 million, or 13.3%, to reach $81.6 million compared to $72.0 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 in current income taxes, partly offset by the increase in claims and litigations as a result of an expense in the current year compared to a gain in the same period of the prior year;
- Cash flow from operating activities decreased by $9.7 million, or 3.6%, to reach $261.6 million compared to $271.3 million for fiscal 2015 fourth-quarter. The decrease for the quarter is mostly attributable to the increase in claims and litigations as a result of an expense in the current year compared to a gain in the same period of the prior year, partly offset by the improvement 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 fourth quarter of fiscal 2015; and
- At its November 2, 2016 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.43, an increase of 10.3%, compared to the $0.39 per share paid in the fourth quarter of fiscal 2016;

For the fiscal year ended August 31, 2016:

- Revenue increased by $132.8 million, or 6.5%, to reach $2.18 billion mainly driven by growth of 29.7% in the American broadband services segment with stable revenue in the Canadian broadband services, partly offset by a decrease of 3.9% 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 through PSU progression in the residential and commercial sectors, rates increases and the favorable foreign exchange rates compared to 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 a decline in video and telephony customers at August 31, 2016 compared to August 31, 2015 due to the competitive environment and service category maturity combined with the impact of the implementation of flexible video packages launched on March 1, 2016;
    - Business ICT services revenue decreased due to competitive pricing pressures on the hosting and network connectivity services as well as a transition out of unprofitable services, partly offset by favorable foreign exchange rates compared to the prior year;
- Adjusted EBITDA increased by $53.0 million, or 5.7%, to reach $983.4 million compared to $930.5 million in 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 the prior year and the acquisition of the Connecticut system;
    - Higher adjusted EBITDA in the Canadian broadband services resulting from stable revenue combined with a decline in operating expenses partly resulting from favorable non-recurring items of $3 million in fiscal 2016 compared to unfavorable non-recurring items of $3.4 million in fiscal 2015; partly offset by
    - 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

completed in fiscal 2016 combined with favorable foreign exchange rates compared to the prior year;
- Operating margin slightly decreased to 45.2% from 45.5% for the year ended August 31, 2016, with operating margins of 52.0% in the Canadian broadband services, 42.7% in the American broadband services and 32.6% in the Business ICT services segments. The decrease resulted mainly from higher management fees paid to Cogeco and a lower margin in the Business ICT services segment, partly offset by a stable margin in the American broadband services segment and a higher margin in the Canadian broadband services segment;
- Loss for the year amounted to $189.6 million, or $3.87 per share, compared to a profit of $257.8 million, or $5.27 per share in fiscal 2015, a decrease of $447.4 million, resulting mainly from the non-cash pre-tax impairment of goodwill and intangible assets of $450 million which occurred in the Business ICT services segment. The remaining variation is explained by the improvement of adjusted EBITDA and the decreases in integration, restructuring and acquisition costs, financial expense and income taxes, partly offset by the increases in depreciation and amortization and in claims and litigations as a result of an expense in the current year compared to a gain in the prior year;
- Free cash flow decreased by $5.0 million, or 1.7%, to reach $281.0 million compared to $286.0 million for the prior year resulting from the increases in the acquisitions of property, plant and equipment, intangible and other assets and in claims and litigations as a result of an expense in the current year compared to a gain in the prior year, partly offset by the improvement of adjusted EBITDA and the decrease in financial expense;
- Cash flow from operating activities reached $745.2 million compared to $688.9 million, an increase of $56.2 million, or 8.2%, compared to fiscal 2015 mainly due to the improvement in adjusted EBITDA combined with an increase in changes in non-cash operating activities primarily due to changes in working capital and a decrease in integration, restructuring and acquisition costs, partly offset by the increases in income taxes paid, claims and litigations as a result of an expense in the current year compared to a gain in the prior year and financial expense paid; and
- Dividends payments in fiscal 2016 totaled $1.56 per share compared to $1.40 per share in fiscal 2015.

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

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

“As we close our fiscal year 2016, we are generally satisfied with our results for the fourth quarter,” declared Louis Audet, President and Chief Executive Officer of Cogeco Communications Inc. “Our Canadian broadband services subsidiary, Cogeco Connexion, continues to perform well in a highly competitive and evolving market. Results for the quarter are in line with expectations, demonstrating our capacity to grow, while maintaining rigorous cost control discipline.”

“Our American broadband services subsidiary, Atlantic Broadband, has continued to report steady growth, including an increase in primary service units, confirming strong organic growth, and the solid performance of our newly acquired Connecticut system, which recently launched its Gigabit Internet service,” added M. Audet.

“At Cogeco Peer 1, our Business ICT services subsidiary, we have been working to grow our client-base through an enhanced go- to-market strategy, always supported by exceptional customer service,” stated Mr. Audet. “With a solid new senior leadership team now in place, we have been focused on bringing more relevant solutions to market, redefining our product portfolio - collaborating with partners such as Microsoft Azure - to ensure we continue to meet and exceed the needs of our customers. We expect these strategies will lead to growth in future years.”

Fiscal 2017 Financial Guidelines

Cogeco Communications revised its fiscal 2017 preliminary financial guidelines issued on July 6, 2016, to take into consideration the recent decision of the CRTC, on October 6, 2016, to reduce significantly on an interim basis the third party Internet access ("TPIA") capacity rates as well as the changing industry dynamics and the increasingly competitive environment in certain operating segments. Please consult the “Fiscal 2017 financial guidelines” section of the Corporation’s 2016 Annual Report for further details.

FINANCIAL HIGHLIGHTS

	Quarters ended			Years ended		
(in thousands of dollars, except percentages and per share data)	**August 31, 2016** $	August 31, 2015 $	Change %	**August 31, 2016** $	August 31, 2015 $	Change %
Operations						
Revenue	**544,056**	520,419	4.5	**2,176,149**	2,043,316	6.5
Adjusted EBITDA[1]	**247,810**	240,592	3.0	**983,449**	930,479	5.7
Operating margin[1]	**45.5%**	46.2%	—	**45.2%**	45.5%	—
Integration, restructuring and acquisition costs	**1,326**	6,942	—	**8,802**	13,950	(36.9)
Claims and litigations	**292**	(27,431)	—	**10,791**	(27,431)	—
Impairment of goodwill and intangible assets	**—**	—	—	**450,000**	—	—
Profit (loss) for the period	**74,581**	77,986	(4.4)	**(189,628)**	257,750	—
Cash Flow						
Cash flow from operating activities	**261,623**	271,328	(3.6)	**745,168**	688,924	8.2
Acquisitions of property, plant and equipment, intangible and other assets	**110,017**	129,946	(15.3)	**467,510**	439,220	6.4
Free cash flow[1]	**81,594**	72,047	13.3	**280,998**	285,967	(1.7)
Financial Condition						
Cash and cash equivalents	**—**	—	—	**62,286**	163,166	(61.8)
Property, plant and equipment	**—**	—	—	**1,989,720**	1,985,421	0.2
Total assets	**—**	—	—	**5,337,342**	6,014,038	(11.3)
Indebtedness[2]	**—**	—	—	**2,929,108**	3,261,908	(10.2)
Shareholders' equity	**—**	—	—	**1,496,142**	1,758,972	(14.9)
Capital intensity[1]	**20.2%**	25.0%	—	**21.5%**	21.5%	—
Per Share Data[3]						
Earnings (loss) per share						
Basic	**1.52**	1.59	(4.4)	**(3.87)**	5.27	—
Diluted	**1.52**	1.58	(3.8)	**(3.87)**	5.22	—
Dividends	**0.39**	0.35	11.4	**1.56**	1.40	11.4
Weighted average number of multiple and subordinate voting shares outstanding	**49,096,586**	48,941,618	0.3	**49,032,367**	48,887,765	0.3

(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 Management's Discussion and Analysis ("MD&A").

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

(3) Per multiple and subordinate voting share.

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 technology services (colocation, network connectivity, hosting, cloud and managed services), through its 17 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe. Cogeco Communications Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

Source: Cogeco Communications Inc.

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Analyst Conference Call: Thursday, November 3, 2016 at 11:00 a.m. (Eastern Daylight 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:

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