SHAREHOLDERS' REPORT

Three-month period ended November 30, 2016

FINANCIAL HIGHLIGHTS

	Quarters ended November 30,		
	2016	2015	Change
(in thousands of dollars, except percentages and per share data)	**$**	$	%
Operations			
Revenue	**583,088**	582,903	—
Adjusted EBITDA[1]	**261,267**	255,154	2.4
Integration, restructuring and acquisition costs	**—**	2,030	—
Profit for the period	**81,959**	66,831	22.6
Profit for the period attributable to owners of the Corporation	**30,765**	25,197	22.1
Cash Flow			
Cash flow from operating activities	**122,875**	90,247	36.2
Acquisitions of property, plant and equipment, intangible and other assets	**97,344**	147,230	(33.9)
Free cash flow[1]	**109,333**	40,938	—
Financial Condition[2]			
Cash and cash equivalents	**47,056**	68,344	(31.1)
Property, plant and equipment	**1,996,747**	2,004,247	(0.4)
Total assets	**5,513,482**	5,495,520	0.3
Indebtedness[3]	**2,989,645**	2,974,119	0.5
Equity attributable to owners of the Corporation	**530,368**	503,344	5.4
Per Share Data[4]			
Earnings per share			
Basic	**1.84**	1.51	21.9
Diluted	**1.83**	1.50	22.0
Dividends	**0.34**	0.295	15.3

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

(2) At November 30, 2016 and August 31, 2016.

(3) Indebtedness is defined as the aggregate of bank indebtedness, balance due on a business combination, principal on long-term debt and obligations under derivative financial instruments.

(4) Per multiple and subordinate voting share.

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

Three-month period ended November 30, 2016

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" 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 believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2017 Financial Guidelines" sections of the Corporation's 2016 annual MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, ownership risks, human-caused and natural threats to our network, infrastructure and systems and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the Corporation's 2016 annual MD&A and the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco 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's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

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

2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco's objectives are to provide outstanding service to its customers and create shareholder value by increasing profitability and ensuring continued revenue growth. The Corporation maximizes profitability and shareholder value by maintaining strict control over spending. In order to achieve this, Cogeco seeks to become more efficient with its processes. The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA[(1)] and free cash flow[(1)].

The strategies employed to reach these objectives are specific to each segment described below.

COMMUNICATIONS SEGMENT

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

Canadian and American broadband services	Business information and communications technology ("Business ICT") services
Expanding service offerings, enhancing existing services at attractive prices and seeking value-added acquisitions	Promoting the new branding supported by a people centric culture
Improving the networks with state-of-the-art advanced technologies	Growing our customer base through an enhanced go-to-market strategy with a strong focus on specific horizontal and vertical markets
Improving customer experience and business processes to build on customer loyalty and retention	Rationalizing and expanding our product suite to bring relevant solutions to market, supported by exceptional customer service
Maintaining sound capital management and strict control over spending	Strengthening internal processes and systems to improve operational efficiency and optimize infrastructure progress
	Optimizing the use of current assets in order to optimize cash flows

Cogeco Communications measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA, operating margin, free cash flow and capital intensity. For further details please refer to the 2016 Annual Report of Cogeco Communications Inc. available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

MEDIA ACTIVITIES

The media activities focus on continuous improvement of its programming and diversification of its product portfolio in order to increase its market share and thereby its profitability.

2.1 KEY PERFORMANCE INDICATORS

REVENUE

For the three-month period ended November 30, 2016, revenue remained essentially the same at $583.1 million compared to $582.9 million for the same period of fiscal 2016 driven by growth in the Communications segment, partly offset by lower revenue in the media activities attributable to the sale of Métromédia CMR Plus Inc. (" Métromédia") on January 5, 2016.

ADJUSTED EBITDA

For the three-month period ended November 30, 2016, adjusted EBITDA increased by $6.1 million, or 2.4%, to reach $261.3 million compared to $255.2 million for the same period of fiscal 2016 as a result of the improvement in the Communications segment.

FREE CASH FLOW

For the three-month period ended November 30, 2016, free cash flow amounted to $109.3 million, an increase of $68.4 million compared to $40.9 million for the same period of the prior year mainly as a result of lower acquisitions of property, plant and equipment, intangible and other assets resulting from the timing of certain initiatives and a greater focus on capital expenditure optimization in the Communications segment. The improvement in adjusted EBITDA also contributed to the increase in free cash flow.

(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.

3. BUSINESS DEVELOPMENTS AND OTHER

Numeris' Fall 2016 survey in the Montréal region, conducted with the Portable People Meter (“PPM”), reported that in the Montréal French market *98.5 FM* is the leading radio station amongst all listeners two years old and over (“2+”), *Rythme FM* has maintained its leadership position amongst all listeners in the 25-54 segment and *CKOI* is well positioned in the same category. *The Beat* is the leading music radio station in the Montréal English market amongst all listeners two years old and over ("2+"). Finally, most of our other regional radio stations in Québec registered good ratings.

On December 9, 2016, the Corporation's subsidiary, Cogeco Communications Inc., amended its Term Revolving Facility resulting in the extension of the maturity date by an additional year until January 24, 2022. In addition, on December 5, 2016, the Corporation amended its Term Revolving Facility. Under the terms of the amendment, the maturity was extended by an additional year until February 1, 2022.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

Quarters ended November 30,	**2016**	2015	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**583,088**	582,903	—
Operating expenses	**321,821**	327,749	(1.8)
Adjusted EBITDA	**261,267**	255,154	2.4

REVENUE

Fiscal 2017 first-quarter revenue remained essentially the same at $583.1 million compared to $582.9 million for the same period of fiscal 2016. The increase is attributable to the Communications segment, partly offset by lower revenue in the media activities attributable to the sale of Métromédia on January 5, 2016.

In the Communications segment, fiscal 2017 first-quarter revenue amounted to $549.1 million, an increase of $8.8 million, or 1.6%, compared to the same period of the prior year driven by growths of 7.0% in the American broadband services operations and 1.0% in the Canadian broadband services operations, partly offset by a decrease of 6.3% in the Business ICT services operations. For further details on revenue, please refer to the “Communications segment” section.

OPERATING EXPENSES

Fiscal 2017 first-quarter operating expenses amounted to $321.8 million, a decrease of $5.9 million, or 1.8%, compared to the same period of the prior year. The decrease in operating expenses is mainly attributable to the sale of Métromédia during the second quarter of fiscal 2016 in the media activities, partly offset by the increase in the Communications segment.

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

ADJUSTED EBITDA

Fiscal 2017 first-quarter adjusted EBITDA increased by $6.1 million, or 2.4%, to reach $261.3 million as a result of the improvement in the Communications segment.

In the Communications segment, fiscal 2017 first-quarter adjusted EBITDA increased by $5.6 million, or 2.3%, to reach $249.7 million as a result of the improvement in the American and Canadian broadband services operations, partly offset by a decline of adjusted EBITDA in the Business ICT services operations. For further details on adjusted EBITDA, please refer to the “Communications segment" section.

4.2 FIXED CHARGES

Quarters ended November 30,	2016	2015	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation and amortization	119,908	127,163	(5.7)
Financial expense	33,335	34,991	(4.7)

Fiscal 2017 first-quarter depreciation and amortization expense decreased by $7.3 million, or 5.7%, to reach $119.9 million compared to $127.2 million for the same period of the prior year. The decrease resulted mainly from lower acquisitions of property, plant and equipment, certain assets being fully amortized and from the impairment of $21.5 million of intangible assets in the third quarter of fiscal 2016 in the Communications segment.

Fiscal 2017 first-quarter financial expense decreased by $1.7 million, or 4.7%, to reach $33.3 million compared to $35.0 million mainly as a result of a lower level of Indebtedness compared to the same period of the prior year.

4.3 INCOME TAXES

Fiscal 2017 first-quarter income taxes increased by $1.9 million, or 8.0%, to reach $26.1 million compared to $24.1 million for the same period of the prior year. The increase is mostly attributable to the improvement of the profit before income taxes, partly offset by the impact on deferred income taxes as a result of changes in substantively enacted tax rates.

On March 26, 2015 in its 2015 budget, the Quebec government announced that the corporate tax rate would be gradually reduced by 0.1% per year from 11.9% in 2017 to 11.5% in 2020. These rate reductions were substantively enacted on November 15, 2016 and have reduced the deferred tax liabilities and the deferred income taxes by approximately $1.6 million during the quarter.

4.4 PROFIT FOR THE PERIOD

Fiscal 2017 first-quarter profit for the period amounted to $82.0 million of which $30.8 million, or $1.84 per share, was attributable to owners of the Corporation, compared to $66.8 million of which $25.2 million, or $1.51 per share, was attributable to owners of the Corporation for the same period of the prior year mainly as a result of the improvement of adjusted EBITDA combined with the decrease in depreciation and amortization.

The non-controlling interest represents a participation of approximately 68.2% in Cogeco Communications' results. The profit for the period attributable to non-controlling interest amounted to $51.2 million for fiscal 2017 first-quarter compared to $41.6 million for the same period of the prior year.

5. RELATED PARTY TRANSACTIONS

Cogeco holds 31.8% of Cogeco Communications' equity shares, representing 82.3% of Cogeco Communications' voting shares.

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

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

On August 2, 2016 an intercompany loan agreement was concluded between the Corporation and its subsidiary, Cogeco Communications, by which a revolving credit facility was established in favour of Cogeco Communications. The maximum principal amount of the facility is set at $40 million and the full amount was advanced to Cogeco Communications as of the signing date and remained outstanding as of November 30, 2016. The credit facility is payable on demand and the interest is calculated on the daily outstanding balance at an annual rate equivalent to Cogeco Communications' US dollar revolving loan under the Canadian Revolving Facility while taking into consideration the effect of the cross-currency swap agreement.

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

6. CASH FLOW ANALYSIS

Quarters ended November 30,	2016	2015
(in thousands of dollars)	$	$
Cash flow from operating activities	122,875	90,247
Cash flow from investing activities	(89,963)	(146,923)
Cash flow from financing activities	(54,954)	(66,705)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	754	669
Net change in cash and cash equivalents	(21,288)	(122,712)
Cash and cash equivalents, beginning of the period	68,344	164,189
Cash and cash equivalents, end of the period	47,056	41,477

6.1 OPERATING ACTIVITIES

Fiscal 2017 first-quarter cash flow from operating activities reached $122.9 million, representing an increase of $32.6 million, or 36.2%, compared to $90.2 million for the same period of fiscal 2016 mainly as a result of the following:

- the improvement of $6.1 million in adjusted EBITDA;
- the decrease of $37.1 million in income taxes paid; and
- the decrease of $4.7 million in financial expense paid; partly offset by
- the increase of $23.6 million in change in non-cash operating activities primarily due to changes in working capital.

6.2 INVESTING ACTIVITIES

Fiscal 2017 first-quarter investing activities decreased by $57.0 million, or 38.8%, to reach $90.0 million compared to $146.9 million for the same period of the prior year. The decrease is mainly explained by lower acquisitions of property, plant and equipment, intangible and other assets as explained below.

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

Fiscal 2017 first-quarter acquisitions of property, plant and equipment amounted to $91.8 million, representing a decrease of $50.4 million compared to $142.2 million for the same period of fiscal 2016, mainly due to the following factors in the Communications segment:

Decrease in the Canadian broadband services operations as a result of:

- lower customer premise equipment ("CPE"), scalable infrastructure and line extension due to the timing of certain initiatives; partly offset by
- additional support capital expenditures.

Decrease in the Business ICT services operations as a result of:

- a greater focus on capital expenditure optimization; combined with
- the timing of certain initiatives.

Increase in the American broadband services operations as a result of:

- additional acquisitions of scalable infrastructure to improve our network in some of the areas we serve; and
- primary service units ("PSU")[(1)] growth.

Acquisitions of intangible and other assets amounted to $5.5 million compared to $5.0 million for fiscal 2016 first-quarter.

BUSINESS COMBINATION IN FISCAL 2017

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

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

6.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2017 first-quarter free cash flow amounted to $109.3 million, an increase of $68.4 million compared to $40.9 million for the same period of the prior year mainly as a result of the following:

- the decrease of $49.9 million in acquisitions of property, plant and equipment, intangible and other assets as a result of the timing of certain initiatives combined with a greater focus on capital expenditure optimization in the Communications segment; and
- the improvement of $6.1 million in adjusted EBITDA.

FINANCING ACTIVITIES

For fiscal 2017 first-quarter, a lower Indebtedness level resulting from debt repayments led to a cash decrease of $31.0 million compared to a lower Indebtedness for the same period of fiscal 2016 that resulted in a cash decrease of $42.9 million. The variation is explained as follows:

Quarters ended November 30,	**2016**	2015	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Increase in bank indebtedness	**17,760**	37,986	(20,226)	Related to the timing of payments made to suppliers.
Net increases (decreases) under the revolving facilities	**(31,095)**	144,036	(175,131)	Repayments of $31.1 million of the revolving facilities in the first quarter of fiscal 2017 compared to an increase of $144.0 million in the same period of fiscal 2016.
Repayments of long-term debt and settlement of derivative financial instruments	**(17,645)**	(224,872)	207,227	Repayments in the first quarter of fiscal 2017 of long-term debt. Repayments in the first quarter of fiscal 2016 of long-term debt and the settlement of derivative financial instruments of $224.9 million mainly related to the US$190 million Senior Secured Notes Series A maturing in October 2015.
	(30,980)	(42,850)	11,870	

DIVIDENDS

During the first quarter of fiscal 2017, a quarterly eligible dividend of $0.34 per share was paid to the holders of multiple and subordinate voting shares, for a total paid of $5.7 million compared to a quarterly eligible dividend of $0.295, or $4.9 million in the first quarter of fiscal 2016.

6.4 DIVIDEND DECLARATION

At its January 11, 2017 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.34 per share for multiple and subordinate voting shares, payable on February 8, 2017 to shareholders of record on January 25, 2017. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. FINANCIAL POSITION

7.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco maintains a working capital deficiency due to a low level of trade and other receivables as a large portion of the Corporation's customers pay before their services are rendered, while trade and other payables are 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:

	November 30, 2016	August 31, 2016	Change	Explanations
(in thousands of dollars)	$	$	$	
Current assets				
Cash and cash equivalents	47,056	68,344	(21,288)	Timing of payment made to suppliers, partly offset by excess cash flow generated from operations.
Trade and other receivables	151,811	142,542	9,269	Mostly related to the revenue growth.
Income taxes receivable	9,152	12,707	(3,555)	Mostly related to refund received during the quarter.
Prepaid expenses and other	26,168	17,125	9,043	Increase in prepayment of annual maintenance agreements.
Derivative financial instrument	—	1,040	(1,040)	Non significant.
	234,187	241,758	(7,571)	
Current liabilities				
Bank indebtedness	21,875	4,115	17,760	Timing of payments made to suppliers.
Trade and other payables	226,397	312,914	(86,517)	Timing of payments made to suppliers.
Provisions	33,178	31,078	2,100	Non significant.
Income tax liabilities	41,844	28,910	12,934	Timing of payments of income taxes.
Deferred and prepaid revenue	62,395	61,707	688	Non significant.
Balance due on a business combination	896	—	896	Non significant.
Derivative financial instruments	156	—	156	Non significant.
Current portion of long-term debt	13,104	22,527	(9,423)	Repayments of long-term debt.
	399,845	461,251	(61,406)	
Working capital deficiency	(165,658)	(219,493)	53,835	

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	November 30, 2016 $	August 31, 2016 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**1,996,747**	2,004,247	(7,500)	Depreciation expense exceeding capital expenditures combined with the depreciation of the British Pound against the Canadian dollar, party offset by the appreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,155,577**	2,139,466	16,111	Appreciation of the US dollar against the Canadian dollar, partly offset by amortization expense exceeding acquisitions and the depreciation of the British Pound against the Canadian dollar.
Goodwill	**1,098,664**	1,079,365	19,299	Appreciation of the US dollar against the Canadian dollar, partly offset by the depreciation of the British Pound against the Canadian dollar.
Non-current liabilities				
Long-term debt	**2,929,719**	2,922,078	7,641	Appreciation of the US dollar against the Canadian dollar, partly offset by the repayments on Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities.
Pension plan liabilities and accrued employee benefits	**10,173**	16,912	(6,739)	Actuarial gain recorded in the quarter.
Deferred tax liabilities	**630,650**	620,820	9,830	Appreciation of the US dollar against the Canadian dollar.

7.3 OUTSTANDING SHARE DATA

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

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,944,667	121,612

7.4 FINANCING

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

At November 30, 2016, the Corporation's Term Revolving Facility of $50 million was unused, and an amount of $121.3 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for a remaining availability of $678.7 million. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $201.4 million (US$150 million), of which $97.2 million (US$72.4 million) was used at November 30, 2016 for a remaining availability of $104.2 million (US$77.6 million).

7.5 CREDIT RATINGS

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

7.6 FINANCIAL MANAGEMENT

Interest rate risk

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

To reduce such risk, the Corporation's subsidiary, Cogeco Communications, enters into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2016:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$75 million	US Libor base rate	0.6120%	October 30, 2017	Term Loan A-3 Facility
Cash flow	US$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the unhedged portion of these facilities is approximately $7 million based on the outstanding debt at November 30, 2016.

Foreign exchange risk

The Corporation's subsidiary, Cogeco Communications, is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. Cogeco Communications has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rate applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes.

Cogeco Communications is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximately $7.5 million based on the outstanding debt at November 30, 2016.

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

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

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$891.2 million	Net investments in foreign operations in US dollar
Net investment	£23.7 million	£29.9 million	Net investments in foreign operations in British Pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at November 30, 2016 was $1.3429 ($1.3116 at August 31, 2016) per US dollar and $1.6798 ($1.7223 at August 31, 2016) per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $14.6 million.

For the first quarter ended November 30, 2016, the average rates prevailing used to convert the operating results of the Communications segment were as follows:

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

The following highlights in Canadian dollars, the impact of a 10% increase in US dollar or British Pound against the Canadian dollar on the Communications segment's operating results for the period ended November 30, 2016:

	Communications segment	
	As reported	Exchange rate impact
(in thousands of dollars)	$	$
Revenue	549,090	19,790
Operating expenses	294,699	12,446
Management fees - Cogeco Inc.	4,688	—
Adjusted EBITDA	249,703	7,344
Acquisitions of property, plant and equipment, intangible and other assets	96,494	6,271
Free cash flow	101,379	(716)

8. COMMUNICATIONS SEGMENT

8.1 CUSTOMER STATISTICS

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

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

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

VIDEO

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

INTERNET

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

TELEPHONY

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

8.2 OPERATING RESULTS

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

REVENUE

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

OPERATING EXPENSES AND MANAGEMENT FEES

Fiscal 2017 first-quarter operating expenses amounted to $294.7 million, an increase of $3.1 million, or 1.1%, compared to the same period of the prior year. Operating expenses increased in the American broadband services operations, remained stable in the Canadian broadband services operations and have declined in the Business ICT services operations.

Management fees paid to Cogeco Inc. amounted to $4.7 million compared to $4.6 million for fiscal 2016 first-quarter.

ADJUSTED EBITDA AND OPERATING MARGIN

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

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

9. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. Cogeco's internal control framework is based on the criteria published in the updated version released in May 2013 of the report *Internal Control Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*.

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

10. UNCERTAINTIES AND MAIN RISK FACTORS

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

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

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

11. ACCOUNTING POLICIES

11.1 NEW 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-month period ended November 30, 2016 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under the "Future accounting developments in Canada" section in the Corporation's 2016 Annual Report available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

11.2 CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

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

	As previously reported	Effect of change in accounting policy	As currently reported
	$	$	$
Balance at August 31, 2015			
Deferred tax assets	25,601	(4,093)	21,508
Deferred tax liabilities	528,211	120,002	648,213
Retained earnings	453,119	(44,785)	408,334
Equity attributable to non-controlling interest	1,197,120	(79,310)	1,117,810
Balance at August 31, 2016			
Deferred tax assets	26,497	(4,093)	22,404
Deferred tax liabilities	500,818	120,002	620,820
Retained earnings	397,182	(44,785)	352,397
Equity attributable to non-controlling interest	1,020,140	(79,310)	940,830

12. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco 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" and "adjusted EBITDA" and the most comparable IFRS financial measures are also provided. These financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

Non-IFRS measure	Application	Calculation	Most comparable IFRS measure
Free cash flow	Management and investors use free cash flow to measure Cogeco's 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	Adjusted EBITDA is a key measure commonly reported and used in the telecommunications industry, as it allows comparisons between companies that have different capital structures and is a more current measure since it excludes 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 the Cogeco's business units is equal to the segment profit reported in note 3 of the Condensed Interim Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the period add: - income taxes; - financial expense; - depreciation and amortization; and - integration, restructuring and acquisition costs.	Profit for the period

12.1 FREE CASH FLOW RECONCILIATION

Quarters ended November 30,	2016	2015
(in thousands of dollars)	$	$
Cash flow from operating activities	**122,875**	90,247
Amortization of deferred transaction costs and discounts on long-term debt	**2,265**	2,299
Changes in non-cash operating activities	**87,394**	63,842
Income taxes paid	**7,265**	44,329
Current income taxes	**(23,923)**	(26,413)
Financial expense paid	**44,136**	48,855
Financial expense	**(33,335)**	(34,991)
Acquisition of property, plant and equipment	**(91,812)**	(142,183)
Acquisition of intangible and other assets	**(5,532)**	(5,047)
Free cash flow	**109,333**	40,938

12.2 ADJUSTED EBITDA RECONCILIATION

Quarters ended November 30,	2016	2015
(in thousands of dollars)	$	$
Profit for the period	**81,959**	66,831
Income taxes	**26,065**	24,139
Financial expense	**33,335**	34,991
Depreciation and amortization	**119,908**	127,163
Integration, restructuring and acquisition costs	**—**	2,030
Adjusted EBITDA	**261,267**	255,154

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	November 30,		August 31,		May 31,		February 29,	February 28,
(in thousands of dollars, except per share data)	**2016**	2015	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$	$	$
Revenue	**583,088**	582,903	572,045	554,089	574,005	557,787	578,450	536,904
Adjusted EBITDA	**261,267**	255,154	258,328	244,562	253,151	246,977	252,129	229,069
Integration, restructuring and acquisition costs	**—**	2,030	1,326	6,942	1,126	5,669	4,320	1,339
Claims and litigations	**—**	—	292	(27,431)	10,499	—	—	—
Impairment of goodwill and intangible asset	**—**	—	—	—	450,000	—	—	—
Gain on disposal of a subsidiary	**—**	—	(167)	—	—	—	(12,940)	—
Profit (loss) for the period	**81,959**	66,831	80,662	78,529	(381,886)	66,285	75,688	55,038
Profit (loss) for the period attributable to owners of the Corporation	**30,765**	25,197	29,792	25,402	(117,670)	22,584	33,330	14,867
Cash flow from operating activities	**122,875**	90,247	271,114	275,690	186,209	200,686	211,460	198,925
Acquisitions of property, plant and equipment, intangible and other assets	**97,344**	147,230	111,002	130,768	94,905	104,807	117,220	103,576
Free cash flow	**109,333**	40,938	88,028	73,150	91,934	77,929	77,172	68,917
Earnings (loss) per share attributable to the owners of the Corporation(1)								
Basic	**1.84**	1.51	1.78	1.52	(7.03)	1.35	1.99	0.89
Diluted	**1.83**	1.50	1.78	1.51	(7.03)	1.34	1.98	0.88
Dividends per share	**0.34**	0.295	0.295	0.255	0.295	0.255	0.295	0.255

(1) Per multiple and subordinate voting share.

13.1 SEASONAL VARIATIONS

Cogeco's operating results are not generally subject to material seasonal fluctuations except as follows. In the Communications segment, the number of video and Internet 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 United States, the Miami area is also subject to seasonal fluctuations due to the winter season residents returning home from late spring through the fall.

14. ADDITIONAL INFORMATION

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

/s/ Jan Peeters	/s/ Louis Audet
Jan Peeters	Louis Audet
Chairman of the Board	President and Chief Executive Officer

Cogeco Inc.
Montréal, Québec
January 11, 2017

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2016

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

		Three months ended November 30,	
	Notes	**2016**	2015
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue	*3*	**583,088**	582,903
Operating expenses	*5*	**321,821**	327,749
Integration, restructuring and acquisition costs		**—**	2,030
Depreciation and amortization	*6*	**119,908**	127,163
Financial expense	*7*	**33,335**	34,991
Income taxes	*8*	**26,065**	24,139
Profit for the period		**81,959**	66,831
Profit for the period attributable to:			
Owners of the Corporation		**30,765**	25,197
Non-controlling interest		**51,194**	41,634
		81,959	66,831
Earnings per share			
Basic	*9*	**1.84**	1.51
Diluted	*9*	**1.83**	1.50

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

	Three months ended November 30,	
	2016	2015
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**81,959**	66,831
Other comprehensive income		
Items to be subsequently reclassified to profit or loss		
Cash flow hedging adjustments		
Net change in fair value of hedging derivative financial instruments	**1,027**	(48,169)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**—**	48,108
Related income taxes	**(272)**	67
	755	6
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**16,050**	12,779
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(13,733)**	(8,125)
Related income taxes	**(186)**	—
	2,131	4,654
	2,886	4,660
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability	**7,771**	1,176
Related income taxes	**(2,059)**	(316)
	5,712	860
Other comprehensive income for the period	**8,598**	5,520
Comprehensive income for the period	**90,557**	72,351
Comprehensive income for the period attributable to:		
Owners of the Corporation	**35,339**	27,267
Non-controlling interest	**55,218**	45,084
	90,557	72,351

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

	Equity attributable to the owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 11)		*(Note 12)*	*(restated, Note 2)*	*(restated, Note 2)*	
Balance at August 31, 2015	117,172	6,468	26,839	408,334	1,117,810	1,676,623
Profit for the period	—	—	—	25,197	41,634	66,831
Other comprehensive income for the period	—	—	1,485	585	3,450	5,520
Comprehensive income for the period	—	—	1,485	25,782	45,084	72,351
Share-based payment	—	1,098	—	—	1,266	2,364
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(44)	—	—	808	764
Dividends on multiple voting shares (Note 11 C))	—	—	—	(544)	—	(544)
Dividends on subordinate voting shares (Note 11 C))	—	—	—	(4,390)	(12,969)	(17,359)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	60	(60)	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,109)	—	—	—	—	(2,109)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	1,415	(1,040)	—	(375)	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(4,575)	(4,575)
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(551)	—	(126)	677	—
Total distributions to shareholders	(694)	(537)	—	(5,375)	(14,853)	(21,459)
Balance at November 30, 2015	116,478	5,931	28,324	428,741	1,148,041	1,727,515
Balance at August 31, 2016	**116,489**	**7,349**	**27,109**	**352,397**	**940,830**	**1,444,174**
Profit for the period	**—**	**—**	**—**	**30,765**	**51,194**	**81,959**
Other comprehensive income for the period	**—**	**—**	**917**	**3,657**	**4,024**	**8,598**
Comprehensive income for the period	**—**	**—**	**917**	**34,422**	**55,218**	**90,557**
Share-based payment	**—**	**742**	**—**	**—**	**636**	**1,378**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(115)**	**—**	**—**	**1,927**	**1,812**
Dividends on multiple voting shares (Note 11 C))	**—**	**—**	**—**	**(627)**	**—**	**(627)**
Dividends on subordinate voting shares (Note 11 C))	**—**	**—**	**—**	**(5,066)**	**(14,410)**	**(19,476)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**221**	**(221)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(2,247)**	**—**	**—**	**—**	**—**	**(2,247)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**1,553**	**(1,501)**	**—**	**(52)**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**—**	**—**	**—**	**(3,436)**	**(3,436)**
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,157)**	**—**	**(66)**	**1,223**	**—**
Total distributions to shareholders	**(694)**	**(2,031)**	**—**	**(5,590)**	**(14,281)**	**(22,596)**
Balance at November 30, 2016	**115,795**	**5,318**	**28,026**	**381,229**	**981,767**	**1,512,135**

COGECO INC.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

(In thousands of Canadian dollars)	*Notes*	**November 30, 2016**	August 31, 2016
		$	$
			(restated, Note 2)
Assets			
Current			
Cash and cash equivalents	*13 B)*	**47,056**	68,344
Trade and other receivables		**151,811**	142,542
Income taxes receivable		**9,152**	12,707
Prepaid expenses and other		**26,168**	17,125
Derivative financial instrument		**—**	1,040
		234,187	241,758
Non-current			
Other assets		**6,991**	8,280
Property, plant and equipment		**1,996,747**	2,004,247
Intangible assets		**2,155,577**	2,139,466
Goodwill		**1,098,664**	1,079,365
Derivative financial instrument		**862**	—
Deferred tax assets		**20,454**	22,404
		5,513,482	5,495,520
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**21,875**	4,115
Trade and other payables		**226,397**	312,914
Provisions		**33,178**	31,078
Income tax liabilities		**41,844**	28,910
Deferred and prepaid revenue		**62,395**	61,707
Balance due on a business combination	*4*	**896**	—
Derivative financial instruments		**156**	—
Current portion of long-term debt	*10*	**13,104**	22,527
		399,845	461,251
Non-current			
Long-term debt	*10*	**2,929,719**	2,922,078
Derivative financial instruments		**—**	165
Deferred and prepaid revenue and other liabilities		**30,960**	30,120
Pension plan liabilities and accrued employee benefits		**10,173**	16,912
Deferred tax liabilities		**630,650**	620,820
		4,001,347	4,051,346
Shareholders' equity			
Equity attributable to the owners of the Corporation			
Share capital	*11 B)*	**115,795**	116,489
Share-based payment reserve		**5,318**	7,349
Accumulated other comprehensive income	*12*	**28,026**	27,109
Retained earnings		**381,229**	352,397
		530,368	503,344
Equity attributable to non-controlling interest		**981,767**	940,830
		1,512,135	1,444,174
		5,513,482	5,495,520

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

		Three months ended November 30,	
	Notes	**2016**	2015
(In thousands of Canadian dollars)		**$**	$
Cash flow from operating activities			
Profit for the period		**81,959**	66,831
Adjustments for:			
Depreciation and amortization	*6*	**119,908**	127,163
Financial expense	*7*	**33,335**	34,991
Income taxes	*8*	**26,065**	24,139
Share-based payment	*11 D)*	**1,673**	2,526
Loss (gain) on disposals of property, plant and equipment		**(1,953)**	290
Defined benefit plans contributions, net of expense		**683**	(8,667)
		261,670	247,273
Changes in non-cash operating activities	*13 A)*	**(87,394)**	(63,842)
Financial expense paid		**(44,136)**	(48,855)
Income taxes paid		**(7,265)**	(44,329)
		122,875	90,247
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(91,812)**	(142,183)
Acquisition of intangible and other assets		**(5,532)**	(5,047)
Business combination, net of cash and cash equivalents acquired		**(804)**	—
Proceeds on disposals of property, plant and equipment		**8,185**	307
		(89,963)	(146,923)
Cash flow from financing activities			
Increase in bank indebtedness		**17,760**	37,986
Net increases (decreases) under the revolving facilities		**(31,095)**	144,036
Repayments of long-term debt and settlement of derivative financial instruments		**(17,645)**	(224,872)
Increase in deferred transaction costs		**—**	(32)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*11 B)*	**(2,247)**	(2,109)
Dividends paid on multiple voting shares	*11 C)*	**(627)**	(544)
Dividends paid on subordinate voting shares	*11 C)*	**(5,066)**	(4,390)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**1,812**	764
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		**(3,436)**	(4,575)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(14,410)**	(12,969)
		(54,954)	(66,705)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**754**	669
Net change in cash and cash equivalents		**(21,288)**	(122,712)
Cash and cash equivalents, beginning of the period		**68,344**	164,189
Cash and cash equivalents, end of the period		**47,056**	41,477

NATURE OF OPERATIONS

Cogeco Inc. ("Cogeco" or the "Corporation" or the "Parent Corporation") is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CGO". Cogeco is a diversified holding corporation which operates in the communications and media sectors.

Through its Cogeco Communications Inc. ("Cogeco Communications") subsidiary, the Corporation provides its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Communications operates in Canada as Cogeco Connexion Inc. ("Cogeco Connexion") in Québec and Ontario, and in the United States as Atlantic Broadband LLC ("Atlantic Broadband") in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1 Inc. ("Cogeco Peer 1"), Cogeco Communications provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud services and managed services), through its 16 data centres, extensive FastFiber Network™ and more than 50 points of presence in North America and Europe.

Through its subsidiary, Cogeco Media Acquisitions Inc. ("Cogeco Media"), the Corporation owns and operates radio stations across most of Québec with complementary radio formats serving a wide range of audiences as well as Cogeco News, its news agency.

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 of the information required for full annual financial statements. Certain information and footnote disclosure normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2016 annual consolidated financial statements.

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

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that in the Communications segment, the number of customers in the video and Internet services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. The Corporation 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 United States, the Miami area is also subject to seasonal fluctuations due to the winter season residents returning home from late spring through the fall.

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

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

2. CHANGE IN ACCOUNTING POLICY

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

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

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

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

	As previously reported	Effect of change in accounting policy	As currently reported
	$	$	$
Balance at August 31, 2015			
Deferred tax assets	25,601	(4,093)	21,508
Deferred tax liabilities	528,211	120,002	648,213
Retained earnings	453,119	(44,785)	408,334
Equity attributable to non-controlling interest	1,197,120	(79,310)	1,117,810
Balance at August 31, 2016			
Deferred tax assets	26,497	(4,093)	22,404
Deferred tax liabilities	500,818	120,002	620,820
Retained earnings	397,182	(44,785)	352,397
Equity attributable to non-controlling interest	1,020,140	(79,310)	940,830

3. OPERATING SEGMENTS

The Corporation's segment profit for the period is reported in two operating segments: Communications and Other. 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 Communications segment provides through its Cogeco Communications subsidiary, its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Communications operates 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. 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 a rich portfolio of managed services), through 16 data centres, extensive FastFiber Network™ and more than 50 points of presence in North America and Europe.

The Other segment is comprised of radio, out of home advertising, head office activities as well as inter-segment eliminations. Through its subsidiary, Cogeco Media, the Corporation owns and operates radio stations across most of Québec with complementary radio formats serving a wide range of audiences. Cogeco Media also operates Cogeco News, one of Québec's largest news agencies, feeding affiliates, independent and community radio stations. Through its subsidiary, Métromédia, Cogeco also operated an out-of-home advertising company specialized in the public transit sector, until it was sold on January 5, 2016.

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

The Corporation and its chief operating decision maker assess the performance of each operating segment based on the segment's profit, which is equal to revenue less operating expenses and management fees to Cogeco Inc. The other expenses are reported by segment solely for external reporting purposes. Transactions between segments are measured at agreed to amounts between the parties.

						Three months ended November 30,
		Communications		Other		Consolidated
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Revenue [(1)]	549,090	540,313	33,998	42,590	583,088	582,903
Operating expenses	294,699	291,583	27,122	36,166	321,821	327,749
Management fees – Cogeco Inc.	4,688	4,588	(4,688)	(4,588)	—	—
Segment profit	249,703	244,142	11,564	11,012	261,267	255,154
Integration, restructuring and acquisition costs [(2)]	—	2,030	—	—	—	2,030
Depreciation and amortization	119,076	125,669	832	1,494	119,908	127,163
Financial expense	32,090	33,353	1,245	1,638	33,335	34,991
Income taxes	23,513	21,984	2,552	2,155	26,065	24,139
Profit for the period	75,024	61,106	6,935	5,725	81,959	66,831
Total assets [(3)]	5,351,763	5,333,249	161,719	162,271	5,513,482	5,495,520
Property, plant and equipment [(3)]	1,982,202	1,989,720	14,545	14,527	1,996,747	2,004,247
Intangible assets [(3)]	2,075,659	2,059,548	79,918	79,918	2,155,577	2,139,466
Goodwill [(3)]	1,080,079	1,060,780	18,585	18,585	1,098,664	1,079,365
Acquisition of property, plant and equipment	90,962	141,422	850	761	91,812	142,183
Acquisition of intangible and other assets	5,532	4,897	—	150	5,532	5,047

(1) For the three-month period ended November 30, 2016, revenue by geographic market includes $392,688 in Canada ($396,354 in 2015), $182,341 in the United States ($176,573 in 2015) and $8,059 in Europe ($9,976 in 2015).

(2) Comprised of acquisition and integration costs at Atlantic Broadband and restructuring costs at Cogeco Peer 1.

(3) At November 30, 2016 and August 31, 2016.

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

				At November 30, 2016
	Canada	United States	Europe	Total
	$	$	$	$
Property, plant and equipment	1,442,137	519,567	35,043	1,996,747
Intangible assets	1,131,447	1,018,528	5,602	2,155,577
Goodwill	240,452	843,739	14,473	1,098,664

				At August 31, 2016
	Canada	United States	Europe	Total
	$	$	$	$
Property, plant and equipment	1,464,877	502,357	37,013	2,004,247
Intangible assets	1,131,110	1,002,134	6,222	2,139,466
Goodwill	240,452	824,074	14,839	1,079,365

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

4. BUSINESS COMBINATION

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

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

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

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

5. OPERATING EXPENSES

	Three months ended November 30,	
	2016	2015
	$	$
Salaries, employee benefits and outsourced services	105,967	108,793
Service delivery costs (1)	165,324	166,480
Customer related costs (2)	19,664	20,651
Other external purchases (3)	30,866	31,825
	321,821	327,749

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, data centre expenses, franchise fees and network costs.

(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals of property, plant and equipment, and other administrative expenses.

6. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2016	2015
	$	$
Depreciation of property, plant and equipment	104,410	109,234
Amortization of intangible assets	15,498	17,929
	119,908	127,163

7. FINANCIAL EXPENSE

	Three months ended November 30,	
	2016	2015
	$	$
Interest on long-term debt	32,696	35,102
Net foreign exchange gains	(523)	(1,660)
Amortization of deferred transaction costs	631	612
Capitalized borrowing costs (1)	(654)	(366)
Other	1,185	1,303
	33,335	34,991

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

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

8. INCOME TAXES

	Three months ended November 30,	
	2016	2015
	$	$
Current	**23,923**	26,413
Deferred	**2,142**	(2,274)
	26,065	24,139

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

	Three months ended November 30,	
	2016	2015
	$	$
Profit before income taxes	**108,024**	90,970
Combined Canadian income tax rate	**26.50%**	26.67%
Income taxes at combined Canadian income tax rate	**28,626**	24,264
Adjustment for losses or profit subject to lower or higher tax rates	**3,074**	1,977
Revaluation of deferred tax assets	**376**	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**(1,552)**	1,681
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(30)**	180
Tax impacts related to foreign operations	**(4,230)**	(5,366)
Other	**(199)**	1,403
Income taxes at effective income tax rate	**26,065**	24,139

9. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2016	2015
	$	$
Profit for the period attributable to the owners of the Corporation	**30,765**	25,197
Weighted average number of multiple and subordinate voting shares outstanding	**16,720,990**	16,732,126
Effect of dilutive incentive share units	**57,194**	75,750
Effect of dilutive performance share units	**44,953**	26,505
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,823,137**	16,834,381
Earnings per share		
Basic	**1.84**	1.51
Diluted	**1.83**	1.50

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

10. LONG-TERM DEBT

	Maturity	Interest rate		November 30, 2016	August 31, 2016
		%		$	$
Parent Corporation [(1)]					
Unsecured Debentures	November 2021	6.50		34,795	34,784
Senior Unsecured Notes	March 2020	6.00		49,217	49,164
Finance lease	January 2017	3.23		4	11
Subsidiaries					
Term Revolving Facility [(2)]					
Canadian Revolving Facility					
Revolving loan	January 2021	3.15	(3)	30,000	—
Revolving loan – US$18.5 million (US$59.5 million at August 31, 2016)	January 2021	2.06	(3) (4)	24,844	78,040
Revolving loan – £23.7 million (£23.6 million at August 31, 2016)	January 2021	1.77	(3)	39,811	40,646
UK Revolving Facility – £4.4 million	January 2021	1.70	(3)	7,391	7,578
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		33,451	32,665
Series B - US$150 million	September 2026	4.29		200,671	195,961
Senior Secured Notes Series B	October 2018	7.60		54,870	54,853
Senior Secured Notes - US$215 million	June 2025	4.30		287,545	280,787
Senior Secured Debentures Series 2	November 2020	5.15		199,218	199,174
Senior Secured Debentures Series 3	February 2022	4.93		198,923	198,878
Senior Secured Debentures Series 4	May 2023	4.18		297,860	297,788
Senior Unsecured Debenture	March 2018	5.94		99,949	99,939
Senior Unsecured Notes – US$400 million	May 2020	4.88		533,013	520,201
First Lien Credit Facilities					
Term Loan A-2 Facility – US$96.2 million (US$98.2 million at August 31, 2016)	September 2019	2.48	(3) (5)	127,706	127,146
Term Loan A-3 Facility - US$120.6 million (US$124.6 million at August 31, 2016)	September 2019	2.48	(3) (5)	159,951	161,284
Term Loan B Facility – US$355.4 million (US$362.6 million at August 31, 2016)	November 2019	3.25	(3)	468,188	466,024
Revolving Facility – US$70.9 million (US$76 million at August 31, 2016)	September 2019	2.49	(3)	95,211	99,682
Other	December 2016	3.45		205	—
				2,942,823	2,944,605
Less current portion				13,104	22,527
				2,929,719	2,922,078

(1) On December 5, 2016, the Corporation amended its Term Revolving Facility. Under the terms of the amendment, the maturity was extended by an additional year until February 1, 2022.

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

(3) Interest rate on debt includes applicable margin.

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

(5) On October 14, 2015, a US subsidiary of Cogeco Communications entered into two interest rate swap agreements to fix the interest rate on a notional amount of US$150 million (US$75 million each agreement) of its LIBOR based loans.These agreements have the effect of converting the floating US Libor base rate at fixed rates of 0.6120% and 0.9870%, under Term Loan A-3 and Term Loan A-2 Facilities, until October 30, 2017 and July 31, 2019, respectively.

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

11. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

Preferred shares of first and second rank, issuable in series and non-voting, except when specified in the Articles of Incorporation of the Corporation or in the Law.

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	November 30, 2016	August 31, 2016
	$	$
1,842,860 multiple voting shares	12	12
14,969,572 subordinate voting shares	121,815	121,815
	121,827	121,827
50,378 subordinate voting shares held in trust under the Incentive Share Unit Plan (63,021 at August 31, 2016)	(2,600)	(3,142)
61,386 subordinate voting shares held in trust under the Performance Share Unit Plan (38,786 at August 31, 2016)	(3,432)	(2,196)
	115,795	116,489

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

	Number of shares	Amount
		$
Balance at August 31, 2016	63,021	3,142
Subordinate voting shares acquired	18,379	1,005
Subordinate voting shares distributed to employees	(31,022)	(1,547)
Balance at November 30, 2016	50,378	2,600

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

	Number of shares	Amount
		$
Balance at August 31, 2016	38,786	2,196
Subordinate voting shares acquired	22,701	1,242
Subordinate voting shares distributed to employees	(101)	(6)
Balance at November 30, 2016	61,386	3,432

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

C) DIVIDENDS

For the three-month period ended November 30, 2016, a quarterly eligible dividend of $0.34 per share was paid to the holders of multiple and subordinate voting shares, totaling $5.7 million, compared to a quarterly eligible dividend of $0.295 per share or $4.9 million for the three-month period ended November 30, 2015.

At its January 11, 2017 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.34 per share for multiple and subordinate voting shares, payable on February 8, 2017 to shareholders of record on January 25, 2017.

D) SHARE-BASED PAYMENT PLANS

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

For the three-month period ended November 30, 2016, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at November 30, 2016 and August 31, 2016.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at November 30, 2016:

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

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

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

A compensation expense of $270,000 ($350,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to this plan.

The weighted average fair value of stock options granted by Cogeco Communications for the three-month period ended November 30, 2016 was $8.91 ($11.43 in 2015) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

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

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

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

Outstanding at August 31, 2016	62,475
Granted	18,925
Distributed	(31,022)
Outstanding at November 30, 2016	50,378

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at November 30, 2016:

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

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

A compensation expense of $724,000 ($1,497,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to these plans.

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

Outstanding at August 31, 2016	38,062
Granted	21,925
Distributed	(101)
Dividend equivalents	367
Outstanding at November 30, 2016	60,253

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at November 30, 2016:

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

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

A compensation expense of $384,000 ($517,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to these plans.

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

Outstanding at August 31, 2016	59,824
Dividend equivalents	367
Outstanding at November 30, 2016	60,191

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

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at November 30, 2016:

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

A compensation expense of $295,000 ($162,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to these plans.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2015	438	26,401	26,839
Other comprehensive income	2	1,483	1,485
Balance at November 30, 2015	440	27,884	28,324
Balance at August 31, 2016	**(47)**	**27,156**	**27,109**
Other comprehensive income	**240**	**677**	**917**
Balance at November 30, 2016	**193**	**27,833**	**28,026**

13. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2016	2015
	$	$
Trade and other receivables	**(8,878)**	7,047
Prepaid expenses and other	**(8,381)**	(7,821)
Trade and other payables	**(72,887)**	(66,044)
Provisions	**1,879**	480
Deferred and prepaid revenue and other liabilities	**873**	2,496
	(87,394)	(63,842)

B) CASH AND CASH EQUIVALENTS

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

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

14. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended November 30,	
	2016	2015
	$	$
Defined benefit plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**903**	848
Administrative expense	**88**	71
Recognized in financial expense (other)		
Net interest	**54**	48
Defined contribution and collective registered retirement saving plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,533**	2,482
	3,578	3,449

15. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

Management's objectives are to protect Cogeco and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate and foreign exchange risks which are described in the Corporation's annual consolidated financial statements.

Liquidity risk

At November 30, 2016, the Corporation's Term Revolving Facility of $50 million was unused, and an amount of $121.3 million was used from Cogeco Communications' Term Revolving Facility of $800 million for a remaining availability of $678.7 million. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $201.4 million (US$150 million), of which $97.2 million (US$72.4 million) was used at November 30, 2016 for a remaining availability of $104.2 million (US$77.6 million).

Interest rate risk

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

To reduce such risk, the Corporation's subsidiary, Cogeco Communications, entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2016:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$75 million	US Libor base rate	0.6120%	October 30, 2017	Term Loan A-3 Facility
Cash flow	US$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the unhedged portion of these facilities is approximately $7 million based on the outstanding debt at November 30, 2016.

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

Foreign exchange risk

The Corporation's subsidiary, Cogeco Communications, is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. Cogeco Communications has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rate applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes.

Cogeco Communications is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximately $7.5 million based on the outstanding debt at November 30, 2016.

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

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

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$891.2 million	Net investments in foreign operations in US dollar
Net investment	£23.7 million	£29.9 million	Net investments in foreign operations in British Pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at November 30, 2016 was $1.3429 ($1.3116 at August 31, 2016) per US dollar and $1.6798 ($1.7223 at August 31, 2016) per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $14.6 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	November 30, 2016		August 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	**2,942,823**	**3,029,344**	2,944,605	3,067,189

C) CAPITAL MANAGEMENT

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

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

	November 30, 2016	August 31, 2016
Net secured indebtedness (1) / adjusted EBITDA (2)	**2.2**	2.2
Net indebtedness (3) / adjusted EBITDA (2)	**2.9**	2.9
Adjusted EBITDA (2) / financial expense (2)	**7.3**	7.2

(1) Net secured indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Unsecured Debentures, Senior Unsecured Debenture and Senior Unsecured Notes.
(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month periods ended November 30, 2016 and August 31, 2016.
(3) Net indebtedness is defined as the total of bank indebtedness, balance due on a business combination, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

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

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

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

(1) Net secured indebtedness is defined as the total of bank indebtedness, intercompany note payable, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture and Senior Unsecured Notes.

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

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

16. RELATED PARTY TRANSACTIONS

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

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

On August 2, 2016 an intercompany loan agreement was concluded between the Corporation and its subsidiary, Cogeco Communications, by which a revolving credit facility was established in favour of Cogeco Communications. The maximum principal amount of the facility is set at $40 million and the full amount was advanced to Cogeco Communications as of the signing date and remained outstanding as of November 30, 2016. The credit facility is payable on demand and the interest is calculated on the daily outstanding balance at an annual rate equivalent to Cogeco Communications' US dollar revolving loan under the Canadian Revolving Facility while taking into consideration the effect of the cross-currency swap agreement.

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

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

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