RESOLUTELY FUTURE-DRIVEN

2018 ANNUAL REPORT

PROFILE

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

Its Cogeco Media subsidiary owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences as well as Cogeco News, its news agency.

Cogeco Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CGO). The subordinate voting shares of Cogeco Communications Inc. are also listed on the Toronto Stock Exchange (TSX: CCA).

POWERFUL CONNECTIONS FOR OUR CUSTOMERS
GENUINE CONNECTIONS WITH OUR CUSTOMERS

Table of contents

THREE-YEAR FINANCIAL PERFORMANCE

REVENUE
(in thousands of Canadian dollars)

ADJUSTED EBITDA[1]
(in thousands of Canadian dollars)

PROFIT (LOSS) FOR THE YEAR
(in thousands of Canadian dollars)

FREE CASH FLOW[1]
(in thousands of Canadian dollars)

1 The indicated terms do not have standardized definitions prescribed by 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 Management's discussion and analysis ("MD&A").

FINANCIAL HIGHLIGHTS

YEARS ENDED AUGUST 31 (in thousands of Canadian dollars, except percentages and per share data)	**2018 $**	2017 $	Change %	Change in constant currency[1] %	Foreign exchange impact[2] $
OPERATIONS					
Revenue	**2,538,175**	2,347,678	8.1	9.4	(29,377)
Adjusted EBITDA	**1,114,277**	1,035,545	7.6	8.7	(11,658)
Integration, restructuring and acquisition costs[3]	**20,463**	3,191	—		
Profit for the year	**371,713**	313,367	18.6		
Profit for the year attributable to owners of the Corporation	**125,271**	108,985	14.9		
CASH FLOW					
Cash flow from operating activities	**711,729**	977,081	(27.2)		
Acquisitions of property, plant and equipment, intangible and other assets[4]	**518,678**	431,307	20.3	22.2	(8,400)
Free cash flow	**344,757**	390,274	(11.7)	(12.1)	1,735
FINANCIAL CONDITION					
Cash and cash equivalents	**86,352**	212,283	(59.3)		
Short-term investments	**—**	54,000	(100.0)		
Total assets	**7,322,917**	5,499,376	33.2		
Indebtedness[5]	**3,951,791**	2,633,159	50.1		
Equity attributable to owners of the Corporation	**701,455**	578,556	21.2		
PER SHARE DATA[6]					
Earnings per share					
Basic	**7.65**	6.56	16.6		
Diluted	**7.59**	6.52	16.4		
Dividends	**1.56**	1.36	14.7		

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

2 Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current period denominated in US dollars and GBP currency at the foreign exchange rates of the prior year. For the year ended August 31, 2017, the average foreign exchange rates used for translation were 1.3205 USD/CDN and 1.6711 GBP/CDN, respectively.

3 For fiscal years 2018 and 2017, integration, restructuring and acquisition costs were mostly related to the acquisition of MetroCast completed on January 4, 2018.

4 The definition of acquisitions of intangible and other assets excludes the purchases of Spectrum licenses. For the year ended August 31, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $527.1 million.

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

6 Per multiple and subordinate voting shares.

MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders,

Fiscal 2018 was a year of change at Cogeco Inc. ("Cogeco" or the "Corporation"). We stepped into our 61st year proud of our history and what we've accomplished, yet with our eyes fixed firmly on the future. Our organic financial performance was stable despite increased market pressure, and we are mindful of the trust and expectations you and all of our stakeholders have put in us as we continue to build a foundation for transformational change.

Consolidated revenue increased by 8.1% in fiscal 2018 to reach $2.54 billion, while adjusted EBITDA reached $1.11 billion, up by 7.6%. Profit for the year reached $371.7 million and the Corporation generated free cash flow of $344.8 million. Dividends paid to our shareholders increased by 14.7% to $1.56 per share.

LAYING THE GROUNDWORK FOR A NEW CHAPTER

This past fiscal year was marked by important milestones in each of Cogeco Communications Inc.'s three operating segments: a significant acquisition in our American broadband services subsidiary; a new advanced customer management system in our Canadian broadband services subsidiary; a change in leadership at our Business information and communications technology ("Business ICT") services subsidiary. We also took our first positive step in the exploration of our options in the mobile wireless market with Cogeco Connexion's auction win of 23 licenses of 2,500 MHz and 2,300 MHz spectrum, primarily in its Ontario and Québec footprint. This followed our acquisition of ten Spectrum licenses of 2,500 MHz in non-metropolitan areas of Ontario from Kian Telecom. In our broadcasting sector, Cogeco Media announced the acquisition of 10 radio stations owned by RNC Média Inc., which is subject to the usual closing conditions. This acquisition will extend our coverage in the province of Québec.

At the same time, the Board of Directors and I have determined that this is an opportune moment to elevate a new President and Chief Executive Officer as I move on to become Executive Chairman of the Board. The Board of Directors and I believe that it is time to pass the leadership to the next generation of leaders in the spirit of continuity. Philippe Jetté became the President and Chief Executive Officer of Cogeco on September 1, 2018. He is part of the next generation of leaders who can bring fresh, new perspectives and innovation to the business. Mr. Jetté who has been with Cogeco since 2011, most recently as President of Cogeco Peer 1, is such a leader. I am confident that, supported by the full Board of Directors and his executive team, Mr. Jetté and our 5,200 staff members will write a new chapter in the life of Cogeco, furthering our company's great history.

COGECO COMMUNICATIONS

INITIATIVES

CANADIAN BROADBAND SERVICES SEGMENT

At Cogeco Connexion, fiscal 2018 was a year for consolidation and enhancement of products, services and systems.

At the midpoint of the fiscal year, the team undertook the much-anticipated and transformative task of upgrading its customer management system, consolidating 22 different legacy systems into one integrated, advanced platform, supported by an industry leading supplier. Among its many benefits, this new system will allow Cogeco Connexion to provide improved customer service in terms of response time and greater digital interaction capabilities. This upgrade has come with its share of challenges and in some cases disruptions. Cogeco Connexion teams worked tirelessly for months, sparing no effort, to ensure these cases would be resolved as efficiently as possible and that we could continue to provide the amazing customer service experience our customers deserve and for which Cogeco Connexion is recognized.

Enhancements to existing products and services were also made during the year throughout Cogeco Connexion's footprint. The subsidiary enhanced uploading and downloading Internet speeds while also further launching its new high-speed unlimited UltraFibre 120 package for residential customers in different regions of Québec, and announced the continuation of its 1 Gigabit network enhancement program, enabling the progressive roll-out of its gigabit offering in Ontario and Québec markets. For its business customers, Cogeco Connexion enhanced its voice solutions offering with a new and superior hosted private branch exchange ("HPBX") Unified Communications service.

Cogeco Connexion closed the fiscal year with the announcement that it will be offering customers the MediaFirst next generation Internet protocol television ("IPTV") platform in Canada, taking its customers into the future with the introduction of MediaKind's state-of-the-art solution. This evolution toward IPTV will further enhance Cogeco Connexion's TV platform offering.

AMERICAN BROADBAND SERVICES SEGMENT

Following the initial announcement made in July 2017, Atlantic Broadband finalized its acquisition of the entire MetroCast cable systems, including close to 251,000 primary service units in New Hampshire, Maine, Pennsylvania, Maryland and Virginia. Atlantic Broadband followed this by delivering Internet speed upgrades to all MetroCast residential and business customers, giving access to Internet speeds up to 200 megabits per second ("Mbps") to residential customers and as high as 500 Mbps to businesses. These increases allow homes and businesses to surf, stream, download, work and play games online at the same time, with greatly enhanced speed, reliability and productivity.

Atlantic Broadband has continued rolling out enhancements throughout its footprint. It announced widespread availability of Gigabit Internet service in its New Hampshire, Maine and Aiken, South Carolina service areas, as well as the availability of new, faster business Internet speeds. The subsidiary also launched the new TiVo Experience 4 combined with IP-based Video On Demand ("VOD") and voice activated remotes.

LOUIS AUDET
Executive Chairman
of the Board

PHILIPPE JETTÉ
President and Chief
Executive Officer

Since Atlantic Broadband launched its expansion initiative in Florida, the number of connected buildings is progressing very well. The FiberLight LLC acquisition, which was announced in January and closed on October 1, 2018, will help Atlantic Broadband accelerate its expansion plans in Florida and more than double its fibre footprint in the Miami to Palm Beach region while increasing the coverage of potential data centre and bulk unit customers. This acquisition offers a great opportunity to service businesses and carriers in that region as Atlantic Broadband will bring significantly faster, more reliable and scalable fibre connectivity.

BUSINESS ICT SERVICES SEGMENT

During fiscal 2018, Cogeco Peer 1 expanded its product portfolio with the introduction of a software-defined wide area network offering ("SD-WAN") and added Managed Microsoft Azure services. Cogeco Peer 1 is one of the first international managed services providers to offer an innovative SD-WAN solution to businesses in Canada, the United States and the United Kingdom. The subsidiary also delivered a significant upgrade of its global server technology through new server offerings to customers in all 16 data centres, ensuring they have access to the newest and best server technology.

The team significantly enhanced its indirect sales channel with the addition of 34 new partners to help manage and drive revenue growth through these new routes to market. In addition, Cogeco Peer 1 increased focus on professional services by offering customers the option to access a variety of enhanced services including custom solution design, migration services, solution audit/review and optimization, and security vulnerability testing.

The Business ICT services subsidiary closed the fiscal year with a change in leadership announcement, as Susan Bowen was named to the role of President. With over 20 years of experience in the technology industry, Ms. Bowen was Cogeco Peer 1's Vice President and General Manager, Europe, Middle East and Africa, where she spearheaded strategic and tactical direction of business operations.

COGECO MEDIA INITIATIVES

Throughout fiscal 2018, Cogeco Media, our radio broadcasting subsidiary, witnessed an advertising market increasingly under pressure. Despite this, teams have worked tirelessly to ensure that our stations maintain their leadership positions in their respective target markets, which they have been enjoying for several years. In fact, Numeris surveys have once again confirmed this year that in the Greater Montréal market Cogeco Media's 98.5 FM, has remained the leading talk radio station, Rythme FM has maintained its leadership position among French-language music stations and The Beat, Cogeco Media's English radio station, has also maintained a leading position at the top of the city's English-language music stations. In our other Québec radio markets, both our talk and music format radio stations continued to perform well in a highly competitive environment.

In April 2018, Cogeco Media announced the conclusion of an agreement to acquire 10 regional radio stations (9 located in Québec and 1 in Ontario) owned by RNC Média Inc. This acquisition will bring Cogeco Media's count of radio stations to 23. The transaction, valued at $18.5 million, is subject to customary closing adjustments and usual closing conditions and is expected to be completed in the first quarter of fiscal 2019.

Cogeco Media also closed the fiscal year with a change in leadership announcement, as Michel Lorrain was named President. Mr. Lorrain has been part of the Cogeco family for nearly 11 years and his strengths made him the obvious successor to continue in the footsteps of Richard Lachance. I take this opportunity to sincerely thank Mr. Lachance who, since joining Cogeco in 1999, has shown enduring commitment and energy, enabling Cogeco Media to reach new heights.

CORPORATE SOCIAL RESPONSIBILITY - PROGRESS AND RECOGNITION

At Cogeco, our corporate social responsibility ("CSR") program is designed to ensure we are operating responsibly and sustainably, while being a good corporate citizen. Concretely, this means striving to integrate practices which improve the environmental and social impact of our operations while ensuring the Corporation's continued growth.

During fiscal 2018, most notable amongst our achievements was the publication of our fourth Corporate Social Responsibility report in January. In addition, key initiatives of the CSR Program were rolled out in all of our subsidiaries. We continued to measure and track our Greenhouse Gas Emissions ("GHG") reductions. We updated our policy for the granting of donations and sponsorships and contributed over $3.4 million in donations and sponsorships.

For a fifth year in a row, Cogeco Communications was part of the *Jantzi Social Index,* consisting of 60 Canadian companies that passed a set of broadly based environmental, social, and governance rating criteria. We also appeared in the *Corporate Knights'* 2018 list of the Best 50 Corporate Citizens in Canada. In addition, Cogeco Connexion was named to the 2018 Waste Diversion Champions list, Excellence Level, from REfficient. This recognition is given to organizations that have diverted over 100,000 pounds of waste.

CONCLUDING REMARKS

The end of fiscal 2018 and the start of a new fiscal year mark an important milestone in my career at Cogeco. I am delighted to be taking on a new role, which will allow me to ensure a smooth transition for Mr. Jetté while devoting all my time to important business matters and future corporate strategies.

Today, Cogeco holds a truly enviable position in the communications and media industry in Canada and internationally, and I am extremely proud of this and I am convinced that we are well positioned for the future.

Let me take this opportunity to convey to each of our 5,200 employees my most sincere appreciation for their unwavering support and enormous contribution to our company.

Lastly, I would like to extend my most sincere gratitude to Jan Peeters who is stepping down from our Board of Directors in January 2019. A director of the Board since 1998, Mr. Peeters has played an important supervisory role at Cogeco as Chair of the Board, a position he has held since 2004. His contribution has been immense and I consider myself privileged to have benefited from his trust and insight for the past 20 years as we worked together with the Board to make Cogeco what it is today.

LOUIS AUDET
Executive Chairman of the Board
October 31, 2018

Dear Fellow Shareholders,

I am both delighted and proud to mark the start of fiscal 2019 in my new position as President and CEO of Cogeco. While I am acutely aware that it will come with its share of challenges, I am firmly committed to addressing these challenges with the executive team, and to building on Cogeco's more than 60 years of success. I will continue to work hard to maintain the confidence and trust that our management team and our Board of Directors have developed with our shareholders throughout the years. I am also firmly committed to continue to grow the company in the spirit of continuity.

I am looking forward to exploring what the future holds for Cogeco in 2019 and beyond. In our broadband services segments, there are many opportunities on the horizon, such as an advanced IPTV platform in our Canadian footprint and new, enhanced service offerings we can extend in our new American markets. In our Business ICT segment, I am excited to build on the work we have done in past years to continue to solidify our foothold in this intensely competitive market. At Cogeco Media, I look forward to the successful integration of the RNC Média stations within our network. With the new leadership team in place, I am confident that the integration will be successful and that we will maintain our leadership position in the Québec radio market going forward.

Building on our fiscal 2018 results, we are well positioned for continued growth and success. On a constant currency and consolidated bases, Cogeco expects fiscal 2019 revenue to grow between 6% and 8%, adjusted EBITDA between 8% and 10% and free cash flow between 17% and 24% through organic growth and reflecting the full year impact of the MetroCast acquisition in the American broadband services operations.

I believe we have the talent and a solid strategic plan to deliver growth mostly from increased revenue in the Communications segment and margin improvements in both of our broadband services operations, and remain focused on the speed and accuracy of our execution. Ultimately, I am committed to leading the team with the same promise to keep our customers at the heart of everything we do. Through all our businesses and across our geographies, we strive to offer powerful connections for our customers supported by genuine connections with our customers.

Finally, on behalf of the Board of Directors and Cogeco's 5,200 employees, I would like to sincerely thank Louis Audet for his decades of commitment to Cogeco. He grew up alongside Cogeco and joined his father in the business in the early 1980s. He has been closely tied to Cogeco's development and history and has been the driving force behind the company's success and impressive growth for 25 years. Thanks to his devotion and leadership, Cogeco has become a leader in the Canadian communications and media industries while continuing its expansion in the United States, creating a strong platform.

PHILIPPE JETTÉ
President and Chief Executive Officer
October 31, 2018

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

MD&A

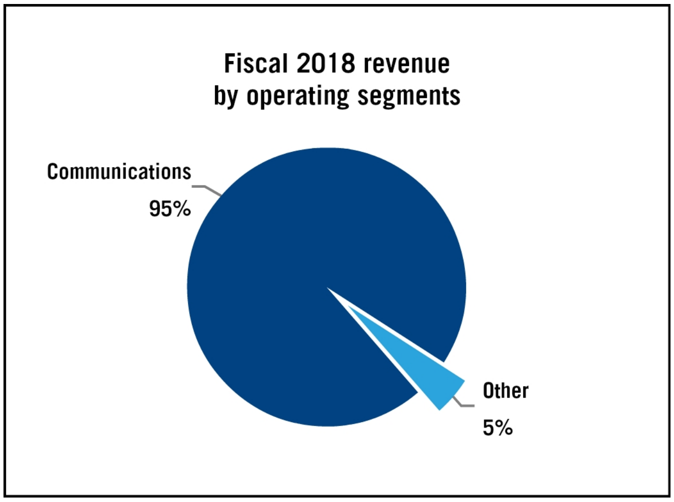
1. FORWARD-LOOKING STATEMENTS

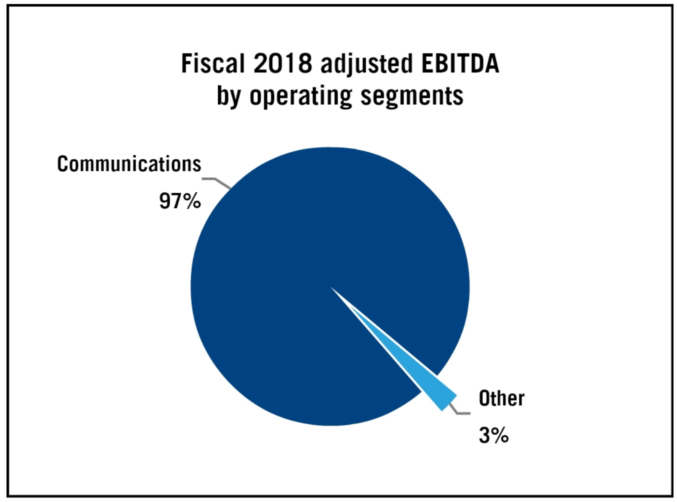
Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, 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 2019 Financial Guidelines" sections of the present 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, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks 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 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 consolidated financial statements and the notes thereto prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2018.

2. OVERVIEW OF THE BUSINESS

Cogeco is a diversified holding corporation which operates in the communications and media sectors. In fiscal 2018, the Corporation reported its operating results 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. For the year ended August 31, 2018, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA[(1)] were as follows:





2.1 COMMUNICATIONS SEGMENT

Through its Cogeco Communications Inc. ("Cogeco Communications") subsidiary, Cogeco provides a wide range of Internet, video and telephony services through its two-way broadband fibre networks in Canada and the United States, primarily to residential customers, as well as to small and medium sized businesses across its coverage area. 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 11 states along the East Coast, from Maine to Florida. Through its subsidiary, Cogeco Peer 1, Cogeco Communications provides colocation, network connectivity, hosting, cloud and an extensive portfolio of managed services to small, medium and large businesses around the world, through 16 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

2.2 OTHER

Through its subsidiary, Cogeco Media Inc. ("Cogeco Media"), Cogeco owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences: *Rythme FM*, *CKOI FM*, *98.5 FM*, *92.5 The Beat* and *Radio Circulation 730 AM* in Montréal; *FM 93* and *102.9 FM* in Québec City; *104.7 FM* in Gatineau; *CIME FM* in Saint-Jérôme; *Rythme FM* and *107.7 FM* in Sherbrooke as well as *Rythme FM* and *106.9 FM* in Trois-Rivières. Cogeco Media also operates Cogeco News, its radio news agency, feeding more than 40 affiliated independent stations connected to the world.

2.3 COMMUNICATIONS SEGMENT NETWORKS AND INFRASTRUCTURE

BROADBAND OPERATIONS

Cogeco Connexion and Atlantic Broadband provide residential Internet, video and telephony services and business services through advanced fibre optic and two-way broadband distribution networks. Cogeco Connexion and Atlantic Broadband deliver these services through long distance fibre optic systems, advanced hybrid fibre-coaxial ("HFC") broadband distribution networks, point-to-point fibre networks and fibre-to-the-home ("FTTH") network technologies.

Cogeco Connexion's distribution network covers a large territory from the Western part of Ontario to the Eastern part of Québec. Atlantic Broadband's distribution network covers the Eastern seaboard of the United States, from the southern part of Maine to southern Virginia, as well as portions of South Carolina and a large footprint in Southeast Florida. The broad reach of Cogeco Connexion and Atlantic Broadband's core transport network is designed to easily interconnect, at very high speed, its many local distribution systems to video content providers, other public telephony networks, software application providers and the world-wide Internet.

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

For residential services, Cogeco Connexion and Atlantic Broadband are deploying optical fibres to nodes serving small clusters of homes passed, with multiple fibres per node in most cases to rapidly extend the capacity of the system with smaller clusters when necessary. This just in time process, known as “node splitting”, leads to further improvement in quality and reliability while increasing the capacity of two-way services such as Internet, video-on-demand ("VOD") and telephony and optimizing the efficiency of capital investments. The HFC distribution infrastructure is designed with radio frequency ("RF") capacity of up to 1 GHz of bandwidth capacity, depending on the market served and customer needs.

In each market, the signals are carried on our hybrid fibre network for delivery to our customers. Cogeco Connexion and Atlantic Broadband believe that active use of fibre optic technology in combination with coaxial cable plays a major role in expanding capacity and improving the performance of the systems. Fibre optic strands are capable of carrying hundreds of video, data and voice channels over extended distances without signal amplification. Cogeco Connexion and Atlantic Broadband will continue to deploy fibre optic cable as warranted to further reduce amplifier cascades, which improves system reliability and reduces system maintenance cost. This hybrid combination of fibre optic and coaxial cable is the most efficient choice when it comes to delivering high quality networks with judicious capital investments.

Cogeco Connexion and Atlantic Broadband use the CableLabs' DOCSIS technology to deliver Internet and business services over HFC networks. DOCSIS has numerous advanced features to ensure a continuous transmission and high quality of service delivery. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds and to provide other products such as symmetrical services, which are particularly well suited for commercial customer applications. Today, Cogeco Connexion and Atlantic Broadband offer top Internet speeds of 120 Mbps and 200 Mbps to 100% and 86% of homes passed, respectively, and in certain areas up to 1 Gbps. Cogeco Connexion and Atlantic Broadband intend to continue deploying 1 Gbps progressively in the coming years through several technologies depending on the location, with DOCSIS 3.1 being the most cost effective. Cogeco Connexion and Atlantic Broadband intend to upgrade the network to 1 Gbps Internet speeds to approximately 60% and 85%, respectively, of their footprint at the end of fiscal 2019.

Finally, Cogeco Connexion and Atlantic Broadband are deploying FTTH technology in all new residential developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. Cogeco Connexion and Atlantic Broadband use a FTTH technology called radio frequency over glass ("RFoG"). The primary benefit of RFoG is its compatibility backward and forward with existing cable modem termination system ("CMTS") investments and back-office systems.

The following table shows the percentage of Cogeco Connexions' and Atlantic Broadband's homes passed where digital video, VOD, Internet and telephony services were available at August 31, 2018:

	% of homes passed where service is available	
Service	**Canada**	**United States**
Digital video	99%	100%
VOD	98%	99%
Internet (DOCSIS 3.0)	98%	99%
Telephony	97%	99%

BUSINESS INFORMATION AND COMMUNICATIONS TECHNOLOGY ("BUSINESS ICT") SERVICES OPERATIONS

At August 31, 2018, Cogeco Peer 1 provided its services through 16 data centres in Canada, the United States and the United Kingdom, covering approximately 475,000 gross square feet and more than 50 points of presence, including in France, Germany, the Netherlands and Mexico. A fully managed network across North America and Europe, augmented by extensive peering arrangements, allows customers to access and transport business-critical data rapidly, efficiently and securely. Cogeco Peer 1 also manages fiber connections directly to 1,800 on-net buildings in Montreal and Toronto, providing customers with high performance Internet services and direct access to Cogeco Peer 1’s full suite of data centre, cloud and security services.

Cogeco Peer 1’s data centres include highly secure and redundant IT infrastructure, including 24/7/365 monitoring, regulated climate control, power redundancy, support, and biometric security access. In addition, Cogeco Peer 1’s data centres are designed, built, and operated to data centre industry standards in order to meet both service and compliance requirements of its enterprise customers.

2.4 BUSINESS DEVELOPMENTS AND OTHER

On August 14, 2018, Cogeco Communications' subsidiary, Cogeco Connexion, announced that it has entered into an agreement with MediaKind (previously Ericsson Media Solutions) to offer to its customers, in Canada, the MediaFirst next generation Internet protocol television ("IPTV") platform. This evolution toward IPTV will further enhance its video platform offerings by enhancing its customer experience with highly customizable video content, wireless receivers, voice activated controls and access to Android Google Mobile Services for a complete video offering.

In June 2018, Cogeco Communications announced that its subsidiary, Cogeco Connexion, acquired 10 Spectrum licenses of 2,500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for $8 million. The transfer was approved by Innovation, Science & Economic Development ("ISED") Canada on June 21, 2018. In May 2018, Cogeco Connexion, was also the successful bidder on 23 Spectrum licenses of 2,500 MHz and 2,300 MHz, primarily in its Ontario and Québec wireline footprints, in the auction for residual Spectrum licenses organized by ISED Canada for a total price of $24.3 million. Both transactions were completed in June 2018. The purchase of these licenses provides an option to offer wireless services to complement our current service offering to customers within our traditional footprint and grow our share of our customers' telecommunications spending. Our objective is to offer wireless services on the basis that it be a profitable business, investing prudently within our strategic priorities and financial means.

In April 2018, Cogeco Media announced the conclusion of an agreement to acquire 10 regional radio stations (9 located in Québec and 1 in Ontario) owned by RNC Média Inc. This acquisition will bring Cogeco Media's count of radio stations to 23. The transaction, valued at $18.5 million, is subject to customary closing adjustments and usual closing conditions and is expected to be completed in the first quarter of fiscal 2019.

On January 4, 2018, Cogeco Communications' subsidiary, Atlantic Broadband, completed the acquisition of substantially all of the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast") which served about 130,000 Internet, 88,000 video and 33,000 telephony customers. This acquisition extends Atlantic Broadband's footprint across 11 states on the East Coast of the United States from Maine to Florida. The transaction valued at US$1.4 billion was subject to customary closing adjustments. This acquisition was financed through a combination of US$1.7 billion under a new Senior Secured Term Loan B, whereby US$583 million was used to refinance the existing First Lien Credit Facilities, and US$150 million under a new Senior Secured Revolving Credit facility combined with a US$315 million equity investment by Caisse de dépôt et placement du Québec ("CDPQ") in Atlantic Broadband's holding company, representing 21% of Atlantic Broadband.

On December 30, 2017, Cogeco Communications' subsidiary, Atlantic Broadband, purchased several dark fibres throughout south Florida from FiberLight, LLC for a consideration of US$16.8 million. On the same day, Atlantic Broadband signed an Asset Purchase Agreement (''APA'') with FiberLight, LLC to acquire all of its fibre network and corresponding assets located on the East Coast of south Florida for a consideration of US $34 million, which was subject to regulatory approvals and customary closing adjustments. This transaction was completed on October 1, 2018.

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

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

On December 4, 2017, the Corporation amended its $50 million Term Revolving Facility resulting in the extension of the maturity date by an additional year until February 1, 2023.

Since October 2017, a US subsidiary of Cogeco Communications has entered into eight interest rate swap agreements on a notional amount totalling US$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR benchmark base rate, excluding the applicable credit spread, into an average fixed rate of 2.06%, for maturities between January 31, 2021 and November 30, 2024, under the US$1.7 billion Senior Secured Term Loan B.

Numeris' summer 2018 survey in the Montréal region, conducted with the Portable People Meter ("PPM"), reported that in their respective target segments, *98.5 FM*, *Rythme FM* and *CKOI* maintained their leadership positions in the Montréal French market, while *The Beat* remained the leading music radio station in the Montréal English market in its target segment. In addition, most of our other regional radio stations in Québec registered good ratings.

2.5 CORPORATE OBJECTIVES AND STRATEGIES

Our vision is to be a leading communications and technology services company through strong customer relations built on trust and reliability. As our customers are at the core of everything we do, we continuously seek to innovate in our processes, operations, services and products while efficiently managing capital utilization to secure future growth. We are also dedicated to optimizing profitability and consequently increasing shareholder value.

We measure our performance with regard to these objectives by monitoring revenue, adjusted EBITDA(1) and free cash flow(1) on a constant currency basis(1).

Our strategies employed to reach these objectives are specific to each segment described below. In addition to the following, the Corporation seeks to integrate practices which improve the environmental and social impacts of its operations, while ensuring the Corporation's continued development. This is why we designed a corporate social responsibility ("CSR") program aimed at operating responsibly and sustainably while being a model of good corporate citizen. The Corporation is committed to listening to its stakeholders, setting concrete CSR commitments accordingly, disclosing CSR information transparently and maintaining the highest ethical standards.

COMMUNICATIONS SEGMENT

To achieve these objectives, Cogeco Communications has developed the following strategies:

Canadian broadband services	American broadband services	Business ICT services
Delivering organic growth by introducing value added services for residential customers and by growing our business customer base	Leveraging Internet superiority to support loyalty and promote growth	Focusing on sustainable revenue growth
Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy	Focusing on business services in the enterprise market with expanded sales channels, enhanced product offerings and aggressive market pricing strategy	Optimizing the use of current assets in order to optimize cash flows
Exploring a potential wireless service in a profitable manner and within our financial means	Building on initial successes in expanding the Florida market	Strengthening internal processes and systems to improve operational efficiency and optimize infrastructure
Investing in the development of our people	Improving our networks with state-of-the-art advanced technologies	Leveraging our global workforce

For further details on Cogeco Communications' strategies, please refer to the 2018 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 the continuous improvement of its programming and the diversification of its product portfolio in order to increase its market share and thereby its profitability.

ANTICIPATED RESULTS OF THE CORPORATION'S STRATEGIES

Results from the successful implementation of the above-described strategies should increase revenue and adjusted EBITDA thus leading to heightened profitability and reduced Indebtedness that will be measured based on the criteria described in greater details in the "Fiscal 2019 financial guidelines" section. Please refer to the "Key performance indicators and performance highlights" section for further details on the fiscal 2018 results and achievements.

(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.

2.6 KEY PERFORMANCE INDICATORS AND PERFORMANCE HIGHLIGHTS

The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with IFRS and should not be considered an alternative to other measures of performance in accordance with IFRS. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies. The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA[1] and free cash flow[1] on a constant currency basis[1].

	Actual	Revised projections (1)	Actual		Achievement of the projections
	Fiscal 2017	Fiscal 2018 (constant currency) (2)	Fiscal 2018 (constant currency) (2)		Fiscal 2018
(in millions of dollars)	$		$	%	
Financial guidelines					
Revenue	2,348	Increase of 10% to 12%	2,568	9.4	Under-achieved
Adjusted EBITDA	1,036	Increase of 9% to 11%	1,126	8.7	Under-achieved
Acquisitions of property, plant and equipment, intangible and other assets	431	535 to 555	527	22.2	Surpassed
Free cash flow	390	Decrease of 10% to 17%	343	(12.1)	Achieved

(1) Following the MetroCast acquisition completed on January 4, 2018 in the Communications segment, fiscal 2018 financial guidelines were revised to include an eight-month period of financial projections. The revised projections are presented on a constant currency basis as percentages reflecting increases/decreases over fiscal 2017.

(2) Actual results are presented in constant currency based on fiscal 2017 average foreign exchange rates of 1.3205 USD/CDN and 1.6711 GBP/CDN.

For further details on the Corporation's operating results, please refer to the “Operating and financial results” and the "Cash flow analysis" sections.

REVENUE

Fiscal 2018 revenue in constant currency increased by 9.4%, under-achieving the Corporation's revised projections mainly due to the Communications segment as a result of lower than expected primary services units[2] in the Canadian broadband services operations. The operations were negatively impacted as a result of lower marketing initiatives and contact center congestion resulting from the implementation and stabilization of a new advanced customer management system during the second half of fiscal 2018. In addition, the continuing competitive pricing pressures on the hosting and network connectivity services in the Business ICT services operations also impacted fiscal 2018 revenue growth.

ADJUSTED EBITDA

Fiscal 2018 adjusted EBITDA in constant currency increased by 8.7%, under-achieving the Corporation's revised projections mainly due to lower revenue than expected and additional costs in the Canadian broadband services operations to support the implementation of a new advanced customer management system during the second half of fiscal 2018. In addition, adjusted EBITDA in the Business ICT services operations was lower than expected mainly due to a decline in revenue.

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

For fiscal 2018, the Corporation invested $527.1 million in constant currency ($518.7 million in reported dollars) in acquisitions of property, plant and equipment, intangible and other assets, thus spending less and surpassing the Corporation's revised projections mainly due to lower than expected capital expenditures in the American broadband and Business ICT services operations due to the timing of certain initiatives and a greater focus on capital expenditures optimization.

FREE CASH FLOW

In constant currency, fiscal 2018 free cash flow decreased by 12.1%, achieving the Corporation's revised projections mostly as a result of lower than expected capital expenditures in the Communications segment.

(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.

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

2.7 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	2018	2017	2016
(in thousands of dollars, except per share data)	$	$	$
Operations			
Revenue	2,538,175	2,347,678	2,307,403
Adjusted EBITDA	1,114,277	1,035,545	1,018,762
Integration, restructuring and acquisition costs	20,463	3,191	8,802
Claims and litigations	—	—	10,791
Impairment of goodwill and intangible assets	—	—	450,000
Gain on disposal of a subsidiary	—	—	(13,107)
Profit (loss) for the year	371,713	313,367	(158,705)
Profit (loss) for the year attributable to owners of the Corporation	125,271	108,985	(29,351)
Cash Flow			
Cash flow from operating activities	711,729	977,081	759,030
Acquisitions of property, plant and equipment, intangible and other assets	518,678	431,307	470,357
Free cash flow	344,757	390,274	298,072
Financial condition			
Cash and cash equivalents	86,352	212,283	68,344
Short-term investments	—	54,000	—
Total assets	7,322,917	5,499,376	5,495,520
Indebtedness	3,951,791	2,633,159	2,974,119
Equity attributable to owners of the Corporation	701,455	578,556	503,344
Per Share Data(1)			
Earnings (loss) per share			
Basic	7.65	6.56	(1.75)
Diluted	7.59	6.52	(1.75)
Dividends	1.56	1.36	1.18

(1) Per multiple and subordinate voting shares.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years ended August 31,	2018 (1)	2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	2,538,175	2,347,678	8.1	9.4	(29,377)
Operating expenses	1,423,898	1,312,133	8.5	9.9	(17,719)
Adjusted EBITDA	1,114,277	1,035,545	7.6	8.7	(11,658)

(1) Fiscal 2018 average foreign exchange rates used for translation were 1.2773 USD/CDN and 1.7220 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of fiscal 2017 which were 1.3205 USD/CDN and 1.6711 GBP/CDN.

REVENUE

Fiscal 2018 revenue increased by 8.1% (9.4% in constant currency) mainly due to:

- growth of 8.8% (10.2% in constant currency) in the Communications segment as a result of the MetroCast acquisition; partly offset by
- a decrease of 5.1% in the Other segment mainly from a soft advertising market in the media activities.

For further details on the Communications segment's revenue, please refer to the “Communications segment” section.

OPERATING EXPENSES

Fiscal 2018 operating expenses increased by 8.5% (9.9% in constant currency) mostly attributable to the Communications segment.

For further details on the Communications segment's operating expenses, please refer to the “Communications segment" section.

ADJUSTED EBITDA

Fiscal 2018 adjusted EBITDA increased by 7.6% (8.7% in constant currency) mostly attributable to an increase in the Communications segment as a result of the MetroCast acquisition.

For further details on the Communications segment's adjusted EBITDA, please refer to the “Communications segment" section.

3.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2018 integration, restructuring and acquisition costs amounted to $20.5 million compared to $3.2 million in the prior year which were mostly comprised of acquisition and integration costs in connection with the MetroCast acquisition completed on January 4, 2018. For fiscal 2017, integration, restructuring and acquisition costs were also related to the MetroCast acquisition.

3.3 DEPRECIATION AND AMORTIZATION

Years ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment	455,020	416,399	9.3
Amortization of intangible assets	81,651	62,052	31.6
Depreciation and amortization	536,671	478,451	12.2

Fiscal 2018 depreciation and amortization expense increased by 12.2% mostly as a result of the MetroCast acquisition, partly offset by the depreciation of the US dollar against the Canadian dollar compared to the prior year.

3.4 FINANCIAL EXPENSE

Years ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Interest on long-term debt(1)	182,229	131,378	38.7
Net foreign exchange losses (gains)	(5,470)	835	—
Amortization of deferred transaction costs	1,945	2,578	(24.6)
Capitalized borrowing costs	(2,074)	(2,930)	(29.2)
Other	8,654	4,918	76.0
Financial expense	185,284	136,779	35.5

(1) Include redemption premium, write-off of unamortized deferred transaction costs and amortization of transaction costs and discounts on long-term debt.

Fiscal 2018 financial expense increased by 35.5% mainly as follows:

- higher level of Indebtedness and higher interest rates on the First Lien Credit Facilities following the MetroCast acquisition;
- early reimbursement of the Term Loan A-2, A-3 and B facilities during the second quarter of fiscal 2018 which resulted in the write-off of the unamortized deferred transaction costs of $7.3 million; and
- early reimbursement of the US$400 million Senior Unsecured Notes during the third quarter of fiscal 2018 which resulted in a $6.2 million redemption premium and the write-off of unamortized deferred transaction costs of $2.5 million; partly offset by
- reimbursement at maturity of the $100 million Senior Unsecured Debentures in the third quarter of fiscal 2018; and
- depreciation of the US dollar against the Canadian dollar compared to the prior year.

3.5 INCOME TAXES

Years ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Profit before income taxes	371,859	417,124	(10.9)
Combined Canadian income tax rate	26.50%	26.50%	—
Income taxes at combined Canadian income tax rate	98,543	110,538	(10.9)
Adjustment for losses or profit subject to lower or higher tax rates	335	9,394	(96.4)
Revaluation of deferred tax assets	9,660	587	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	(89,084)	(1,828)	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	2,648	1,405	88.5
Tax impacts related to foreign operations	(23,151)	(17,009)	36.1
Other	1,195	670	78.4
Income taxes	146	103,757	(99.9)

Fiscal 2018 income taxes decreased by 99.9% mainly attributable to:

- the effect of the federal rate reduction in the United States which reduced net deferred tax liabilities by approximately $89 million (US $70 million) in addition to the impact of the tax rate reduction on Atlantic Broadband's taxable income;
  - On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduces the general federal corporate tax rate from 35% to 21% starting after 2017. In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance, which together with tax rate reductions, will have an overall favorable impact on the income tax expense in the future.
- the decrease in profit before income taxes resulting from increases in amortization and depreciation and financial expense related to the MetroCast acquisition;
- the revaluation of deferred tax assets in the Business ICT services operations; and
- the depreciation of the US dollar against the Canadian dollar compared to the prior year.

3.6 PROFIT FOR THE YEAR

Years ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the year	371,713	313,367	18.6
Profit for the year attributable to owners of the Corporation	125,271	108,985	14.9
Profit for the year attributable to non-controlling interest(1)	246,442	204,382	20.6
Basic earnings per share	7.65	6.56	16.6

(1) The non-controlling interest represents a participation of approximately 68.3% in Cogeco Communications' profit for the year attributable to owners of the Corporation in addition to a participation of 21% in its Atlantic Broadband subsidiary results.

Fiscal 2018 profit for the year increased by 18.6% and profit for the year attributable to owners of the Corporation by 14.9% as a result of:

- the decrease in income taxes mostly related to the recent US tax reform discussed above; and
- the improvement of adjusted EBITDA mainly as a result of the MetroCast acquisition; partly offset by
- increases in depreciation and amortization, integration, restructuring and acquisition costs and financial expense mostly related to the MetroCast acquisition.

4. RELATED PARTY TRANSACTIONS

Cogeco holds 31.7% of Cogeco Communications' equity shares, representing 82.2% of Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement. Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue of Cogeco Communications. In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. 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. As contemplated by this provision and following the MetroCast acquisition completed on January 4, 2018, the management fees payable on a monthly basis charged to Cogeco Communications were reviewed and reduced from 0.85% to 0.75% of the consolidated revenue of Cogeco Communications, effective on January 4, 2018. For the year ended August 31, 2018, management fees paid by Cogeco Communications Inc. amounted to $19.0 million compared to $18.9 million for fiscal 2017.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during fiscal 2018, Cogeco Communications granted 126,425 (81,350 in 2017) stock options, did not grant any (nil in 2017) incentive share units ("ISUs") and granted 19,025 (12,150 in 2017) performance share units ("PSUs") to these executive officers as executive officers of Cogeco Communications. During fiscal 2018, Cogeco Communications charged Cogeco $915,000 ($652,000 in 2017), $1,000 ($39,000 in 2017) and $990,000 ($660,000 in 2017), respectively, with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers.

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

5. CASH FLOW ANALYSIS

Years ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	711,729	977,081	(27.2)
Cash flow from investing activities	(2,251,885)	(476,370)	—
Cash flow from financing activities	1,412,131	(355,267)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	2,094	(1,505)	—
Net change in cash and cash equivalents	(125,931)	143,939	—
Cash and cash equivalents, beginning of the year	212,283	68,344	—
Cash and cash equivalents, end of the year	86,352	212,283	(59.3)

5.1 OPERATING ACTIVITIES

Fiscal 2018 cash flow from operating activities decreased by 27.2% mainly as a result of:

- the increase in income taxes paid mainly as a result of the payment of income tax installments of $85.5 million which were deferred from fiscal 2017 to the first quarter of fiscal 2018 pursuant to a corporate structure reorganization of the Canadian broadband services operations' subsidiaries in fiscal 2017 in addition to payment of tax installments in fiscal 2018;
- the decrease in changes in non-cash operating activities primarily due to changes in working capital;
- the increase in financial expense paid mainly as a result of higher level of Indebtedness and higher interest rates following the MetroCast acquisition; and
- acquisition and integration costs related to the MetroCast acquisition; partly offset by
- the improvement in adjusted EBITDA.

5.2 INVESTING ACTIVITIES

Fiscal 2018 investing activities increased by $1.78 billion mainly due to:

- the MetroCast acquisition in the second quarter of fiscal 2018;
- the increase in acquisitions of property, plant and equipment; and
- the acquisition of Spectrum licenses in the fourth quarter of fiscal 2018; partly offset by
- the redemption of short-term investments.

BUSINESS COMBINATION IN FISCAL 2018

On January 4, 2018, Cogeco Communications' subsidiary, Atlantic Broadband, completed the acquisition of substantially all of the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name. The acquisition was accounted by using the purchase method. During the third quarter of fiscal 2018, adjustments were made to the working capital resulting in a reduction of the purchase price of $5.2 million (US$4.2 million). During the fourth quarter of fiscal 2018, the Corporation finalized the purchase price allocation of MetroCast.

The final purchase price allocation is as follows:

	Preliminary May 31, 2018 $	Final August 31, 2018 $
Purchase price		
Consideration paid at closing	1,762,163	1,762,163
Working capital adjustments	(5,222)	(5,222)
	1,756,941	1,756,941
Net assets acquired		
Cash and cash equivalents	6	6
Trade and other receivables	5,075	5,075
Prepaid expenses and other	1,989	1,989
Property, plant and equipment	297,156	280,491
Intangible assets	874,553	944,738
Goodwill	583,209	529,689
Trade and other payables assumed	(5,047)	(5,047)
	1,756,941	1,756,941

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

Fiscal 2018 acquisitions of property, plant and equipment, intangible and other assets increased by 20.3% (22.2% in constant currency) mainly due to the increase of capital expenditures in the Communications segment mostly attributable to the acquisition of several dark fibres from Fiberlight, LLC and the MetroCast acquisition.

For further details on the Communications segment's capital expenditures, please refer to the "Communications segment" section.

ACQUISITIONS OF SPECTRUM LICENSES

On June 21, 2018, Cogeco Communications announced that its subsidiary, Cogeco Connexion, acquired 10 Spectrum licenses of 2,500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for $8 million. In May 2018, Cogeco Connexion was also the successful bidder on 23 Spectrum licenses of 2,500 MHz and 2,300 MHz, primarily in its Ontario and Québec footprints, in the auction for residual spectrum licenses organized by Innovation, Science & Economic Development ("ISED") Canada for a total price of $24.3 million. Both transactions were completed during the fourth quarter of fiscal 2018.

5.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2018 free cash flow decreased by 11.7% (12.1% in constant currency) mainly as a result of:

- the increase in acquisitions of property, plant and equipment, intangible and other assets resulting mostly from the $21.2 million (US $16.8 million) acquisition of several dark fibres and from the MetroCast acquisition, both in the American broadband services operations;
- the increase in financial expense resulting from the MetroCast acquisition and a redemption premium related to the early reimbursement of the Senior Unsecured Notes;
- acquisition and integration costs related to the MetroCast acquisition; partly offset by
- the improvement in adjusted EBITDA; and
- the decrease in current income taxes expense.

FINANCING ACTIVITIES

Fiscal 2018 change in cash flows arising from financing activities is mainly explained as follows:

Years ended August 31,	2018	2017	Change	Explanations
(in thousands of dollars)	$	$	$	
Increase (decrease) in bank indebtedness	2,148	(314)	2,462	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	386,563	(187,286)	573,849	US$307 million revolving loan was drawn under the Term Revolving Facility following the early reimbursement of the US$400 million Senior Unsecured Notes in the third quarter of fiscal 2018 and drawing of US$40.4 million on the US$150 million Senior Secured Revolving Credit Facility on January 4, 2018 to finance the MetroCast acquisition. Repayments of the revolving facilities in fiscal 2017 as a result of generated free cash flow.
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	2,082,408	Issuance of a US$1.7 billion Senior Secured Term Loan B on January 4, 2018 to finance the MetroCast acquisition.
Repayments of long-term debt	(1,329,064)	(73,099)	(1,255,965)	Repayment of long-term debt including the early reimbursement of Term Loan A-2, Term Loan A-3 and Term Loan B Facilities in the second quarter of fiscal 2018 related to the MetroCast acquisition, the early reimbursement of the US$400 million Senior Unsecured Notes and reimbursement at maturity of the $100 million Senior Unsecured Debenture in the third quarter of fiscal 2018. Repayments on the First Lien Credit Facilities and the $50 million Senior Unsecured Notes in fiscal 2017.
Increase in deferred transaction costs	(3,200)	(472)	(2,728)	Mainly related to the issuance of long-term debt.
Repayment of balance due on a business combination	(118)	(837)	719	
	1,138,737	(262,008)	1,400,745	

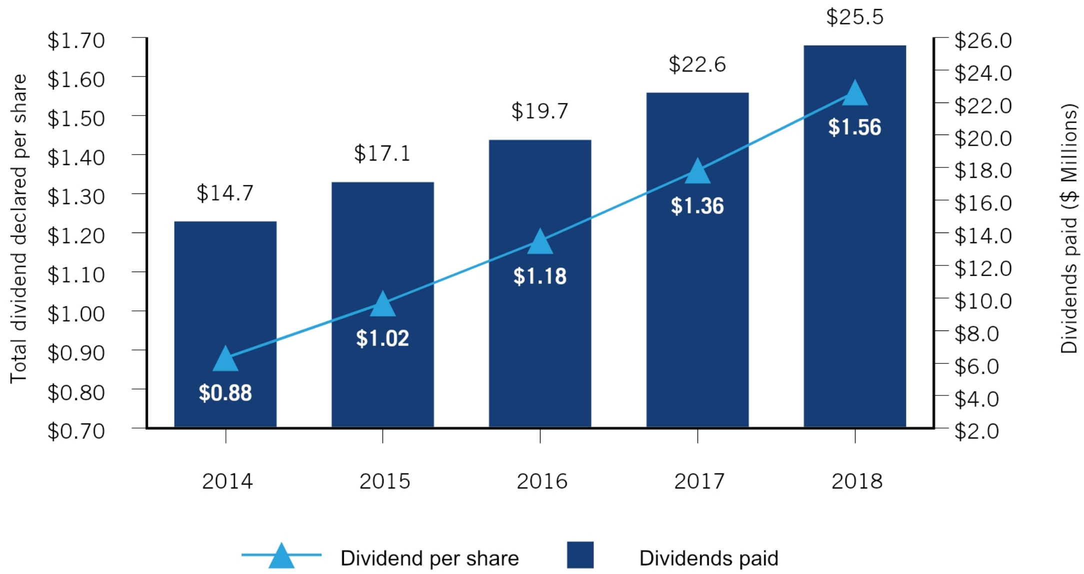
DIVIDENDS

The dividends declaration dates and payments for multiple and subordinate voting shares are as follows:

Declaration date	Record date	Payment date	Dividend per share (in dollars)
November 2, 2017	**November 16, 2017**	**November 30, 2017**	**0.39**
January 10, 2018	**January 24, 2018**	**February 7, 2018**	**0.39**
April 12, 2018	**April 26, 2018**	**May 10, 2018**	**0.39**
July 11, 2018	**July 25, 2018**	**August 8, 2018**	**0.39**
November 2, 2016	November 16, 2016	November 30, 2016	0.34
January 11, 2017	January 25, 2017	February 8, 2017	0.34
April 6, 2017	April 20, 2017	May 4, 2017	0.34
July 13, 2017	July 27, 2017	August 10, 2017	0.34

During fiscal 2018, quarterly eligible dividends of $0.39 per share, totaling $1.56 per share, were paid to the holders of multiple and subordinate voting shares, for a total of $25.5 million. In fiscal 2017, quarterly eligible dividends of $0.34 per share, totaling $1.36 per share, were paid to the holders of multiple and subordinate voting shares, for a total of $22.6 million. In addition, dividends paid by a subsidiary to non-controlling interest during fiscal 2018 amounted to $63.9 million compared to $57.7 million for the prior year. During the last five years, dividends per share increased by 15.4% on a compounded annual basis.

Total dividends and dividends per share over the last five years are as follows:



NORMAL COURSE ISSUER BID

The Corporation has renewed its normal course issuer bid program which covers the August 2, 2018 to August 1, 2019 period, to enable it to acquire for cancellation up to 550,000 subordinate voting shares.

During fiscal 2018, Cogeco purchased and cancelled 205,810 subordinate voting shares with an average stated value of $1.7 million for a consideration of $14.6 million. During fiscal 2017, Cogeco purchased and cancelled 219,327 subordinate voting shares with an average stated value of $1.8 million, for a consideration of $14.3 million.

The normal course issuer bid purchases were as follows:

					2018
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
(in thousands of dollars, except number of shares and average purchase price per share)	$	$	$	$	$
Subordinate voting shares purchased and cancelled	89,348	—	12,952	103,510	205,810
Average purchase price per share	82.01	—	65.60	62.50	71.17
Purchase costs	7,327	—	850	6,470	14,647

					2017
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
(in thousands of dollars, except average purchase price per share)	$	$	$	$	$
Subordinate voting shares purchased and cancelled	—	92,611	69,354	57,362	219,327
Average purchase price per share	—	59.45	62.78	77.63	65.26
Purchase costs	—	5,506	4,354	4,453	14,313

6. COMMUNICATIONS SEGMENT

6.1 OPERATING RESULTS

Years ended August 31,	2018 (1)	2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	2,423,549	2,226,851	8.8	10.2	(29,377)
Operating expenses	1,318,603	1,202,942	9.6	11.1	(17,719)
Management fees – Cogeco Inc.	18,961	18,939	0.1	0.1	—
Adjusted EBITDA	1,085,985	1,004,970	8.1	9.2	(11,658)
Adjusted EBITDA margin	44.8%	45.1%			
Acquisitions of property, plant and equipment, intangible and other assets	515,576	428,057	20.4	22.4	(8,400)

(1) Fiscal 2018 average foreign exchange rates used for translation were 1.2773 USD/CDN and 1.7220 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of fiscal 2017 which were 1.3205 USD/CDN and 1.6711 GBP/CDN.

REVENUE

Years ended August 31,	2018 (1)	2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	1,299,388	1,296,455	0.2	0.2	—
American broadband services	848,083	643,135	31.9	36.0	(26,435)
Business ICT services	279,715	290,799	(3.8)	(2.8)	(2,942)
Inter-segment eliminations and other	(3,637)	(3,538)	2.8	2.8	—
Revenue	2,423,549	2,226,851	8.8	10.2	(29,377)

(1) Fiscal 2018 average foreign exchange rates used for translation were 1.2773 USD/CDN and 1.7220 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of fiscal 2017 which were 1.3205 USD/CDN and 1.6711 GBP/CDN.

Fiscal 2018 revenue increased by 8.8% (10.2% constant currency) resulting from:

- growth in the American broadband services operations mainly as a result of:
  - the MetroCast acquisition completed in the second quarter of fiscal 2018;
  - rate increases implemented in September 2017;
  - the continued growth in Internet and telephony services customers; partly offset by
  - a decrease in video service customers.
- stable revenue in the Canadian broadband services operations mainly due to:
  - rate increases implemented in the first quarter of fiscal 2018; and
  - the movement of customers to higher value offerings; mostly offset by
  - a higher decline in primary service units, during the second half of fiscal 2018, from lower new service activations due to the migration of 22 legacy customer management systems to a new advanced integrated system which resulted in a higher volume of billing inquiries related to an improved bill layout, as well as service provisioning issues and consequently, impacted Cogeco Connexion's customer service level in its contact centers. Moreover, a reduction of marketing activities during the stabilization phase of the new advanced customer management system also contributed to the decline in primary service units;
  - promotional pricing provided to customers; and
  - last year's $2.1 million non-recurring revenue related to settlements with suppliers recognized in the third quarter of fiscal 2017.
- a decrease in the Business ICT services operations as a result of:
  - higher churn and competitive pricing pressures on the hosting and network connectivity services; and
  - last year's $2 million non-recurring revenue related to an Indefeasible rights of use ("IRU") agreement concluded in the second quarter of fiscal 2017.

OPERATING EXPENSES

Years ended August 31,	2018 [1]	2017	Change	Change in constant currency [2]	Foreign exchange impact [2]
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband operations	624,733	618,223	1.1	1.2	(982)
American broadband operations	477,421	371,947	28.4	32.4	(15,088)
Business ICT operations	195,266	199,748	(2.2)	(1.4)	(1,611)
Inter-segment eliminations and other	21,183	13,024	62.6	62.9	(38)
Operating expenses	1,318,603	1,202,942	9.6	11.1	(17,719)

(1) Fiscal 2018 average foreign exchange rates used for translation were 1.2773 USD/CDN and 1.7220 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of fiscal 2017 which were 1.3205 USD/CDN and 1.6711 GBP/CDN.

Fiscal 2018 operating expenses increased by 9.6% (11.1% in constant currency) as follows:

- additional costs in the American broadband services operations resulting mainly from:
  - the MetroCast acquisition completed in the second quarter of fiscal 2018;
  - programming rate increases;
  - higher costs related to growing demands for higher Internet capacity packages;
  - additional costs such as employee and outsourced services compensation costs and marketing expenses to support the continued expansion in Florida and the business sector; and
  - non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.
- a slight increase in the Canadian broadband services operations due to:
  - higher costs of approximately $7.3 million driven by an increase in headcount to support the stabilization phase following the implementation of a new advanced customer management system; partly offset by
  - lower programming costs resulting from a decline in video customer services; and
  - a shift in product mix to higher margin Internet services from video services.
- additional costs in Inter-segment eliminations and other resulting from efficiency projects and the timing of certain initiatives; partly offset by
- a decrease in the Business ICT services operations mainly due to:
  - lower marketing expenses due to the timing of certain initiatives; and
  - lower software licenses and fees paid to third parties as a result of lower revenue; partly offset by
  - last year's $1.8 million gain on disposal of property, plant and equipment recognized as a reduction of operating expenses in the first quarter of fiscal 2017; and
  - higher facilities costs.

MANAGEMENT FEES

Fiscal 2018 management fees paid to Cogeco Inc. remained essentially the same at $19.0 million compared to $18.9 million for fiscal 2017. For further details on Cogeco Communications' management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Years ended August 31,	2018 [1]	2017	Change	Change in constant currency [2]	Foreign exchange impact [2]
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	674,655	678,232	(0.5)	(0.7)	982
American broadband services	370,662	271,188	36.7	40.9	(11,347)
Business ICT services	84,449	91,051	(7.3)	(5.8)	(1,331)
Inter-segment eliminations and other	(43,781)	(35,501)	23.3	23.3	38
Adjusted EBITDA	1,085,985	1,004,970	8.1	9.2	(11,658)

(1) Fiscal 2018 average foreign exchange rates used for translation were 1.2773 USD/CDN and 1.7220 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of fiscal 2017 which were 1.3205 USD/CDN and 1.6711 GBP/CDN.

Fiscal 2018 adjusted EBITDA increased by 8.1% (9.2% in constant currency) as a result of:

- increase in the American broadband services operations as a result of the MetroCast acquisition; partly offset by
- stable adjusted EBITDA in the Canadian broadband services operations; and
- decrease in the Business ICT services operations.

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

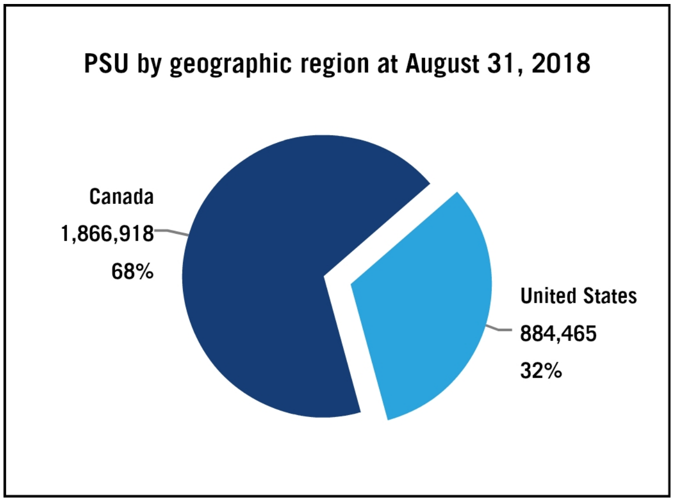
Fiscal 2018 acquisitions of property, plant and equipment, intangible and other assets increased by 20.4% (22.4% in constant currency) mainly as follows:

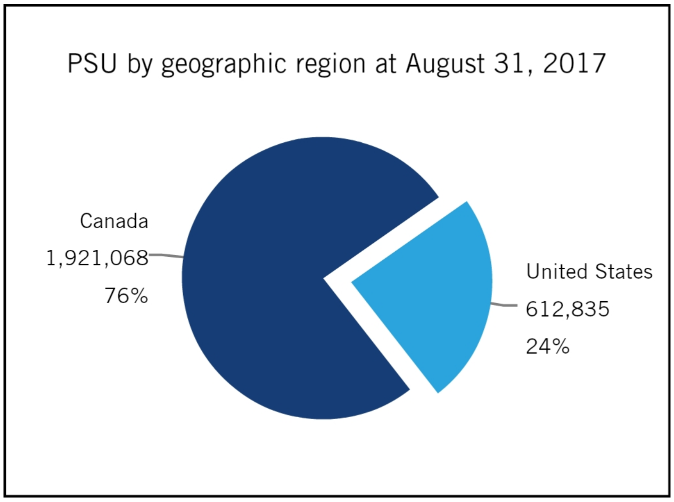
- In the American broadband services operations, fiscal 2018 capital expenditures increased by 62.6% (66.8% in constant currency), mainly due to:
  - additional investments to extend the network and infrastructure in some of the areas we serve, including an expansion in Florida;
  - additional capital expenditures related to the recent acquisition of MetroCast; and
  - the acquisition of several dark fibres throughout south Florida from FiberLight, LLC for a consideration of $21.2 million (US $16.8 million) during the second quarter of fiscal 2018.

- In the Canadian broadband services operations, fiscal 2018 capital expenditures remained essentially the same (1.2% increase in constant currency) resulting from:
  - higher purchases of customer premise equipment; and
  - additional investments in network infrastructure in order to extend the network in new areas and to improve Internet speeds as well as from the purchase of additional equipment; partly offset by
  - lower capital expenditures related to the implementation of a new customer management system during the third quarter of fiscal 2018.

- In the Business ICT services operation, fiscal 2018 capital expenditures increased by 4.6% (5.3% in constant currency) resulting mainly from:
  - additional capital expenditures from operational projects to optimize systems and processes; and
  - the timing of certain initiatives.

6.2 CUSTOMER STATISTICS





	August 31, 2018			Net additions (losses) Years ended		% of penetration[2][6] August 31,	
	Consolidated	Canada	United States	2018 [3] [4]	2017 [5]	2018	2017
Primary service units[1][2]	2,751,383	1,866,918	884,465	(35,598)	21,299		
Internet service customers	1,207,225	782,277	424,948	35,590	54,823	46.7	44.9
Video service customers	1,006,020	688,768	317,252	(43,795)	(27,619)	38.9	41.2
Telephony service customers[2]	538,138	395,873	142,265	(27,393)	(5,905)	20.8	23.0

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

(2) In the second quarter of fiscal 2018, telephony services customers have been adjusted upwards retroactively as a result of a change in reporting business customers and consequently, primary service units prior to that period have also been adjusted.

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

(4) Exclude adjustments related to the migration to the new advanced customer management system which was implemented in the Canadian broadband services operations during the third quarter of fiscal 2018.

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

(6) As a percentage of homes passed.

During the third quarter of fiscal 2018, the Canadian broadband services operations implemented a new advanced customer management system, replacing 22 legacy systems. The implementation of this new system was a very complex transformation which required more focus than anticipated during the stabilization phase. Consequently, marketing and sales initiatives were slowed down on purpose for several months resulting in a delay of new services activation and therefore, primary services units were negatively impacted during the second half of fiscal 2018. Marketing and sales initiatives have now returned to normal while the customer management system is still in the process of stabilization.

Variations of each services are also explained as follows:

INTERNET

Fiscal 2018 Internet service customers net additions amounted to 35,590 compared to 54,823 for fiscal 2017 mainly explained by:

- lower marketing and sales initiatives and contact center congestion resulting from the implementation and stabilization of the new customer management system in Canada;
- competitive offers in the industry; partly offset by
- additional customers from the growth in the MetroCast footprint and from the Florida expansion;
- increased demand from Internet resellers in Canada;
- our customers' ongoing interest in high speed offerings and in bundle offers; and
- growth in both the residential and business sectors in the United States.

VIDEO

Fiscal 2018 video service customers net losses stood at 43,795 compared to 27,619 for fiscal 2017 mainly explained by:

- lower marketing and sales initiatives and contact center congestion resulting from the implementation and stabilization of the new customer management system in Canada;
- highly competitive offers in the industry;
- a changing video consumption environment; partly offset by
- a larger customer base resulting from the growth in the MetroCast footprint and additional connects from the Florida expansion; and
- our customers' ongoing interest in TiVo's digital advanced video services and bundles with fast Internet offerings.

TELEPHONY

Fiscal 2018 telephony service customers net losses stood at 27,393 compared to 5,905 for fiscal 2017 mainly explained by:

- lower marketing and sales initiatives and contact center congestion resulting from the implementation and stabilization of the new customer management system in Canada;
- increasing wireless penetration and various unlimited offers in Canada launched by wireless operators causing customers to cancel their landline telephony services for wireless telephony services only; and
- a slower growth in the residential sector in the United States.

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:

	August 31, 2018	August 31, 2017	Change	Explanations
(in thousands of dollars)	$	$	$	
Current assets				
Cash and cash equivalents	86,352	212,283	(125,931)	Please refer to the "Cash flow analysis" section.
Short-term investments	—	54,000	(54,000)	$20 million of short-term investments matured in October 2017 and $34 million matured in May 2018.
Trade and other receivables	118,718	112,092	6,626	Non significant.
Income taxes receivable	25,697	4,277	21,420	Mostly related to income tax installments made during the first quarter of fiscal 2018 in the Canadian broadband services operations..
Prepaid expenses and other	30,444	21,737	8,707	Increase in prepayments for annual maintenance agreements.
Derivative financial instrument	1,330	98	1,232	Non significant.
	262,541	404,487	(141,946)	
Current liabilities				
Bank indebtedness	5,949	3,801	2,148	Non significant.
Trade and other payables	320,306	337,667	(17,361)	Timing of payments made to suppliers.
Provisions	26,137	23,260	2,877	Non significant.
Income tax liabilities	16,133	103,650	(87,517)	Timing of payments of income taxes related to the deferral to the first quarter of fiscal 2018 of income tax installments pursuant to a corporate structure reorganization of certain Canadian subsidiaries in the Communications segment in addition to the payments of income taxes installments related to fiscal 2018.
Deferred and prepaid revenue	68,010	85,302	(17,292)	Mostly related to the change in the billing cycles as a result of the implementation of a new customer management system during the third quarter of fiscal 2018 in the Canadian broadband services operations.
Balance due on a business combination	—	118	(118)	Non significant.
Derivative financial instruments	—	192	(192)	Non significant.
Current portion of long-term debt	77,209	131,935	(54,726)	Mostly related to the reimbursement of the $100 million Senior Unsecured Debenture maturing in March 2018, partly offset by the inclusion of a $55 million Senior Secured Notes Series B maturing in October 2018 and the appreciation of the US dollar against the Canadian dollar.
	513,744	685,925	(172,181)	
Working capital deficiency	(251,203)	(281,438)	30,235	

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	August 31, 2018 $	August 31, 2017 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,316,749**	1,961,743	355,006	Mostly related to the MetroCast acquisition in the second quarter of fiscal 2018 combined with capital expenditures exceeding depreciation expense and the appreciation of the US dollar and the British Pound against the Canadian dollar.
Intangible assets	**3,051,006**	2,058,220	992,786	Mostly related to the MetroCast acquisition in the second quarter of fiscal 2018, Spectrum licenses acquisition in the Canadian broadband services operations in the fourth quarter of fiscal 2018 combined with the appreciation of the US dollar and the British Pound against the Canadian dollar, partly offset by the excess of amortization expense over the acquisition of intangible and other assets.
Goodwill	**1,627,031**	1,042,009	585,022	Related to the MetroCast acquisition combined with the appreciation of the US dollar and the British Pound against the Canadian dollar.
Non-current liabilities				
Long-term debt	**3,817,935**	2,479,421	1,338,514	Issuance by Cogeco Communications of a US$1.7 billion Senior Secured Term Loan B, drawing of US$40.4 million on a US$150 million Senior Secured Revolving Credit Facility on January 4, 2018 to finance the MetroCast acquisition and the appreciation of the US dollar against the Canadian dollar, partly offset by the repayments of Term Loan A-2, Term Loan A-3 and Term Loan B Facilities in the second quarter of fiscal 2018 as well as the early reimbursement of a US$400 million Senior Unsecured Notes in the third quarter of fiscal 2018.
Deferred tax liabilities	**563,677**	623,436	(59,759)	Mostly related to the US tax reform, partly offset by the appreciation of the US dollar against the Canadian dollar.
Shareholders' equity				
Equity attributable to non-controlling interest	**1,680,156**	1,092,867	587,289	Mostly related to an equity investment of US$315 million made by CDPQ in Atlantic Broadband's holding company for the MetroCast acquisition, representing 21% of Atlantic Broadband.

8. CAPITAL RESOURCES AND LIQUIDITY

8.1 CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2019 guidelines:

Years ended August 31,	2019 Guidelines (1)	2018	2017
Average cost of indebtedness(2)	4.2%	**4.4%**	4.4%
Fixed rate indebtedness(3)	72%	**72%**	79%
Average term: long-term debt (in years)	4.5	**5.6**	4.0
Net secured indebtedness(4) / Adjusted EBITDA(6)	3.0	**3.4**	1.7
Net indebtedness(5) / Adjusted EBITDA(6)	3.0	**3.5**	2.3
Adjusted EBITDA / financial expense(6)	N/A (7)	**6.0**	7.6

(1) Based on mid-range guidelines.

(2) Excludes amortization of deferred transaction costs and commitment fees but includes the impact of interest rate swaps. Potential variations in the US LIBOR rates in fiscal 2019 have not been considered.

(3) Taking into consideration the interest rate swaps in effect at the end of each fiscal year.

(4) Net secured indebtedness is defined as the aggregate of bank indebtedness, balance due on business combination and principal on long-term debt, less cash and cash equivalents, short-term investments and principal on Senior Unsecured Debenture, Senior Unsecured Notes and Unsecured Debentures.

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

(6) Adjusted EBITDA and financial expense for fiscal year 2018 include eight months of MetroCast operations.

(7) Specific guidance on interest coverage cannot be provided given that financial expense guidance is not provided.

In fiscal 2019, the financial leverage ratio relating to net indebtedness over adjusted EBITDA should decline as a result of growing adjusted EBITDA and a projected reduction in Indebtedness from generated free cash flow.

COMMUNICATIONS SEGMENT

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2019 guidelines:

Years ended August 31,	2019 Guidelines (1)	2018	2017
Average cost of indebtedness(2)	4.2%	**4.4%**	4.4%
Fixed rate indebtedness(3)	72%	**72%**	78%
Average term: long-term debt (in years)	4.5	**5.7**	4.0
Net secured indebtedness(4) / adjusted EBITDA(6)	3.0	**3.5**	1.7
Net indebtedness(5) / adjusted EBITDA(6)	3.0	**3.5**	2.3
Adjusted EBITDA / financial expense(6)	N/A (7)	**5.9**	7.8

(1) Based on mid-range guidelines.

(2) Excludes amortization of deferred transaction costs and commitment fees but includes the impact of interest rate swaps. Potential variations in the US LIBOR rates in fiscal 2019 have not been considered.

(3) Taking into consideration the interest rate swaps in effect at the end of each fiscal year.

(4) Net secured indebtedness is defined as the aggregate of bank indebtedness, balance due on business combination and principal on long-term debt, less cash and cash equivalents, short-term investments and principal on Senior Unsecured Debenture and Senior Unsecured Notes.

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

(6) Adjusted EBITDA and financial expense for fiscal year 2018 include eight months of MetroCast operations.

(7) Specific guidance on interest coverage cannot be provided given that financial expense guidance is not provided.

8.2 OUTSTANDING SHARE DATA

A description of Cogeco's share data at September 30, 2018 is presented in the table below. Additional details are provided in note 18 of the Consolidated financial statements.

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	1,812,860	12
Subordinate voting shares	14,547,725	118,141

8.3 FINANCING

In May 2018, Cogeco Communications proceeded to the early reimbursement of its US$400 million Senior Unsecured Notes and drew a US$307 million revolving loan under its Term Revolving Facility.

On January 4, 2018, in connection with the financing of the MetroCast acquisition, a new $2.1 billion (US$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a $188 million (US$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' US subsidiaries, whereby $733 million (US$583 million) was used to reimburse the pre-existing Term Loan A-2, A-3, B and Revolving Facility.

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

On December 4, 2017, the Corporation amended its $50 million Term Revolving Facility resulting in the extension of the maturity date by an additional year until February 1, 2023.

Since October 2017, a US subsidiary of Cogeco Communications has entered into eight interest rate swap agreements on a notional amount totalling US$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR benchmark base rate, excluding the applicable credit spread, into an average fixed rate of 2.06%, for maturities between January 31, 2021 and November 30, 2024, under the US$1.7 billion Senior Secured Term Loan B.

At August 31, 2018, the Corporation had used $2 million of its $50 million Term Revolving Facility and an amount of $413.3 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $48 million and $386.7 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $195.8 million (US$150 million), of which $28.9 million (US$22.1 million) was used at August 31, 2018 for a remaining availability of $166.9 million (US$127.9 million).

8.4 COGECO COMMUNICATIONS CREDIT RATINGS

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

At August 31, 2018	S&P	DBRS	Fitch	Moody's
Cogeco Communications				
Senior Secured Notes and Debentures	BBB-	BBB (low)	BBB-	NR
Atlantic Broadband				
First Liens Credit Facilities	BB-	NR	NR	B1

NR : Not rated

Our ability to access debt capital markets and bank credit markets and the cost and amount of funding available partly depends on the quality of our credit ratings. Obligations rated in the "BBB" category are considered investment grade and their cost of funding is typically lower relative to the "BB/B" rating category. In addition, obligations with BBB ratings generally have greater access to funding than those with "BB/B" ratings.

8.5 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risks on their floating interest rate instruments. Interest rates fluctuations will have an effect on the repayment of these instruments. At August 31, 2018, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To mitigate such risk, the Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2018:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities is approximately $11.1 million based on the outstanding debt at August 31, 2018.

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximatively $13.6 million based on the outstanding debt at August 31, 2018.

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

The following table shows the net investments in foreign operations outstanding at August 31, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$700 million	US$963.1 million	Net investments in foreign operations in US dollar
N/A	£—	£24.7 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the consolidated statement of financial position accounts at August 31, 2018 was $1.3055 ($1.2536 in 2017) per US dollar and $1.6931 ($1.6161 in 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $38.5 million.

8.6 FOREIGN CURRENCY

For the year ended August 31, 2018, the average rates prevailing used to convert the operating results of the Communications segment were as follows:

Years ended August 31,	2018	2017	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	1.2773	1.3205	(0.04)	(3.3)
British Pound vs Canadian dollar	1.7220	1.6711	0.05	3.0

The following table highlights in Canadian dollars, the impact of a $0.04 appreciation of the Canadian dollar against the US dollar and a $0.05 depreciation of the Canadian dollar against the British Pound on the Communications segment's operating results for the year ended August 31, 2018:

	Communications segment
Year ended August 31, 2018	Exchange rate impact
(in thousands of dollars)	$
Revenue	(29,377)
Operating expenses	(17,719)
Management fees - Cogeco Inc.	—
Adjusted EBITDA	(11,658)
Acquisitions of property, plant and equipment, intangible and other assets	(8,400)
Free cash flow	1,735

8.7 COMMITMENTS AND GUARANTEES

Cogeco's contractual obligations at August 31, 2018 are shown in the table below:

Years ended August 31,	2019	2020	2021	2022	2023	Thereafter	Total
(in thousands of dollars)	$	$	$	$	$	$	$
Long-term debt(1)	77,215	22,216	222,218	257,206	755,008	2,611,979	3,945,842
Operating lease agreements(2)	37,194	36,883	36,006	31,030	28,809	74,820	244,742
Other long-term contracts(3)	44,955	22,221	15,674	7,964	6,948	25,289	123,051
Acquisition of property, plant and equipment and intangible assets(4)	36,059	13,055	14,361	16,972	18,277	20,888	119,612
Total contractual obligations	195,423	94,375	288,259	313,172	809,042	2,732,976	4,433,247

(1) Includes principal.

(2) Include operating lease agreements for rent of premises and support structures.

(3) Include long-term commitments with suppliers to provide services including minimum spend commitments.

(4) Include minimum spend commitments under acquisitions of customer premise equipments and software licenses.

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. At August 31, 2018 and 2017, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16 of the consolidated financial statements.

PURCHASE OF A FIBRE NETWORK AND CORRESPONDING ASSETS

On December 30, 2017, Cogeco Communications' subsidiary, Atlantic Broadband, signed an Asset Purchase Agreement ("APA") with FiberLight, LLC to acquire all of its fibre network and corresponding assets owned on the East Coast of south Florida for a consideration of US$34 million, which was subject to regulatory approvals and customary closing adjustments. This transaction was completed on October 1, 2018.

BUSINESS COMBINATIONS AND ASSET DISPOSALS

In connection with the acquisition or sale of a business or assets, in addition to possible indemnifications relating to failure to perform covenants and breach of representations and warranties, the Corporation and its subsidiaries have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale.

LONG-TERM DEBT

Under the terms of Cogeco Communications' Senior Secured Notes, the subsidiary has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

EMPLOYEES AND CONTRACTUALS INDEMNIFICATION AGREEMENTS

The Corporation's subsidiary, Cogeco Media, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss.

SALE OF SERVICES

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

PURCHASE AND DEVELOPMENT OF ASSETS

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

9. QUARTERLY OPERATING RESULTS

9.1 QUARTERLY FINANCIAL HIGHLIGHTS

				Fiscal 2018				Fiscal 2017
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Nov. 30	Feb. 28	May 31	Aug. 31
(in thousands of dollars, except percentages and per share data)	$	$	$	$	$	$	$	$
Revenue	586,072	623,226	668,927	659,950	583,088	586,417	599,654	578,519
Adjusted EBITDA	256,370	272,492	296,769	288,646	261,267	258,043	264,831	251,404
Integration, restructuring and acquisition costs	392	15,999	2,260	1,812	—	—	—	3,191
Profit for the period	81,778	143,765	70,129	76,041	81,959	78,232	82,082	71,094
Profit for the period attributable to owners of the Corporation	29,525	45,974	24,976	24,796	30,765	25,865	30,043	22,312
Cash flow from operating activities	2,329	218,156	191,884	299,360	122,875	253,808	243,584	356,814
Acquisitions of property, plant and equipment, intangible and other assets	96,309	127,772	112,250	182,347	97,344	87,036	100,742	146,185
Free cash flow	109,014	64,946	115,502	55,295	109,333	119,461	109,639	51,841
Earnings per share(1)(2)								
Basic	1.80	2.81	1.53	1.52	1.84	1.55	1.81	1.35
Diluted	1.78	2.79	1.51	1.51	1.83	1.54	1.80	1.34
Dividends per share	0.39	0.39	0.39	0.39	0.34	0.34	0.34	0.34

(1) The addition of quarterly information may not correspond to the annual total due to rounding.
(2) Per multiple and subordinate voting share.

9.2 SEASONAL VARIATIONS

Cogeco's operating results are not generally subject to material seasonal fluctuations except as follows. In the Communications segment, the number of Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the United States, the Miami and New Hampshire/Maine areas are also subject to seasonal fluctuations due to the winter and summer seasons.

9.3 FOURTH-QUARTER OPERATING AND FINANCIAL RESULTS

CONSOLIDATED

OPERATING AND FINANCIAL RESULTS

	Three-months ended				
	August 31, 2018 (1)	August 31, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**659,950**	578,519	14.1	13.2	5,225
Operating expenses	**371,304**	327,115	13.5	12.5	3,331
Adjusted EBITDA	**288,646**	251,404	14.8	14.1	1,894

(1) For the three-month period ended August 31, 2018, the average foreign exchange rates used for translation were 1.3100 USD/CDN and 1.7175 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.2864 USD/CDN and 1.6614 GBP/CDN.

REVENUE

Fiscal 2018 fourth-quarter revenue increased by 14.1% (13.2% in constant currency) compared to the same period of the prior year mainly due to:

- growth of 14.9% (13.9% in constant currency) in the Communications segment mostly as a result of the MetroCast acquisition; partly offset by
- a decrease of 2.6% in the Other segment resulting mainly from a soft advertising market in the media activities.

OPERATING EXPENSES

Fiscal 2018 fourth-quarter operating expenses increased by 13.5% (12.5% in constant currency) compared to the same period of the prior year mostly attributable to the Communications segment.

ADJUSTED EBITDA

Fiscal 2018 fourth-quarter adjusted EBITDA increased by 14.8% (14.1% in constant currency) mostly attributable to the improvement in the Communications segment as a result of the MetroCast acquisition.

INTEGRATION, RESTRUCTURING AND ACQUISTION COSTS

Fiscal 2018 fourth-quarter integration, restructuring and acquisition costs amounted to $1.8 million compared to $3.2 million in the same period of the prior year which are mostly comprised of acquisition and integration costs in connection with the MetroCast acquisition. For fiscal 2017, integration, restructuring and acquisition costs were also related to the MetroCast acquisition.

DEPRECIATION AND AMORTIZATION

Three-months ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment	123,616	102,672	20.4
Amortization of intangible assets	22,187	15,331	44.7
Depreciation and amortization	145,803	118,003	23.6

Fiscal 2018 fourth-quarter depreciation and amortization expense increased by 23.6% mostly as a result of the MetroCast acquisition combined with the appreciation of the US dollar and British Pound against the Canadian dollar compared to the same period of the prior year.

FINANCIAL EXPENSE

Three-months ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Interest on long-term debt	46,747	33,964	37.6
Net foreign exchange losses (gains)	(1,831)	1,771	—
Amortization of deferred transaction costs	456	640	(28.8)
Capitalized borrowing costs	(162)	(833)	(80.6)
Other	1,021	958	6.6
Financial expense	46,231	36,500	26.7

Fiscal 2018 fourth-quarter financial expense increased by 26.7% mainly as follows:

- higher level of Indebtedness and higher interest rates on the First Lien Credit Facilities following the MetroCast acquisition; and
- the appreciation of the US dollar against the Canadian dollar compared to same period of the prior year; partly offset by
- early reimbursement of the US$400 million Senior Unsecured Notes during the third quarter of fiscal 2018; and
- reimbursement at maturity of the $100 million Senior Unsecured Debentures during the third quarter of fiscal 2018.

INCOME TAXES

Three-months ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Profit before income taxes	94,800	93,710	1.2
Combined Canadian income tax rate	26.50%	26.50%	—
Income taxes at combined Canadian income tax rate	25,122	24,833	1.2
Adjustment for losses or profit subject to lower or higher tax rates	(101)	882	—
Revaluation of deferred tax assets	802	616	30.2
Impact on deferred taxes as a result of changes in substantively enacted tax rates	(38)	(276)	(86.2)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	343	1,137	(69.8)
Tax impacts related to foreign operations	(6,829)	(4,247)	60.8
Other	(540)	(329)	64.1
Income taxes	18,759	22,616	(17.1)

Fiscal 2018 fourth-quarter income taxes expense decreased by 17.1% compared to the same period of the prior year mainly attributable to:

- the effect of the federal rate reduction in the United States; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

PROFIT FOR THE PERIOD

Three-months ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the period	76,041	71,094	7.0
Profit for the period attributable to owners of the Corporation	24,796	22,312	11.1
Profit for the period attributable to non-controlling interest[(1)]	51,245	48,782	5.0
Basic earnings per share	1.52	1.35	12.6

(1) The non-controlling interest represents a participation of approximately 68.3% in Cogeco Communications' profit for the year attributable to owners of the Corporation in addition to a participation of 21% in its subsidiary results, Atlantic Broadband.

Fiscal 2018 profit for the period increased by 7.0% and profit for the year attributable to owners of the Corporation by 11.1% as a result of:

- the improvement of adjusted EBITDA mainly as a result of the MetroCast acquisition; and
- the decrease in income taxes mostly related to the recent US tax reform; partly offset by
- increases in depreciation and amortization and financial expense mostly related to the MetroCast acquisition.

COMMUNICATIONS SEGMENT

OPERATING AND FINANCIAL RESULTS

	Three-months ended				
	August 31, 2018 [(1)]	August 31, 2017	Change	Change in constant currency [(2)]	Foreign exchange impact [(2)]
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	633,857	551,728	14.9	13.9	5,225
Operating expenses	345,946	299,880	15.4	14.3	3,331
Management fees – Cogeco Inc.	4,796	4,653	3.1	3.1	—
Adjusted EBITDA	283,115	247,195	14.5	13.8	1,894
Adjusted EBITDA margin	44.7%	44.8%			

(1) For the three-month period ended August 31, 2018, the average foreign exchange rates used for translation were 1.3100 USD/CDN and 1.7175 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.2864 USD/CDN and 1.6614 GBP/CDN.

Revenue

Fiscal 2018 fourth-quarter revenue improved by 14.9% (13.9% in constant currency) mainly due to:

- growth of 55.9% (53.1% in constant currency) in the American broadband services operations as a result of:
  - the MetroCast acquisition completed in the second quarter of fiscal 2018;
  - rate increases implemented in September 2017;
  - the continued growth in Internet and telephony services customers; partly offset by
  - a decrease in video service customers.
- a decrease of 1.6% (1.6% in constant currency) in the Canadian broadband services operations resulting from:
  - a higher decline in primary service units, during the second half of fiscal 2018, from lower new service activations due to the migration of 22 legacy customer management systems to a new advanced integrated system which resulted in a higher volume of billing inquiries related to an improved bill layout, as well as service provisioning issues and consequently, impacted Cogeco Connexion's customer service level in its contact centers;
  - reduction of marketing activities during the stabilization phase of the new advanced customer management system; and
  - promotional pricing provided to customers; partly offset by
  - rate increases implemented in the first quarter of fiscal 2018.
- a decrease of 1.3% (2.4% in constant currency) in the Business ICT services operations due to:
  - higher churn and competitive pricing pressures on the hosting and network connectivity services; partly offset by
  - a growth in cloud services revenue.

Operating expenses

Fiscal 2018 fourth-quarter operating expenses increased by 15.4% (14.3% in constant currency) mainly due to:

- additional costs of 47.7% (45.0% in constant currency) in the American broadband services operations mainly as a result of:
  - the MetroCast acquisition completed in the second quarter of fiscal 2018;
  - programming rate increases; and
  - additional costs such as employee and outsourced services compensation costs and marketing expenses to support the continued expansion in Florida and the business sector.

- stable operating expenses in the Canadian broadband services operations resulting from:
  - higher costs of approximately $6.9 million driven by an increase in headcount to support the stabilization phase of the new advanced customer management system; partly offset by
  - lower programming costs resulting from a decline in video customer services; and
  - lower professional fees following the implementation in the third quarter of fiscal 2018 of the new advanced customer management system.

- a decrease of 2.3% (3.3% in constant currency) in the Business ICT services operations mainly due to:
  - lower marketing expenses due to the timing of certain initiatives;
  - lower software licenses costs as a result of lower revenue; partly offset by
  - higher facilities costs.

Management fees

Fiscal 2018 fourth-quarter remained essentially the same at $4.8 million compared to $4.7 million for the same period of the prior year.

Adjusted EBITDA

Fiscal 2018 fourth-quarter adjusted EBITDA increased by 14.5% (13.8% in constant currency) resulting from:

- an increase of 67.3% (64.3% in constant currency) in the American broadband services operations as a result of the MetroCast acquisition; and
- stable adjusted EBITDA, as reported and in constant currency, in the Business ICT services operations; partly offset by
- a decrease of 3.2% (3.0% in constant currency) in the Canadian broadband services operations.

Acquisitions of property, plant and equipment, intangible and other assets

Fiscal 2018 fourth-quarter acquisitions of property, plant and equipment, intangible and other assets increased by 24.1% (22.1% in constant currency) mainly due to:

- an increase of $38.7 million ($40.4 million in constant currency) in the American broadband services operations as a result of:
  - capital expenditures related to the recent acquisition of MetroCast and to the expansion in Florida; and
  - additional investments to extend the network and to improve the infrastructure in some of the areas we serve.

- an increase of 3.2% (2.0% in constant currency) in the Canadian broadband services operations due to:
  - additional investments in network infrastructure in order to extend the network in new areas and to improve Internet speed offerings;
  - higher purchases of customer premise equipment; partly offset by
  - lower network equipment due to the timing of certain initiatives; and
  - lower capital expenditures related to the implementation of a new customer management system during the third quarter of fiscal 2018.

- a decrease of 26.6% (27.6% in constant currency) in the Business ICT services operations due to lower purchase of equipments to serve customers as a result of the timing of certain initiatives.

CUSTOMER STATISTICS

	August 31, 2018			Net additions (losses) Three-months ended August 31,	
	Consolidated	Canada	United States	2018 [(2)]	2017
Primary service units[(1)]	2,751,383	1,866,918	884,465	(33,021)	(5,663)
Internet service customers	1,207,225	782,277	424,948	1,728	8,310
Video service customers	1,006,020	688,768	317,252	(18,999)	(10,245)
Telephony service customers[(1)]	538,138	395,873	142,265	(15,750)	(3,728)

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

(2) Exclude adjustments related to the migration to the new advanced customer management system which was implemented during the third quarter of fiscal 2018.

During the third quarter of fiscal 2018, the Canadian broadband services operations implemented a new advanced customer management system, replacing 22 legacy systems. The implementation of this new system was a very complex transformation which required more focus than anticipated during the stabilization phase. Consequently, marketing and sales initiatives were slowed down on purpose for several months resulting in a delay of new services activation and therefore, primary services units were negatively impacted during the second half of fiscal 2018. Marketing and sales initiatives have now returned to normal while the customer management system is still in the process of stabilization.

INTERNET

Fiscal 2018 fourth-quarter Internet service customers net additions amounted to 1,728 compared to 8,310 in fiscal 2017 mainly explained by:

- lower marketing and sales initiatives and contact center congestion resulting from the implementation and stabilization of the new customer management system in Canada; and
- competitive offers in the industry; partly offset by
- additional connects from the Florida expansion and in the MetroCast footprint;
- the ongoing interest in high speed offerings and bundle offers;
- the increased demand from Internet resellers and from the business sector in Canada;
- growth in both the residential and business sectors in the United States.

VIDEO

Fiscal 2018 fourth-quarter video net losses stood at 18,999 compared to 10,245 in fiscal 2017 mainly explained by:

- lower marketing and sales initiatives and contact center congestion resulting from the implementation and stabilization of the new customer management system in Canada;
- highly competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- a larger customer base resulting from the MetroCast acquisition;
- additional connects from the Florida expansion; and
- our customers' ongoing interest in TiVo's digital advanced video services and bundles with fast Internet offerings.

TELEPHONY

Fiscal 2018 fourth-quarter telephony net losses stood at 15,750 compared to 3,728 in fiscal 2017 mainly explained by:

- lower marketing and sales initiatives and contact center congestion resulting from the implementation and stabilization of the new customer management system;
- the increasing wireless penetration in Canada and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only; partly offset by
- the continued growth in the residential and business sectors in the United States.

CASH FLOW ANALYSIS

Three-months ended August 31,	2018	2017	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	299,360	356,814	(16.1)
Cash flow from investing activities	(214,236)	(198,994)	7.7
Cash flow from financing activities	(62,329)	(89,770)	(30.6)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(2)	(2,428)	(99.9)
Net change in cash and cash equivalents	22,793	65,622	(65.3)
Cash and cash equivalents, beginning of period	63,559	146,661	(56.7)
Cash and cash equivalents, end of period	86,352	212,283	(59.3)

Fiscal 2018 fourth-quarter cash flow from operating activities decreased by 16.1% mainly as a result of the following:

- the decrease in changes in non-cash operating activities primarily due to changes in working capital;
- the increase in financial expense paid as a result of higher level of Indebtedness and higher interest rates following the MetroCast acquisition; and
- the increase in income taxes paid mainly from the payment of income tax installments; partly offset by
- the improvement in adjusted EBITDA.

INVESTING ACTIVITIES

Fiscal 2018 fourth-quarter investing activities increased by 7.7% compared to the same period of the prior year mainly due to:

- the increase in acquisitions of property, plant and equipment; and
- the acquisition of Spectrum licenses; partly offset by
- the redemption of short-term investments.

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

Fiscal 2018 fourth-quarter acquisitions of property, plant and equipment, intangible and other assets increased by 24.7% (22.8% in constant currency) compared to the same period of fiscal 2017 mainly due to the increase of capital expenditures in the Communications segment as discussed above.

ACQUISITIONS OF SPECTRUM LICENSES

On June 21, 2018, Cogeco Communications' subsidiary, Cogeco Connexion, acquired 10 Spectrum licenses of 2500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for $8 million. In May 2018, Cogeco Connexion was also the successful bidder on 23 Spectrum licenses of 2500 MHz and 2300 MHz, primarily in its Ontario and Québec footprints, in the auction for residual Spectrum licenses organized by ISED Canada for a total price of $24.3 million. Both transactions were completed during the fourth quarter of fiscal 2018.

FREE CASH FLOW

Fiscal 2018 fourth-quarter free cash flow increased by 6.7% (9.8% in constant currency) compared to the same period of the prior year mainly as a result of the following:

- the improvement in adjusted EBITDA; and
- the decrease in current income taxes expense; partly offset by
- the increase in acquisitions of property, plant and equipment, intangible and other assets resulting mostly from higher capital expenditures in the American broadband services operations; and
- the increase in financial expense.

FINANCING ACTIVITIES

Fiscal 2018 fourth-quarter change in cash flows arising from financing activities is mainly explained as follows:

Three-months ended August 31,	2018	2017	Change	Explanations
(in thousands of dollars)	$	$	$	
Increase (decrease) in bank indebtedness	(10,738)	434	(11,172)	Related to the timing of payments made to suppliers.
Net decrease under the revolving facilities	(17,333)	(13,963)	(3,370)	
Repayments of long-term debt	(5,553)	(53,638)	48,085	Repayments on the First Lien Credit Facilities and the $50 million Senior Unsecured Notes in fiscal 2017.
	(33,624)	(67,167)	33,543	

DIVIDENDS

During the fourth quarter of fiscal 2018, a quarterly eligible dividend of $0.39 per share was paid to the holders of subordinate and multiple voting shares, totaling $6.4 million, compared to a dividend paid of $0.34 per share, or $5.6 million in the fourth quarter of fiscal 2017.

NORMAL COURSE ISSUER BID

During the fourth quarter of fiscal 2018, Cogeco purchased and cancelled 103,510 subordinate voting shares with average stated value of $0.8 million for a consideration of $6.5 million.

10. FISCAL 2019 FINANCIAL GUIDELINES

10.1 CONSOLIDATED

Cogeco maintains its fiscal 2019 preliminary financial guidelines as issued on July 11, 2018.

The Corporation presents its financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates. Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

The following table outlines fiscal 2019 financial guidelines ranges on a consolidated basis:

	Projections (prior to the adoption of IFRS 15)[1] Fiscal 2019[2]	Actual Fiscal 2018
(in millions of dollars, except percentages)	$	$
Financial guidelines		
Revenue	Increase of 6% to 8%	2,538
Adjusted EBITDA	Increase of 8% to 10%	1,114
Acquisitions of property, plant and equipment, intangible and other assets[3]	$555 to $575	519
Free cash flow[4]	Increase of 17% to 24%	345

(1) Fiscal 2019 financial guidelines presented as percentages reflect increases over actual for fiscal 2018 prior to the adoption of IFRS 15, *Revenue from contracts with customers*, which is not expected to have a significant impact on these guidelines.

(2) Fiscal 2019 financial guidelines are based on fiscal 2018 actual exchange rates of 1.28 USD/CDN and 1.72 GBP/CDN.

(3) The definition of acquisitions of property, plant and equipment, intangible and other assets excludes purchases of Spectrum licenses.

(4) The assumed current income tax effective rate is approximatively 19%.

10.2 COMMUNICATIONS SEGMENT

Cogeco Communications maintains its fiscal 2019 preliminary financial guidelines as issued on July 11, 2018.

On a constant currency and consolidated bases, Cogeco Communications expects fiscal 2019 revenue to grow between 6% and 8% mainly as a result of the full year impact of the MetroCast acquisition compared to eight months for fiscal 2018 and the FiberLight acquisition which are both in the American broadband services segment. In addition, growth in the American broadband services segment should also stem from growth of primary service units from the continued expansion in Florida as well as from growth in the MetroCast footprint combined with the impact of rate increases in most services. In the Canadian broadband services segment, revenue growth should stem primarily from the business sector, as a result of the increasing demand for Internet services and rate increases in most services. Included in the Canadian broadband guidelines are rate increases to be implemented at the end of the first quarter compared to an earlier implementation the prior year, as well as expected primary services units losses during the first quarter in line with those of the fourth quarter of the prior year. In the Business ICT services segment, revenue should benefit from growth in colocation and hosting services, partly offset by a decrease in network connectivity services as a result of competitive pricing pressures.

On a constant currency and consolidated bases, fiscal 2019 adjusted EBITDA should grow between 8% and 10% due to the full year impact of the MetroCast acquisition, the FiberLight acquisition and from revenue growth exceeding operating expenses as result of cost reduction initiatives in the Canadian broadband services segment, partly offset by higher operating expenses in the American broadband services and Business ICT services segments.

The consolidated capital intensity ratio should remain stable. In the Canadian broadband services segment, capital intensity should remain stable and capital expenditures will focus on digital transformation initiatives, extensions of the network into new areas, network upgrades to 1 Gbps Internet speeds to 60% of the footprint by fiscal year end and launching the MediaFirst IPTV video platform. In the American broadband services segment, capital intensity should decrease in fiscal 2019 as a result of the one-time purchase of dark fibres from FiberLight in fiscal 2018. Capital expenditures in fiscal 2019 will focus on the Florida expansion and on upgrading the network to 1 Gbps Internet speeds to 85% of the American footprint by year end. In the Business ICT services segment, capital intensity should increase mainly from expected higher capital expenditures due to strategic investments amounting to approximately $30 million in the existing Kirkland data centre facility to build a third pod to serve customer needs.

Free cash flow on a constant currency and consolidated bases should increase between 18% and 25% mainly due to the growth of adjusted EBITDA, partly offset by an increase in capital expenditures.

The following table outlines fiscal 2019 financial guidelines ranges on a consolidated basis:

	Projections (prior to the adoption of IFRS 15)[1] Fiscal 2019[2]	Actual Fiscal 2018
(in millions of dollars, except percentages)	$	$
Financial guidelines		
Revenue[3]	Increase of 6% to 8%	2,424
Adjusted EBITDA[3]	Increase of 8% to 10%	1,086
Acquisitions of property, plant and equipment, intangible and other assets[4]	$550 to $570	516
Capital intensity	21% to 22%	21.3%
Free cash flow[5]	Increase of 18% to 25%	326

(1) Fiscal 2019 financial guidelines presented as percentages reflect increases over actual for fiscal 2018 prior to the adoption of IFRS 15, *Revenue from contracts with customers*, which is not expected to have a significant impact on these guidelines.

(2) Fiscal 2019 financial guidelines are based on fiscal 2018 actual exchange rates of 1.28 USD/CDN and 1.72 GBP/CDN.

(3) The impact of integrating MetroCast operating results for a full year, together with the acquisition of fibre network and corresponding assets from FiberLight, LLC, completed on October 1, 2018, represent approximately 4% of revenue growth and 5% of adjusted EBITDA growth.

(4) The definition of acquisitions of property, plant and equipment, intangible and other assets excludes purchases of Spectrum licenses.

(5) The assumed current income tax effective rate is approximatively 19%.

11. UNCERTAINTIES AND MAIN RISK FACTORS

This section outlines the principal risks and uncertainties which Cogeco and its subsidiaries currently believe to be material. It does not purport to cover all contingencies, or to describe all possible factors that might have an influence on the Corporation or its activities at any point in time. Furthermore, the risks and uncertainties outlined in this section may or may not materialize in the end, may evolve differently than expected or may have different consequences than those that are currently anticipated. If any of the following risks, or any other risks and uncertainties that the Corporation and its subsidiaries have not yet identified or that they currently consider not to be material, actually occur or become material risks, the Corporation and its subsidiaries' businesses, guidance, prospects, financial condition, results of operations and cash flows and consequently the price of the subordinate voting shares could be materially and adversely affected.

ENTERPRISE RISK MANAGEMENT

The Corporation has a formal enterprise-wide risk management ("ERM") Program which incorporates all business units of the Corporation. The ERM Program is structured and governed based on the widely adopted *Committee of Sponsoring Organisations of the Treadway Commission* ("COSO") ERM integrated framework. As part of this program, Management identifies on an annual basis the principal business risks facing the Corporation in the context of its global business and affairs that are liable to have a material adverse impact on the Corporation's financial situation, revenue or activities. The scope of the ERM Program not only covers risks of a strategic, operational, financial and compliance nature but also addresses environmental, social and governance ("ESG") related risks. Management also identifies appropriate risk mitigation measures to proactively manage these risks as may be reasonable and appropriate in the circumstances. Such risks and mitigation measures are presented to the Board and fully considered in the annual strategic planning process. They are also monitored by the Audit Committee which oversees the implementation by Management of appropriate risk mitigation measures.

11.1 COMPETITIVE RISKS

The industries in which we operate are very competitive, and we expect competition to increase and intensify from a number of sources in the future. Some of our competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater brand recognition and a larger base of customers. These competitors may be able to adapt more quickly to new or emerging technologies, changes in customer requirements, and may also be able to develop services comparable or superior to those offered by us at more competitive prices. Aggressive pricing and market offers of these competitors could result in pricing pressures and increased customer acquisition and retention costs and could put pressure and adversely affect our businesses and results of operations. Our ability to compete successfully within one or more of our market segments may thus decline in the future due to increased competition from current competitors or from new entrants taking bold actions to establish, sustain or increase their position in the market. Our businesses and results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our customer base while maintaining our adjusted EBITDA margins and desired capital intensity.

***We face intense competition in the Canadian broadband services segment of Cogeco Communications from several large integrated communications service providers*.**

In Canada, there are several terrestrial, wireless and satellite transmission technologies available to deliver a wide range of communications services to residential homes and to commercial establishments with varying degrees of flexibility and efficiencies, which compete with our Internet, video and telephony services. BCE Inc. ("Bell"), our largest competitor, offers through its various operating entities a full range of competitive voice, Internet and video services to residential as well as to business customers in the provinces of Québec and Ontario through a combination of wireline, wireless and satellite platforms throughout our network footprint. TELUS Communications Company ("Telus") offers through its various operating entities a full range of competitive voice, Internet and video services to residential as well as to business customers in Eastern Québec and through its wireless telecommunications throughout our network footprint.

Bell and Telus are pursuing the construction of fibre-to-the-home ("FTTH") networks to deploy IP television services in their service areas. The fibre optic technologies they are using are capable of carrying two-way video, Internet with substantial bandwidth and telephony services, each of which is comparable to the services Cogeco Connexion offers.

We also compete within our network footprint in Canada with several other telecommunications service providers. Shaw Direct, the direct-to-home satellite service of Shaw Communications Inc. ("Shaw") competes for video customers throughout our footprint. Bell, Telus, Rogers, Vidéotron and Shaw are actively marketing their wireless telecommunications services within our network footprint. Furthermore, substitution of wireless technology for wireline broadband access and the deployment of both fixed-wireless and 5G mobile network technology may lead in the future to more competition for Internet and video services in our territories.

Cogeco Communication's subsidiary, Cogeco Connexion, also faces competition from several resellers who have subscribed to the wholesale third party Internet access ("TPIA") service mandated by the Canadian Radio-Television and Telecommunications Commission's ("CRTC") in order to provide Internet, telephony and to a lesser extent, video services to their customers. Resellers' market share is significant and growing, especially in Québec and Ontario, the two regions in Canada where the resellers have been particularly active and are aggressively pricing their services. Satellite-based access Internet services have also improved the performance and speed of their services.

Certain Canadian municipalities also plan to build and operate their own broadband networks through public/private partnership arrangements in competition with the Corporation in some of its serving areas.

Some of the large integrated communications service providers we compete with in Canada also own broadcast content assets.

Some of the large integrated communications service providers we compete with in Canada such as Bell, also own broadcast content assets. This vertical integration could result in content being withheld from us or being made available to us at inflated prices or unattractive terms. Potential anti-competitive practices in dealings between programming content owners and distributors are discussed in the "Regulatory Risks" section below.

Intensifying competition in the American Broadband services segment of Cogeco Communications.

Our principal competitors in the United States for video services are direct broadcast satellite ("DBS") providers, DirecTV, Inc. (owned by AT&T) and Dish Network. We also face increasing competition for our video services from phone companies with fibre networks, such as AT&T U-verse, Verizon FiOs and Frontier Communications Corporation, as well as other cable companies, such as Comcast. As a condition to the Federal Communications Commission ("FCC") approval of the AT&T/DirectTV acquisition, AT&T is required to deploy FTTH to 12.5 million customer locations by mid-2019. In June 2018, AT&T acquired Time Warner, giving AT&T control over several key programming networks, such as HBO, TNT, TBS and CNN. Since regulatory approval for this acquisition was granted without conditions, pursuant to a court ruling against the Department of Justice and in favor of AT&T, our ability to access this content at reasonable rates, terms and conditions could be negatively impacted.

Our competitors for Internet services primarily offer direct subscriber line ("DSL"), and, to a lower extent fiber-to-the-node ("FTTN") and FTTH. We also face competition from wireless Internet service providers offering 3G, 4G and eventually 5G wireless broadband services and Wi-Fi networks. Wireless carriers, such as T-Mobile, have also started promoting unlimited Internet data plans which could appeal to lower intensity Internet users. AT&T is also aggressively promoting its DirecTV service with its wireless products.

Our telephony services face competition from the incumbent local exchange carriers ("ILEC"), as well as other providers such as cellular and VoIP providers. Our business services face competition from a variety of service providers, in addition to cloud, hosting and various applications.

We face competition in both the Canadian and American Broadband services segments of Cogeco Communications from over-the-top ("OTT") content providers.

The market for video services in Canada and in the United States has changed significantly over recent years. Although TV remains the leading platform by which most people view video, more customers are switching from cable services to programming content available on OTT platforms over the Internet. The proliferation of subscription VOD services, such as Netflix, Amazon Prime and Hulu Plus, is gaining more and more traction with consumers. The OTT trend is expected to continue and we could be materially adversely impacted if, as a result, a significant number of video customers disconnected their services or reduce their video spending and we may not be able to make up for the loss of revenue associated with this migration.

Some of our main video competitors, such as Bell in Canada or AT&T/DirecTV and Dish Network in the United States, have entered the OTT sphere with their own OTT services. Additionally, several programming networks distributed by the Corporation offer direct-to-consumer products, such as Sportsnet in Canada or HBO Now, CBS All Access and Showtime Anytime in the United States. The Corporation enables the delivery of certain OTT services on its set top boxes, but does not own any OTT platform.

An increased number of consumers are switching from landline telephony to wireless and IP based phone services.

An increased number of fixed phone customers are moving away from fixed lines to wireless and IP based phone services. This trend is largely the result of the increasing wireless penetration rate in North America and the various unlimited offers launched by wireless operators. We do not currently offer wireless services and, therefore, further erosion of fixed phone customers moving away from fixed phones towards wireless phones could have a material adverse effect on our business, financial condition, prospects and results of operations.

Wireline to wireless home broadband substitution is happening and will likely increase when unlimited wireless data plans offering become widely available.

A number of wireline Internet customers are starting to move away from wireline broadband Internet access to wireless Internet access. This trend will likely increase as wireless data only plans in Canada become more widely available and as unlimited wireless plans at attractive price points are being launched by wireless operators. We do not currently offer wireless services and, therefore, further erosion of traditional Internet customers moving away from wireline Internet access towards wireless broadband access could have a material adverse effect on our business, financial condition, prospects and results of operations.

We do not currently offer "quadruple-play" service bundles that include wireless communications.

Although we provide "double-play" and "triple-play" service bundles in Canada and the United States, with various combinations of Internet, video and landline telephony services being offered at bundled prices, we do not offer "quadruple-play" service bundles which include wireless communications.

We remain interested in offering wireless services to complement our service offerings to customers within our current footprint and grow our share of our customers' telecommunications spending. We are aiming to enter the wireless space on a limited basis on the condition that it is a profitable business and intend to invest prudently within our priorities and financial means. We believe that the model that is most likely achievable, while satisfying our profitability requirements is a hybrid model that would consist of segments relying on the mobile virtual network ("MVNO") model where we would use an incumbent's networks to offer wireless services as well as some segments where we may be a facilities-based operator. We have started devoting relatively small amounts of capital towards accumulating spectrum to cover part of our territory, which we may use in such a hybrid MVNO model or offer out in a partnership arrangement. However, we may not be able to secure on a timely basis the appropriate arrangements required to launch a wireless operation. Also, launching a wireless operation may result in downward pressure on adjusted EBITDA margins and free cash flow.

The markets in which the Business ICT services segment of Cogeco Communications operates are highly competitive, constantly changing and fragmented.

Competition in the Business ICT services segment of Cogeco Communications includes local and regional, in addition to national and international competitors. We face competition in relation to colocation, network connectivity, hosting, cloud and managed services from Canadian network service providers (e.g. Bell, Telus, Rogers), international managed services providers (e.g. Rackspace, Softlayer), large cloud services providers (e.g. Amazon and Microsoft), small regional and local specialized firms (e.g. Beanfield, Cogent) and in some cases from large system integrators (e.g. IBM, CGI).

Competition in the Business ICT services segment of Cogeco Communications is intense, particularly among providers of cloud services, and we may not be successful in meeting demand or differentiating ourselves from competitors in this market segment. Large-scale cloud providers benefit from highly efficient operations and increased purchasing power, allowing them to offer low prices. Increased supply for these services in excess of demand could also exert downward pressure on prices which could harm our adjusted EBITDA margins.

11.2 BUSINESS RISKS

STRATEGIC PLAN AND BUSINESS STRATEGIES

Our ability to successfully implement our business strategies described above in section "Corporate objectives and strategies" of this report in a timely and coordinated manner and to realize their anticipated benefits could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating expenses, regulatory developments, general economic conditions, increased competition, technological changes and the other factors described in this “Uncertainties and Main Risk Factors” section. Failure to successfully implement and execute our strategic plan and business strategies in a timely and coordinated manner could have a material adverse effect on our reputation, business, financial condition, prospects and results of operations and on our ability to meet our obligations, including our ability to service our Indebtedness.

PROGRAMMING COSTS

The financial performance of our businesses depends in large part on our ability to sustain adjusted EBITDA margins by tightly controlling operating expenses. One of the largest driver of such operating expenses is the programming license fees we pay to television programming service suppliers. The programming license fees of certain television programming services have increased significantly in Canada and in the United States in recent years, particularly for sports programming. Future increases in programming license fees could have a material adverse effect on our business and results of operations.

In Canada, the market for video content services is characterized by high levels of supplier concentration and vertical integration. Our largest programming supplier is Bell, with approximately 35% of our overall programming costs. Bell is vertically integrated and is also our largest competitor. While we have generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, we may not be able to maintain our current arrangements, or conclude new arrangements that are economically favorable to us, and programming license fees may thus increase by larger increments in future years.

Certain affiliation agreements with some of our major programming suppliers have expired and the terms and conditions for their renewal have not yet been concluded. We may be subject in upcoming Canadian programming services renewals to regulatory dispute resolution proceedings which could either help us obtain reasonable affiliation terms or compel us to pay increased programming license fees or otherwise subject us to adverse competitive conditions.

In the United States, the cable industry has also experienced a rapid escalation in the cost of programming in recent years, particularly sports programming and the retransmission of local broadcast programming. Most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Also, in order to obtain the most popular programming services, programmers require us to carry a number of the programmers’ less popular services, further increasing our costs.

We are also subject in the United States to increasing financial and other demands by broadcasters to obtain the required consent for the transmission of local broadcast programming to our customers. We obtain most local broadcast programming through retransmission consent agreements. Most agreements require payment of a flat fee per customer for retransmission of the broadcaster’s primary signal. In most cases these agreements also involve the exchange of other types of considerations, such as limited grants of advertising time and carriage of multicast signals.

The inability to acquire and provide content to our customers that meets their requirements in terms of quality, format, variety of programming choices, packages and platforms at competitive rates which customers can afford to pay, could have a material adverse effect on our businesses as well as on our adjusted EBITDA margins should we fail to pass on the incremental increase in costs of programming to our customers.

CUSTOMER EXPERIENCE

The Corporation strives to maintain respectful and transparent relationships with its customers by providing a superior customer service experience and through honest marketing of its products. The loyalty of our customers and their retention depend on our ability to provide a service experience that meets or exceeds their expectations. The Corporation firmly believes that customer service represents a key differentiator and has enacted various programs and actions at its different business units to constantly improve the customer service experience and build upon this reputational capital. In fiscal 2018, Cogeco Connexion launched a new advanced customer management system which involved the data conversion and migration of approximately 1 million Québec and Ontario residential and business customers. Some difficulties were encountered during the transition to this new system which impacted the customer service experience. The Corporation is actively engaged in deploying the necessary efforts to address all customer service issues related to this transition. The failure to sustain and expand customer relationships through quality customer service could have a material adverse effect on our businesses, financial condition and results of operations.

MEETING CUSTOMER DEMANDS

Failure to anticipate and respond in a timely manner to changing customer expectations, changes in consumer behavior, technology trends and new market conditions may result in an outdated product/services portfolio, thus impairing our ability to retain current customers and attract new ones. The inability to adapt and evolve our service offerings to respond to changing customer expectations in an increasingly digitized world, new market conditions or disruptive technologies could have a material adverse effect on our businesses, financial condition and results of operations.

MARKETING AND SALES

The failure to achieve sales growth targets in our Broadband or Business ICT segments as a result of inadequate marketing and/or sales strategies, a deficient execution of said strategies or operating difficulties could have a materially adverse effect on our business, financial condition and results of operations.

RELIANCE ON THIRD PARTIES

We depend on certain third-party suppliers for the provision of our broadband services.

We depend on long-term agreements with a supplier in Canada and a supplier in the United States, for the provision of our telephony services to our residential and business customers.

We currently offer video services to our customers in our Canadian and American footprint through a combination of equipment from TiVo, Arris, Cisco and other suppliers.

All these suppliers may experience business difficulties, restructure their operations, consolidate with other suppliers, discontinue products or sell their operations to other suppliers, which could affect the future development of our products and services. The inability to meet product or service delivery objectives or having to incur increased costs as a result of a failure in supply from third-party suppliers or change in suppliers could have a materially adverse effect on our business, financial condition and results of operations.

We depend on third-party power utilities and third-party Internet providers for certain of our Business ICT services.

We depend on power utility suppliers in the geographical areas in which our data centres are located. Prolonged power outages could prevent us from delivering some of our services until our power utility suppliers have resolved the failure, which may result in significant customer dissatisfaction, loss of revenue and potential litigation.

Cogeco Peer 1 depends on third-party Internet providers with regards to the purchase of bandwidth throughout its network. There can be no assurance that these service providers will continue to provide service to Cogeco Peer 1 on competitive terms, if at all, or that Cogeco Peer 1 will be able to acquire additional network capacity to adequately meet future customer demand. A failure by the Internet providers in their ability to provide the service or the inability from Cogeco Peer 1 to acquire additional network capacity and maintain direct connections to multiple IP backbone networks in order to meet future customer demand, could materially adversely affect our financial condition and operating results.

We lease facilities from third parties.

Most of the data centres operated by Cogeco Peer 1 are located in leased premises. The failure to comply with lease terms and conditions resulting in the termination of a lease agreement or failure to renew said leases at commercially reasonable terms could have a material adverse effect on our ability to conduct our business and results of operations.

MERGERS/ACQUISITIONS, DIVESTITURES AND REORGANIZATIONS

Cogeco Communications has grown through acquisitions and will continue to seek attractive acquisition opportunities in the future. Achieving the expected benefits of acquisitions depends in part on successfully consolidating functions, integrating operations, procedures and personnel in a timely and efficient manner and realizing revenue, synergies and other growth opportunities from combining acquired businesses with those of Cogeco Communications. There is no assurance that the integration of acquisitions will be successful and will deliver the anticipated benefits and results. The integration process after an acquisition may lead to greater than expected operating expenses, financial leverage, capital costs, customer losses, business disruption of our other businesses and management's diversion of time and resources. We may also be required to make capital expenditures or other investments, which may affect our ability to implement our business strategies to the extent we are unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. In addition, an acquired business could have liabilities that we fail or are unable to uncover and for which the Corporation may be responsible. Depending on the circumstances, pursuing acquisitions may also require that we raise additional capital, through debt or equity, and establish relationships with new financing partners, or use cash that would otherwise have been available to support our existing business operations. Any failure by Cogeco Communications to successfully integrate or address the risks associated with acquisitions or to take advantage of future strategic opportunities could materially adversely affect our financial position, financial performance, cash flows, business or reputation.

ECONOMIC DEPENDENCE

The economic dependence of our Business ICT services operations on a few large customers has the potential to materially affect the financial results of this segment should the relationship terminate, if we are unable to replace such lost revenues.

FOREIGN OPERATIONS

Our American Broadband services activities are carried out by Atlantic Broadband in 11 states along the East Coast from Maine to Florida while part of our Business ICT services activities are conducted by Cogeco Peer 1 in parts of the United States (California, Texas, Virginia, Florida and Georgia) and Europe (United Kingdom and France). The revenue of the Corporation in the United States and in Europe represents respectively 36.5% and 1.3% of the consolidated revenue of the Corporation. There are significant complexities and risks involved with carrying foreign operations, such as differences in political, legal, regulatory and taxation regimes or fluctuations in relative currency values against the Canadian dollar, all of which could have a material adverse impact on our operating and financial results.

TALENT MANAGEMENT AND SUCCESSION PLANNING

Our success is substantially dependent upon the retention and the continued performance of our employees and executive officers. Many of these employees and executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. Retaining key employees and executive officers is especially important to our business in order to keep pace with technological change and to avoid losing critical knowledge in the context of the organization's continued expansion. The loss of the services of any key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could impact our ability to deliver on organizational goals and have a material adverse effect on our growth, business and profitability. The company is actively engaged in fully participating in its employees professional development and well-being by offering competitive working conditions and through a variety of programs that promote continuous education, a healthy and safe work environment as well as diversity.

LABOUR RELATIONS

As of August 31, 2018, approximately 22% of our employees were represented by several unions under collective bargaining agreements. The Corporation has been successful to date in negotiating satisfactory collective agreements with unions without significant labour disruption. While the Corporation's labour relations have been satisfactory in the past, we can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labour protest could have a material adverse effect on our businesses, operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

11.3 REGULATORY RISKS

REGULATORY RISKS - CANADIAN AND AMERICAN BROADBAND SERVICES SEGMENT OF COGECO COMMUNICATIONS

Our Canadian and American Broadband operations are subject to extensive and evolving laws, regulations and policies. Changes to these laws, regulations and policies could have negative financial, operational or competitive consequences on our business. Recent regulatory proceedings and decisions in Canada and the United States described below may also affect us and have an adverse impact on our business.

Our Canadian and American broadband operations are subject to extensive regulation and policies.

Canadian laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcasting programming and broadcasting distribution licenses. With respect to broadcasting distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services, the composition of the basic cable service, access to distribution, the resolution of disputes on the terms of carriage for Canadian programming services and mandatory financial contributions for the funding of Canadian programming. There are significant restrictions on the ability of non-Canadians to own or control broadcasting licenses and telecommunications common carriers in Canada.

Cogeco Connexion, our broadcasting distribution and telecommunications business in Canada is primarily regulated respectively under the *Broadcasting Act* and the *Telecommunications Act* and regulations thereunder. The CRTC, which oversees the implementation of the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. In addition, we are subject to other Canadian laws relating to communications, intellectual property, data protection, privacy of personal information, spam, e-commerce, direct marketing and digital advertising which have become more prevalent in recent years.

Cogeco Connexion systems operated in Canada are subject to periodic license renewals by the CRTC. The maximum license term for all our licenses is seven years and all our licenses were just renewed for this period. While CRTC licenses are usually renewed in the normal course upon application by the licensee, except in case of substantial and repeated breach of conditions or regulations by the licensee, there can be no assurance that the maximum renewal term will be granted or that new or modified conditions of license or expectations will not apply to the renewal term. Cable service areas in Canada are non-exclusive. Competition from additional programming distributors through cable or distribution platforms in our Canadian service area could materially adversely affect our growth, financial condition and results of operations.

In the Budget Plan dated March 23, 2017, the Federal Government proposed to review and modernize the *Broadcasting Act* and the *Telecommunications Act*. On June 5, 2018, the Government of Canada issued the Terms of reference of the Broadcasting and Telecommunications legislative review and indicated that the review will also contemplate any necessary changes to the *Radiocommunication Act* as all three Acts are complementary and form the main legislative framework for communications. The Government asked an expert panel to propose legislative changes on the following key priorities in telecommunications: 1) Universal access and deployment, 2) Competition, innovation and affordability, 3) Net neutrality, 4) Consumer protection, rights and accessibility, 5) Safety, security and privacy, 6) Effective spectrum regulation, and 7) Governance and effective administration. As for the broadcasting sector, the Government is looking for insight from the panel on the following key elements: 1) Broadcasting definitions, 2) Broadcasting policy objectives, 3) Support for Canadian content and creative industries, 4) Democracy, news and citizenship, 5) Cultural diversity, 6) National public broadcaster, and 7) Governance and effective administration. The panel held a first working session in June 2018 and has launched a consultation plan and outreach in September 2018 with submissions to be filed on November 30, 2018.

Furthermore, in December 2017, the Government referred its announced statutory review of the *Copyright Act* to the Standing Committee on Industry, Science and Technology. On March 27, 2018, the aforementioned committee adopted a three-step work plan in order to conduct the legislative review, which includes conducting hearings with witnesses from various sectors of activities, stakeholders and legal experts. The Committee aims to complete all three phases by early 2019.

Changes to the Canadian regulatory framework, specifically the laws, regulations and policies governing our lines of business or operations, foreign ownership restrictions, terms of license, the issuance of new licenses, the distribution and packaging of programming services, wholesale or retail service terms, terms for the licensing of programming services for distribution in Canada on various distribution platforms, complaint or dispute resolution processes, industry codes of conduct, or the tax status or treatment of competitive suppliers or their respective services, could have a material adverse effect on our business (including who we compete with and how we provide products and services), financial condition, prospects and results of operations. In addition, we may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form Canadian laws, regulations, policies and rulings will be adopted over time, when they will be implemented or how they will be construed by the relevant courts, or the extent to which any changes might adversely affect us.

In the United States, federal, state and local governments extensively regulate our video, high-speed Internet and voice services. Certain of these laws require Atlantic Broadband to maintain licenses and authorizations for the operation of our business and restrict or impose conditions on the way in which we operate. These restrictions and conditions could inhibit our ability to expand our business and introduce new products and services. Additionally, certain federal and state governments have passed or proposed legislation to award funding for new broadband infrastructure. If such legislation does not limit funding to unserved areas, competitors could receive funding to expand their broadband networks within or near our service areas.

Changes to existing laws and regulations, as well as the adoption of new laws and regulations, could have an adverse effect on our business by increasing our costs, limiting our revenues and/or imposing additional restrictions on our operations.

In addition, we could be materially disadvantaged if we remain subject to legal and regulatory constraints that do not apply equally to our competitors. The FCC has adopted rules to ensure that the state and local governmental regulations do not unreasonably interfere with competitive entry and several states have enacted legislation to ease the regulatory burden on new entrants. Further, DBS providers are not required to comply with several of the regulatory requirements that apply to cable operators. Atlantic Broadband could be materially disadvantaged if the rules continue to set different, less burdensome requirements for some of its competitors than for the company.

Recent regulatory proceedings and decisions in Canada and the United States may also affect us and have an adverse impact on our business.

Several recent proceedings and decisions of the CRTC in Canada and the FCC in the United States could have a material adverse impact on our business and results of operations.

In its April 2018 mid-year report, the Commission for Complaints for Telecom-TelevisionServices found that complaints against telecommunications providers had increased by 73 percent compared to the previous year. As a result, in June 2018, the Government directed the CRTC to investigate and report on the sales practices used by Canadian telecommunications companies. The report resulting from the inquiry must include potential solutions to ensure Canadian consumers are adequately protected and treated fairly. The CRTC will be required to complete its inquiry and report by February 28, 2019. The CRTC sought comments from Canadians regarding their personal experience with any misleading or aggressive retail sales practices of telecommunication carriers and over a thousand interventions were filed to the CRTC as a result. In July 2018, the CRTC also requested information from Canada's large telecommunications carriers regarding their retail sales practices. The CRTC intends to hold a public oral hearing starting in October 2018.

On May 10, 2018, the Competition Bureau initiated a consultation on the competitive dynamics of the Canadian broadband market to examine the following four broad questions:

- Have independent internet service providers ("resellers") been able to deploy competitively effective service offers?
- How have consumers reacted to new competitive alternatives?
- How does regulation in this industry affect the economic behavior of broadband suppliers?
- How do other countries manage and regulate broadband competition?

After receiving submissions, conducting interviews, analyzing information and completing research, the Competition Bureau expects to publish a final report with its conclusions and recommendations in Spring 2019.

Following a public hearing to consider the regulatory impact of increasing industry consolidation and vertical integration, the CRTC adopted on September 21, 2011, a number of safeguards to mitigate the risks associated with vertical integration of programming content and distribution, including a prohibition on exclusivity on all distribution platforms with respect to traditional television content, a Code of Conduct prohibiting commercially unreasonable terms regarding wholesale rates and packaging (including the tied selling of services) and "stand-still" provisions to ensure that BDUs or Canadian programming service licensees are not threatened with the withdrawal of popular programming services or forced to accept unreasonable terms and conditions while disputes are pending before the CRTC. In the case of a dispute with a Canadian programming service, the CRTC can set distribution terms, including wholesale fees payable to the programming service supplier. On September 24, 2015, the CRTC issued its determination on a wholesale code to govern the commercial arrangements between BDUs and programming services (the "Wholesale Code"). The Wholesale Code came into force on January 22, 2016 and applies to all licensed undertakings. For all other parties, including non-Canadian programming services distributed in Canada, exempt BDUs, exempt programming undertakings, and exempt digital media undertakings, the Wholesale Code serves as a basis for guiding commercial interactions in the negotiation of agreements in the Canadian market.

Bell Canada challenged the validity of the Wholesale Code and on December 22, 2015 the Federal Court of Appeal granted Bell Canada leave to appeal the Wholesale Code set out in Broadcasting Regulatory Policy 2015-438. Bell alleged that the CRTC lacked jurisdiction when it issued i) its wholesale code regulatory policy; and ii) its order enforcing the Wholesale Code. Cogeco Communications was a participant in the appeal and sought to have the Wholesale Code upheld. On October 1, 2018, the Federal Court of Appeal partly upheld Bell's appeal by setting aside the order enforcing the Wholesale Code on the basis that the CRTC did not have the power to issue such order. The Federal Court of Appeal however remained silent on the validity and the reasonableness of the Wholesale Code itself. Moreover, as the Wholesale Code has since been incorporated as conditions of license for both BDUs and programming services, it appears that the terms of the Wholesale Code remain binding for the time being. Bell is entitled to file a permission to appeal this decision before the Supreme Court of Canada until November 30, 2018. In the absence of negotiation safeguards, such as the ones contained in the Wholesale Code or in conditions of license of programming services, there is a risk that vertically integrated competitors may abuse their market power and impose anticompetitive terms for the distribution of their programming services or attempt to withhold content from us.

On April 9, 2015, the 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 wireless broadband internet access services in order to meet specific targets. The fund will make available up to $750 million over the first five years. The Commission's existing subsidy regime for local telephone service will gradually be phased out and transitioned to the new funding mechanism. Furthermore, the current funding will be expanded to include both retail Internet access and texting services revenues. This change to the calculation of the revenue-percent charge will take effect in the first year of implementation of the new fund and it is expected, according to the Commission, that the revenue-percent charge will be approximately the same as the current revenue-percent charge of 0.63%. On June 26, 2018, the Commission decided that the phase-out of the local telephone service subsidy regime will occur from January 1, 2019 to December 31, 2021. On September 27, 2018, the CRTC released its decision regarding the administration of the new Broadband Fund which *sets out the governance, operating and accountability framework, as well as eligibility and assessment criteria, for proposed projects to be provided funding through the Broadband Fund.*

On July 22, 2015, the CRTC decided that the mandatory wholesale TPIA service should now be available through the implementation of regional based access points of interconnection ("POIs"), starting with the provinces of Ontario and Québec, and ordered to this end the major ISPs operating in these provinces, including Cogeco Connexion, to file proposed network interconnection configurations and thereafter proposed capacity and access rates. The regional POIs are intended to replace the current centralized POIs over a three year period. Under the regional network configuration, TPIA customers wishing to offer download speeds in excess of 100 Mbps will have to be interconnected at regional access POIs. On August 29, 2017, the CRTC approved capacity and access rates for regional TPIA services on an interim basis. It is expected that the CRTC will release in early 2019 the final rates for both regional and centralized wholesale TPIA services. These final rates could adversely impact our financial position and results of operations.

Innovation, Science and Economic Development Canada ("ISED") is currently reviewing the allocation rules of the 600 MHZ spectrum and of the millimeter wave spectrum to support 5G services. ISED initiated a consultation earlier in 2018 on its overall approach and planning activities related to the release of spectrum over the next five years.

Government spectrum allocation policies in Canada and the United States may change in the future and adversely impact our competitive position.

Since 2017, the FCC has taken more of a non intervention approach to regulatory requirements. Such approach, however, could negatively impact the Corporation in certain areas, such as carriage rights for broadcast stations and programming networks. Additionally, the recent increase in the consolidation of broadcast station ownership, as well as the consolidation of vertically-integrated communications service providers with distribution and programming ownership interests could negatively impact our ability to obtain carriage rights on reasonable, non-discriminatory terms and conditions.

We must obtain access to support structures and municipal right of ways for our broadband operations.

We require access to the support structures of provincial and municipal electric utilities and telephone companies and to municipal rights of way to deploy our broadband network. Where access to municipal rights of ways in our Canadian footprint cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act*. Access to the support structures of telephone companies is provided on a tariff basis approved by the CRTC. In the case of provincial and municipal electric utilities, access to those support structures is subject to provincial and municipal requirements, and the terms for access to these structures may need to be obtained through provincial and municipal authorities. We have entered into comprehensive support structure access agreements with all of the major electric companies and all of the major telecommunications companies in our network footprint.

In the United States, the *Communications Act* requires telephone companies and other utilities (other than those owned by municipalities or cooperatives) to provide cable systems with non-discriminatory access to any pole or right-of-way controlled by the utility. The rates that utilities may charge, together with certain terms and conditions for such access are regulated by the FCC, or, alternatively, by states that certify to the FCC that they regulate pole attachments. Five states in which Atlantic Broadband has cable systems have certified that they regulate pole attachments. There is always the possibility that the FCC or a State could permit the increase of pole attachment rates paid by cable operators.

If we have to support increasing costs in securing access to support structures needed for our broadband network or are unable to secure such agreements, we may not be able to implement our business strategies and our businesses, financial condition, results of operations, reputation and prospects could be materially adversely affected.

REGULATORY RISKS - BUSINESS ICT SERVICES SEGMENT OF COGECO COMMUNICATIONS

The activities in our Business ICT services operations are less regulated than our Canadian and American broadband services operations. Cogeco Peer 1 is nevertheless subject to various laws and regulations in the course of its business activities in the jurisdictions where it operates, including applicable laws and regulations dealing with international trade and foreign policies that restrict private trade with certain countries or individuals, environmental compliance, telecommunications, and privacy and data security.

A growing compliance burden (e.g. ISO 27001, OSFI Cybersecurity, *Health Insurance Portability and Accountability Act of 1996* ("HIPAA") the General Data Protection Regulation ("GDPR") etc.) is also placed on data centre businesses who want to attract customers in the financial health care, payments cards and government sectors.

11.4 TECHNOLOGY RISKS

NETWORK FAILURE

Our broadband services business units of the Corporation manage network failure risks through a Business Continuity Planning program as well as through a Disaster Recovery Policy and related procedures. Operational risk assessments are also conducted on an annual basis minimally to consider anticipated and unanticipated events (including climate-related incidents) in order to protect the viability of all critical business processes.

In Canada, Cogeco Connexion has a backup system for retransmission through another headend or a mobile headend if one of our headends fails. In the United States, Atlantic Broadband also has emergency backup or replacement sites, including several interconnects with adjacent cable operators to be able to use their signals as a backup.

A failure in our headends could prevent us from delivering some of our services through a portion of our network until we have implemented backup solutions or resolved the failure and result in significant customer dissatisfaction, loss of revenue and potential litigation, depending on the severity of the outage condition.

MAINTENANCE OF OUR NETWORK, INFRASTRUCTURE AND IT SYSTEMS

We continuously maintain, upgrade or replace our network, infrastructure and IT systems in order to optimize our networks and systems, increase the speed of our Internet service and improve and provide new or enhanced services that meet the needs and expectations of our customers. If we are unable to do so because of capital or other constraints, this may materially adversely affect our ability to compete and negatively impact business and financial performance.

DEPENDENCE ON TECHNOLOGY SYSTEMS

The daily operation of our businesses is highly dependent on information technology systems and software, including those provided by certain third party suppliers. Our business is dependent on our payroll, customer billing, service provisioning, financial, accounting and other data processing systems. We rely on these systems to process, on a daily basis, a large number of transactions. An inability to maintain and enhance our existing information technology systems or obtain new systems to support additional customer growth or new products and services could have a material adverse impact on our ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, or comply with regulatory requirements, all of which could materially adversely impact our operational results and financial position. During the third quarter of fiscal 2018, Cogeco Connexion implemented a new advanced customer management system, which replaced 22 legacy systems in Québec and Ontario. Some difficulties were encountered during the transition to this new system, such as billing errors, service provisioning issues and congestion in our contact centers, which negatively impacted the customer service experience and revenue and generated costs overruns. The customer management system is on path of stabilization but any further transitioning issues could damage our brand and reputation and have a material adverse effect on our results of operations, compliance with regulatory requirements, financial performance and future business prospects.

CYBER THREATS

Cybersecurity breaches have grown in frequency and complexity over recent years in the public and private sectors. Security measures are in place to safeguard against cybersecurity breaches such as firewalls, site monitoring and intrusion detection software. We have deployed over the past year numerous efforts to improve the overall governance over information security, the security awareness of our employees through continuous training, the security of our IT systems, the controls within our IT systems and our business processes. Our Information and Cyber-Security Policy is guided by industry best practices and recognized international information security standards such as ISO 27001 and those of the National Institute of Standards and Technology. In our Business ICT segment, we offer products and services in compliance with the PCI DSS version 3.1 certification and obtain SOC 1, Type II compliance reports (SSAE 16, CSAE 3416, ISAE 3402). These initiatives address logical and physical security, intrusion detection and overall technology security. They also cover controls relating to providing services to our customers, including policies and procedures around change management, incident reporting, operations and monitoring. These certifications and compliance reports provide assurance to customers that we are protecting their data. These efforts and initiatives may not however successfully prevent cyberattacks against our network infrastructure and supporting information systems and could result in service disruptions, loss of customers, litigation, remediation costs and reputational damage.

During fiscal 2018, the Corporation did not experience any major cyber breach. Despite the fact that we are protecting critical data and infrastructure from cyberattacks, theft, unauthorized usage and disclosure, viruses, sabotage and other cyber threats, there can be no certainty that we will not be the subject of such attacks which could have an adverse effect on our brand and reputation as well as entail significant legal and financial exposure.

DATA PROTECTION

We collect, use and manage in the course of our business various data about our customers, including sensitive personal information. Policies, procedures, guidelines, business rules and safeguards have been put in place to ensure that the personal information of our customers is protected and treated appropriately under applicable privacy laws. The Corporation is committed to providing transparency to its customers with respect to the Corporation Group’s practices in handling their information. Each business unit within the Corporation's Group has implemented security measures that are designed to safeguard personal information against unauthorized access, such as firewalls, site monitoring and intrusion detection software. Personal information will be retained only as long as necessary for the fulfilment of the purposes for which it was collected and for which consent was received, unless otherwise required by law. Each year, our employees must agree to abide by the rules of our Code of Ethics and the Information and Cybersecurity Policy and are required to certify in writing that they will comply with them. Existing and proposed privacy legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on our collection and use of certain kinds of information.

Many countries around the world are deploying stricter data protection regulations, such as the legislation approved by the European Union in 2016 (the GDPR) which became effective in early 2018. Cogeco Peer 1 has implemented the necessary steps to be compliant with GDPR requirements which include the mapping of all personal data held or managed by Cogeco Peer 1, updating the Privacy Policy, having a general awareness session and deploying an e-learning module on the subject, launching the Cogeco Peer 1 Data Protection Addendum for all customers globally and executing sub-processor terms with key vendors. The Corporation has viewed this new legislation as an opportunity to ensure continuous improvement and to apply the higher data protection standards globally. Data protection is also a focus of concern for Business ICT customers who are seeking maximum contractual indemnification in their contracts in regards to potential data security breaches. We maintain limited insurance coverage against the losses resulting from such breaches.

Any malfunction of our systems and equipment or security breaches resulting in unauthorized access to, loss or use of, customer and employee personal information or the personal information that our customers process using the Business ICT services of Cogeco Communications could result in the potential loss of business, damage to our market reputation, litigation, regulatory investigation and penalties.

11.5 FINANCIAL RISKS

CAPITAL COMMITMENTS, LIQUIDITY AND DEBT

Cogeco Communications relies on its free cash flow generated by operations to fund its capital expenditures program and on capital markets to refinance its indebtedness and further grow its business through acquisitions. Capital markets are volatile and Cogeco Communications may not be able to access them at reasonable conditions if its credit profile and general economic conditions deteriorate. Such conditions could lead to higher cost of funding, deteriorating financial position and liquidity, and more restrictions on the Corporation’s operations.

We may be unable to generate sufficient cash flow and maintain an adequate liquidity position to ensure and preserve the Corporation’s financial stability/solvency and fund strategic imperatives as well as operational and financial obligations of the business.

CURRENCY AND INTEREST RATES

Our financial results are reported in Canadian dollars and a significant portion of our revenue, operating expenses and capital expenditures are realized in currencies other than Canadian dollars, most often US dollars and British Pounds. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar or the British Pound during a given financial reporting period would result in variations on our operating results and financial condition. Although a significant portion of our indebtedness, which is denominated in US dollars, serves as a cash flow hedge to foreign operations, our revenue, adjusted EBITDA and indebtedness could fluctuate materially as a result of foreign exchange rate fluctuations.

Interest rate volatility can also impact variable interest rate debt and have a material adverse impact on our financial performance.

CREDIT RATINGS

Credit ratings issued by rating agencies can affect the availability and terms of the Corporation’s financings. A reduction in the Corporation's credit ratings, particularly a downgrade below investment grade of secured debt currently rated as investment grade, could materially adversely affect our cost of capital and access to capital.

TAXATION MATTERS

Our business operations are subject to various tax laws and regulations. These tax laws and regulations are subject to frequent changes and evolving interpretation. While we believe we have adequately provided for all taxes based on the information available to us, the calculation of taxes requires significant judgment in interpreting laws and regulations. A failure to accurately assess and record taxes could result in material changes to tax amounts recorded and an assessment of interest and penalties having a material adverse impact on financial results.

Changes to Canadian and foreign tax policies in the tax jurisdictions where we are present may also have a material adverse impact on our current financial structure and the level of our future tax costs and liabilities.

11.6 ECONOMIC CONDITIONS

We are affected by general economic conditions, consumer confidence and spending, and the demand for our products and services. Adverse general economic conditions, such as economic downturns or recessions leading to a declining level of retail and commercial activity could have a negative impact on the demand for our products and services. More specifically, adverse general economic conditions could result in customers delaying or reducing purchases of our products and services or discontinuing using them, and a decline in the creditworthiness of our customers, which could increase our bad debt expense.

11.7 HUMAN-CAUSED AND NATURAL THREATS TO OUR NETWORK, INFRASTRUCTURE AND SYSTEMS

In the event of natural disasters, terrorist acts or other catastrophic occurrence, either natural or man-made, our ability to protect our network, infrastructure, including customer data, and to maintain ongoing operations could be significantly impaired. Global climate change may increase the severity and frequency of natural threats on our business, such as weather-related events. Some of our facilities are located in areas more prone to weather-related events such as Atlantic Broadband's headend and Cogeco Peer 1's data centre in Miami, Florida. Some of the climate-related risks that Cogeco has identified include: increased operational costs due to increase in fuel and energy prices coming from taxes, cap & trade programs or expenditures to implement corporate processes to ensure compliance with new environmental laws and regulations; physical risks that can result in increased operating costs. For example, increased temperatures could impact our network equipment, which could require additional cooling devices; ice storms or extreme precipitations that could have a negative impact on the physical network infrastructure which could affect the delivery of service; hurricanes and cyclones which could impact or destroy the facilities or the network and would also impact our insurance-related expenses; impacts to our suppliers, which could adversely affect their ability to supply required products and services and capital expenditures from substitution of existing products and services with lower emissions options. Although we have business continuity and disaster recovery plans and strategies in place, they may not be successful in mitigating the effects of a natural disaster, terrorist act or catastrophic occurrence which could have a material adverse impact on our business, prospects, financial condition and results of operations. Moreover, we have limited insurance coverage against the losses resulting from natural disasters affecting our networks.

11.8 COMMUNITY ACCEPTANCE RISKS

The Corporation is committed to taking part in developing communities. Our markets cover many rural areas and smaller centres. By bringing affordable broadband services to underserved markets, we make an important contribution to their economic and social development. The availability of broadband services at competitive prices promotes job creation by local businesses by helping them become more competitive. Moreover, our network investments help companies establish operations, expand and diversify. While in our industry, call centres are often outsourced, we are committed to providing our customers with local customer service agents from the communities where we operate. In addition, the Corporation has developed community-focused initiatives, reflecting the particular needs of their communities. In 2018, the Corporation contributed $3.4 million through donations and sponsorships, mostly contributing to culture, education, health and wellbeing. Lastly, YourTV/NousTV, our unique community television channels, are a powerful complement to our donations and sponsorship activities by providing broad visibility to local community activities and interests. YourTV/NousTV stations are dedicated to in-depth coverage of local people, places, events and issues of interest to each of the communities we serve and are funded by a regulated percentage of gross broadband revenues.

Failure to maintain our community acceptance may affect our capacity to attract and retain customers therefore impacting our revenue generation and growth prospects. Furthermore, it may result in losing our social license to operate and our capacity to remain competitive in the market.

11.9 ETHICAL BEHAVIOR RISK

Maintaining high ethical practices throughout the company is particularly important in the context of the Corporation's continued expansion. The Corporation's Ethics Steering Committee, comprised of representatives from Human Resources, Legal, Finance and Internal Audit functions, provides executive oversight of our overall Ethics program, including the review of our Code of Ethics and related policies. Besides having a comprehensive Code of Ethics, the Corporation has an anonymous and confidential Ethics Line which allows employees and other individuals to report any perceived or actual instances of Code violations and employees are also encouraged to use this tool to seek advice about ethical and lawful behaviour. In order to increase employees awareness on ethics, a formal on-line training on the Code is mandatory for all new employees and Board members and must be completed every two years subsequently. In order to constantly promote awareness around ethics related issues, the Corporation issues an ethics newsletter to all employees twice per year. Despite these efforts, the Corporation may experience ethics breaches which will not only affect the reputational capital of the Corporation, but may also cause the Corporation to incur extraordinary expenses related to penalties and fines.

11.10 OWNERSHIP RISKS

We are controlled by Gestion Audem Inc., a company controlled by the members of the family of the late Henri and Marie-Jeanne Audet (the "Audet Family"), through its ownership of Cogeco's multiple voting and subordinate voting shares. Both Cogeco Communications and Cogeco are reporting issuers in Canada with subordinate voting shares listed on the Toronto Stock Exchange. Pursuant to the Conflicts Agreement in effect between Cogeco Communications and Cogeco, all cable television undertakings must be owned or controlled by Cogeco Communications. Cogeco is otherwise free to own and operate any other business or to invest as it deems appropriate. It is possible that situations could arise where the respective interests of the Audet Family and shareholders or other stakeholders of Cogeco and of the shareholders or other stakeholders of Cogeco Communications could differ and that the interests of these shareholders or stakeholders be adversely impacted.

11.11 LITIGATION RISKS

We are involved in various litigation matters arising in the course of our business. The outcome of these claims or litigations is uncertain and may impact our reputation, results of operation, liquidity or financial condition. Based on information currently known to us, we do not expect any of these claims and proceedings, individually or in total, to the extent not provided for through insurance or otherwise, to have a material adverse impact on our business, results of operations or financial condition.

12. CORPORATE SOCIAL RESPONSIBILITY PROGRAM

12.1 OVERVIEW

The Corporation has designed a corporate social responsibility ("CSR") program aimed at operating responsibly and sustainably and being a good corporate citizen. Concretely, this means we seek to integrate practices which improve the environmental and social impacts of our operations while ensuring the Corporation's continued growth. The Corporation's Corporate Social Responsibility Policy, the Code of Ethics and the Supplier Code of Conduct together form the framework of our CSR Program. The CSR program integrates our corporate social responsibility objectives articulated around five pillars:

Supported by a corporate management structure, overseen by a CSR Steering Committee composed of executives from all business units, and a sound corporate governance framework, we strive to improve our performance in line with the expectations of our stakeholders, our corporate values and our business objectives. To support the achievement of our CSR goals we have developed key performance indicators for social, economic and environmental objectives. These objectives are tracked and reported twice per year to the Corporate Governance Committee.

12.2 FISCAL 2018 ACTIVITIES AND ACHIEVEMENTS

During fiscal 2018, key initiatives of the CSR Program were rolled-out to our business units in the Communications and Media segments, namely Atlantic Broadband, Cogeco Connexion, Cogeco Peer 1 and Cogeco Media. Here below are some examples of the CSR initiatives that were conducted in fiscal 2018:

- we published our Corporate Social Responsibility Report in January 2018 which provides an overview of our environmental, social and governance related performance;
- each business unit made significant progress on their three-year action plan which was created to integrate the CSR principles into their activities and operations;
- we continued to measure and track our Greenhouse Gas Emissions ("GHG") from all the Corporation business units and we implemented energy efficiency measures. We have already achieved our commitment of reducing our GHG emissions by 10% by 2020 on a per revenue basis based on fiscal 2014 emissions and we are making progress to achieve a Power Usage Effectiveness ("PUE") at or below industry average;
- we published our seventh CDP (formerly "Carbon Disclosure Project") report;
- Cogeco Connexion voluntarily purchased carbon offsets to cover some of its GHG emissions from fiscal 2018 (300 tons of CO_2e). The offsets purchased are Gold Standard and will fund wind energy projects in Taiwan and reforestation projects in Québec;
- Cogeco Connexion, in partnership with a local beekeeper, Miels des Trois-Rivières, installed four bee hives at the Trois-Rivières regional office. This project, that will support the urban agricultural project initiated in 2017 by the Corporation Responsible Committee, contributes to the preservation of biodiversity and should have a beneficial effect on the twenty or so species of trees and shrubs found in the woods near the office. Employees will be able to purchase some urban Corporation honey and a portion of the revenues will be shared with United Way;
- we updated the Corporation's Statement against Slavery, Forced Labor and Human Trafficking, in line with the *UK Modern Slavery Act*;
- approximately 20% of the Corporation's facilities underwent on a rotational basis environmental assessments conducted by a third party. No significant adverse impact on the environment was identified as a result of that exercise;
- we updated the Corporation's policy for the granting of donations and sponsorships. In fiscal 2018, we contributed over $3.4 million in donations and sponsorships and offered air time for fund raising purposes. Our principal focus areas are health, culture, education and wellbeing;
- we continued our implementation of the Canadian Energy Efficiency Voluntary Agreement ("CEEVA"). This agreement, developed by Canadian telecommunications companies together with Natural Resources Canada, intends to limit the energy consumption of set top-

boxes provided to our customers. With this agreement in place, it is expected that the total annual energy consumption in Canada, with the telecommunications companies' contribution, including Cogeco Connexion, will be reduced and annual carbon dioxide emissions will be cut by over 100,000 tons. This is equivalent to the emissions of over 44,000 sub-compact new vehicles driving 15,000 km/year. By the end of fiscal 2018, 100% of set-top boxes purchased in Canada complied to the CEEVA standards;

- we conducted our stakeholder engagement exercise in order to identify key social, environmental and governance topics for our stakeholders;
- we continued the implementation of our Supplier Code of Conduct, we updated the list of our top suppliers and are working on obtaining the acknowledgement of the Code by those suppliers.

For more information on our initiatives and our performance, please refer to the latest CSR Report, which was published in January 2018.

RECOGNITIONS

Cogeco's CSR program and related initiatives were recognized during fiscal 2018 as follows:

- Cogeco Communications was named to *Corporate Knights*' 2018 Best 50 Corporate Citizens in Canada;
- Cogeco Communications received the ISS Quality Score environmental badge, which recognizes our environmental disclosure practices;
- Cogeco Communications continues to be part of the *Jantzi Social Index*, consisting of 50 Canadian companies that passed a set of broadly based environmental, social and governance rating criteria;
- Cogeco Connexion was named to the 2018 Waste Diversion Champions list from REfficient. This award entails that over 100,000 pounds of waste have been diverted;
- Cogeco Connexion has been ranked, for a second consecutive year, among Montréal's Top 45 Employers for 2018 by Mediacorp Canada.

12.3 FISCAL 2019 CORPORATE SOCIAL RESPONSIBILITY FOCUS

In fiscal 2019, following our stakeholder engagement and materiality analysis, we will review all our CSR commitments accordingly. We are also looking forward to providing an annual online update relative to our CSR performance. We will continue with the implementation of the main initiatives of the CSR program, such as the reduction of our GHG emissions and the implementation of our Supplier Code of Conduct, as well as pursue initiatives pertaining to employee health, safety and wellness, ethics management and community investment.

13. 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*.

On April 20, 2018, Cogeco Communications' subsidiary, Cogeco Connexion, replaced its legacy customer management system, ordering and billing platforms along with multiple other related applications and interfaces in both Ontario and Québec and as a result several internal controls over financial reporting were significantly modified for the year ended August 31, 2018.

The CEO and CFO, supported by Management, evaluated the overall design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2018, and concluded that they were effective.

14. ACCOUNTING POLICIES

14.1 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make estimates and assumptions that affect the reported assets and liabilities amounts, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Corporation's significant accounting policies is presented in Note 2 of the consolidated financial statements. The following accounting policies were identified as critical to Cogeco's business operations.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with the ownership nor effective control over the goods;
- The recovery of the consideration is probable.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

- Monthly subscription revenue for Internet, video, and telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recognized as the services are provided;
- Revenue from colocation, network connectivity, hosting, cloud and managed services are recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment are recognized when the customer accepts the delivery of the equipment; and
- Revenue generated from the sale of advertising airtime and advertising display are recognized when the advertisement has been aired or displayed.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expenses.

BUSINESS COMBINATIONS

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts.

CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

CAPITALIZATION OF INTANGIBLE ASSETS

Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. Direct and incremental costs associated with the acquisition of customers are capitalized.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION OF INTANGIBLE ASSETS

Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used.

PROVISIONS

Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate.

CONTINGENCIES

Contingencies such as lawsuits, taxes and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation.

FAIR VALUE MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is estimated using valuation techniques based on several market data such as interest rates, foreign exchange rates and the Corporation's or counterparties' credit risks.

HEDGE ACCOUNTING

Management uses significant judgment in determining whether the Corporation's financial instruments qualify for hedge accounting, including the assumptions for effectiveness and also in estimating the probability that a transaction will occur, in the case of cash flow hedges of forecasted transaction.

MEASUREMENT OF DEFINED BENEFIT OBLIGATION

The net defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

SHARE-BASED PAYMENT

Management estimates the fair value of stock-options granted using the Black-Scholes option pricing model. The estimates used by management include expected dividend yields, volatility of the Corporation's share price, the expected life of the option, the risk-free interest rate and the number of options expected to vest. Estimates are also used in the determination of the number of ISUs and PSUs that are expected to vest, which influences their fair value. The fair value of the PSUs is also estimated based on the level of Economic Value creation;

MEASUREMENT OF NON-FINANCIAL ASSETS

The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of cash-generating units ("CGUs"). Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets.

DEFERRED TAXES

Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences.

14.2 ADOPTION OF NEW ACCOUNTING STANDARDS

The following standard issued by the IASB was adopted by the Corporation prospectively on September 1, 2017 and had no effect on the financial performance of the Corporation:

- *Amendments to IAS 7, Statements of Cash Flows:* was released as a part of IASB's Disclosure Initiative and is required to be applied for years beginning on or after January 1, 2017. It requires entities to provide additional disclosures that enable financial statement users to evaluate cash-flow and non-cash changes in liabilities arising from financing activities. The required enhanced disclosures have been provided in note 20 B) of the Consolidated Financial Statements.

14.3 FUTURE ACCOUNTING DEVELOPMENT IN CANADA

A number of new standards, interpretations and amendments to existing standards were issued by the *International Accounting Standard Board* ("IASB") that are mandatory but not yet effective for the year ended August 31, 2018, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after	
IFRS 9 *Financial Instruments*	January 1, 2018	Early adoption permitted
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018	Early adoption permitted
IFRS 16 Leases	January 1, 2019	Early adoption permitted

IFRS 9

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets and a modified approach to hedge accounting to better align it with an entity's risk management strategies. Based on current facts and circumstances, the Corporation does not expect its financial performance or disclosure to be materially affected by the application of the standard.

IFRS 15

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, five-step model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. In addition, IFRS 15 requires additional disclosure in the consolidated financial statements regarding the Corporation's revenue.

Application of the standard is mandatory for all IFRS reporters, and will be applied retrospectively by the Corporation. It applies to almost all contracts with customers: the main exceptions being leases, financial instruments and insurance contracts.

The adoption of IFRS 15 will have an impact on the timing of the recognition of revenue; however, the total revenue recognized over the term of the revenue arrangement will remain the same. All performance obligations within the contract will remain essentially the same.

The Corporation expects that the adoption of IFRS 15 will have an impact on residential non-refundable upfront installation fees charged to broadband service customers. Such revenue will be deferred and amortized over the period the fee remains material to the customer, which the Corporation estimates to be approximately six months. The estimate requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. Currently these installation fees are deferred and amortized as revenue at the same pace as the revenue from the related services is earned, which is the average life of a customer's subscription for broadband service customers.

The Corporation expects that the adoption of IFRS 15 should have an impact on the consolidated financial statements with regards to the capitalization of costs to obtain a contract. IFRS 15 requires costs to obtain a contract (such as direct and incremental costs associated with the acquisition of customers) to be recognized as an asset and recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation. Direct and incremental costs associated with the acquisition of customers are currently being capitalized as intangible assets, for contracts lasting greater than 1 year, and amortized over the term of the revenue arrangement. For contracts with durations of less than 1 year, these costs are currently being recognized in operating expenses as incurred.

Upfront fees paid by the Corporation to multiple dwelling units, such as condo associations, in order to gain access to serve and market occupants of the dwelling, will be deferred and recognized as contract costs in other assets. These fees will be recognized over the term of the agreement. Currently, these fees are capitalized in property, plant and equipment and recognized in depreciation expense, over the term of the agreement.

The Corporation is continuing its progress with the implementation of this standard and determining the effect on its consolidated financial statements. The adoption of IFRS 15 is expected to impact the consolidated financial statements as follows:

- The impact on the statement of profit or loss is not expected to be significant for fiscal 2018;
- Non-current other assets will increase by approximately $32 million at August 31, 2018 ($27 million in 2017) as a result of the capitalization of costs to obtain a contract and upfront fees paid to multiple dwelling units;
- Property, plant and equipment and intangible assets will decrease by approximately $9 million and $16 million respectively, at August 31, 2018 ($6 million and $15 million respectively in 2017) due to upfront fees paid to multiple dwelling units and customer acquisition fees being presented as contract costs in non-current other assets;
- Contract liabilities (currently reported as deferred and prepaid revenue) will decrease by approximately $28 million at August 31, 2018 ($27 million in 2017) due to the recognition of residential non-refundable installation fees over a shorter period;
- Deferred tax liabilities will increase by approximately $10 million at August 31, 2018 ($11 million in 2017);
- As a result of the above changes on the 2018 consolidated financial statements, approximately $25 million ($22 million in 2017) will be recognized as an increase to opening retained earnings.

IFRS 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*.

IFRS 16

IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make the lease payments. IFRS 16 supersedes the current standard IAS 17 *Leases.* The accounting treatment for lessors will remain largely the same as under IAS 17. Early adoption is permitted, but only if the entity is also applying IFRS 15. At adoption, there is the option to either apply IFRS 16 with full retrospective effect or to recognize the cumulative effect of the initial application as an adjustment to opening retained earnings.

As a transitional practical expedient permitted by IFRS 16, the Corporation has a choice whether to reassess if existing contracts are, or contain, leases as at September 1, 2019, using the criteria of the new standard. Therefore, at September 1, 2019, only contracts that were previously identified as leases by applying IAS 17 may be impacted by the transition to the new standard. If the practical expedient was applied, only contracts entered into or changed after September 1, 2019 would be assessed for containing a lease while applying the criteria of the new standard.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized and presented either as lease assets (right-of-use assets) or together with property, plant and equipment. IFRS 16 may result in an increase to both assets and liabilities recorded on the consolidated statements of financial position, stemming from recognizing the right-of-use assets and the corresponding lease liabilities. Generally, the adoption of IFRS 16 results in a decrease in operating expenses, an increase in financial expense (due to the accretion of the lease liability) and an increase in depreciation and amortization (due to the depreciation of the right-of-use asset) on the consolidated statements of profit or loss.

Compared to the results of the current standard, the results of applying the new standard should generally reflect increases in cash flows from operating activities and decreases in cash-flows from financing activities. This stems from the payment of the principal component of leases that are currently accounted for as operating leases, being presented as a cash flow use within the financing activities under the new standard.

The Corporation continues to asses the extent of the impact of this standard on its consolidated financial statements.

15. 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.

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

Non-IFRS measure	Application	Calculation	Most comparable IFRS 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(1).	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 Cogeco 's business units is equal to the segment profit reported in note 5 of the Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the year; add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the year
Constant currency basis	Revenue, adjusted EBITDA, acquisitions of property, plant and equipment, intangible and other assets and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis are obtained by translating financial results from the current periods denominated in US dollars and GBP currency at the foreign exchange rates of the comparable periods of the prior year. The average foreign exchange rates during the three-month period and year ended August 31, 2017 were 1.2864 USD/CDN and 1.6614 GBP/CDN and 1.3205 USD/CDN and 1.6711 GBP/CDN, respectively.	No comparable IFRS measure

(1) The definition of acquisitions of intangible and other assets excludes the purchases of Spectrum licenses and therefore, Spectrum licenses are not included in the calculation of free cash flow.

15.1 FREE CASH FLOW RECONCILIATION

	Three-months ended August 31,		Years ended August 31,	
	2018	2017	**2018**	2017
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**299,360**	356,814	**711,729**	977,081
Amortization of deferred transaction costs and discounts on long-term debt	**2,485**	2,859	**18,999**	9,709
Changes in non-cash operating activities	**(83,897)**	(121,460)	**28,577**	(73,038)
Income taxes paid	**26,603**	(1,223)	**181,637**	11,440
Current income taxes	**(9,939)**	(21,874)	**(72,800)**	(94,346)
Financial expense paid	**49,261**	19,410	**180,577**	127,514
Financial expense	**(46,231)**	(36,500)	**(185,284)**	(136,779)
Acquisition of property, plant and equipment	**(176,578)**	(139,335)	**(498,392)**	(410,114)
Acquisition of intangible and other assets	**(5,769)**	(6,850)	**(20,286)**	(21,193)
Free cash flow	**55,295**	51,841	**344,757**	390,274

15.2 ADJUSTED EBITDA RECONCILIATION

	Three-month ended August 31,		Years ended August 31,	
	2018	2017	**2018**	2017
(in thousands of dollars)	**$**	$	**$**	$
Profit for the period	**76,041**	71,094	**371,713**	313,367
Income taxes	**18,759**	22,616	**146**	103,757
Financial expense	**46,231**	36,500	**185,284**	136,779
Depreciation and amortization	**145,803**	118,003	**536,671**	478,451
Integration, restructuring and acquisition costs	**1,812**	3,191	**20,463**	3,191
Adjusted EBITDA	**288,646**	251,404	**1,114,277**	1,035,545

16. ADDITIONAL INFORMATION

This MD&A was prepared on October 31, 2018. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Cogeco Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of Cogeco Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The Committee periodically meets with management and the external auditor to discuss the results of the external and internal examinations and matters having an impact on financial information.

The independent auditor appointed by the shareholders, Deloitte LLP,Chartered Professional Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian auditing standards and to issue an opinion on the statements. The independent auditor have free access to the Audit Committee, with or without the presence of management. Their report follows.

Philippe Jetté
President and Chief Executive Officer

Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, October 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Inc.

We have audited the accompanying consolidated financial statements of Cogeco Inc., which comprise the consolidated statements of financial position as at August 31, 2018 and August 31, 2017, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2018 and August 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cogeco Inc. as at August 31, 2018 and August 31, 2017, and its financial performance and its cash flows for the years ended August 31, 2018 and August 31, 2017 in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

October 31, 2018
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A124341

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	Notes	2018	2017
(In thousands of Canadian dollars, except per share data)		$	$
Revenue	*5*	**2,538,175**	2,347,678
Operating expenses	*7*	**1,423,898**	1,312,133
Integration, restructuring and acquisition costs	*5*	**20,463**	3,191
Depreciation and amortization	*8*	**536,671**	478,451
Financial expense	*9*	**185,284**	136,779
Profit before income taxes		**371,859**	417,124
Income taxes	*10*	**146**	103,757
Profit for the year		**371,713**	313,367
Profit for the year attributable to:			
Owners of the Corporation		**125,271**	108,985
Non-controlling interest		**246,442**	204,382
		371,713	313,367
Earnings per share			
Basic	*11*	**7.65**	6.56
Diluted	*11*	**7.59**	6.52

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31,	Note	2018	2017
(In thousands of Canadian dollars)		$	$
Profit for the year		**371,713**	313,367
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		**34,462**	830
Related income taxes		**(9,082)**	(271)
		25,380	559
Foreign currency translation adjustments			
Net foreign currency translation differences on net investments in foreign operations		**61,350**	(36,301)
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations		**(37,164)**	28,022
Related income taxes		**379**	(272)
		24,565	(8,551)
		49,945	(7,992)
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability or asset	*21*	**6,298**	11,011
Related income taxes		**(1,470)**	(2,918)
		4,828	8,093
		54,773	101
Comprehensive income for the year		**426,486**	313,468
Comprehensive income for the year attributable to:			
Owners of the Corporation		**140,953**	111,781
Non-controlling interest		**285,533**	201,687
		426,486	313,468

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity attributable to owners of the Corporation					
Years ended August 31, 2018 and 2017	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 18)		*(Note 19)*			
Balance at August 31, 2016	116,489	7,349	27,109	352,397	940,830	1,444,174
Profit for the year	—	—	—	108,985	204,382	313,367
Other comprehensive income (loss) for the year	—	—	(2,534)	5,330	(2,695)	101
Comprehensive income (loss) for the year	—	—	(2,534)	114,315	201,687	313,468
Share-based payment	—	3,519	—	—	3,521	7,040
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(487)	—	—	7,498	7,011
Dividends (Note 18 C))	—	—	—	(22,603)	(57,671)	(80,274)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	849	(849)	—
Purchase and cancellation of subordinate voting shares	(1,784)	—	—	(12,529)	—	(14,313)
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	1,563	(1,513)	—	(50)	—	—
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 by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,224)	—	(63)	1,287	—
Total contributions by (distributions to) shareholders	(2,468)	295	—	(34,396)	(49,650)	(86,219)
Balance at August 31, 2017	114,021	7,644	24,575	432,316	1,092,867	1,671,423
Profit for the year	—	—	—	**125,271**	**246,442**	**371,713**
Other comprehensive income for the year	—	—	**11,673**	**4,009**	**39,091**	**54,773**
Comprehensive income for the year	—	—	**11,673**	**129,280**	**285,533**	**426,486**
Share-based payment	—	**5,227**	—	—	**5,081**	**10,308**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	**(187)**	—	—	**3,673**	**3,486**
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs (Note 6)	—	—	—	—	**388,907**	**388,907**
Dividends (Note 18 C))	—	—	—	**(25,539)**	**(63,886)**	**(89,425)**
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	**24,193**	**(24,193)**	—
Purchase and cancellation of subordinate voting shares	**(1,673)**	—	—	**(12,974)**	—	**(14,647)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,575)**	—	—	—	—	**(5,575)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**2,065**	**(2,055)**	—	**(10)**	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	**(9,352)**	**(9,352)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	**(1,482)**	—	**(44)**	**1,526**	—
Total contributions by (distributions to) shareholders	**(5,183)**	**1,503**	—	**(14,374)**	**301,756**	**283,702**
Balance at August 31, 2018	**108,838**	**9,147**	**36,248**	**547,222**	**1,680,156**	**2,381,611**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31,	*Notes*	2018	2017
(In thousands of Canadian dollars)		$	$
Assets			
Current			
Cash and cash equivalents	*20 C)*	**86,352**	212,283
Short-term investments	*12*	—	54,000
Trade and other receivables	*22 A)*	**118,718**	112,092
Income taxes receivable		**25,697**	4,277
Prepaid expenses and other		**30,444**	21,737
Derivative financial instrument		**1,330**	98
		262,541	404,487
Non-current			
Other assets	*13*	**7,621**	7,396
Property, plant and equipment	*14*	**2,316,749**	1,961,743
Intangible assets	*15 A)*	**3,051,006**	2,058,220
Goodwill	*15 B)*	**1,627,031**	1,042,009
Derivative financial instruments		**33,797**	759
Pension plan assets	*21*	**6,858**	—
Deferred tax assets	*10*	**17,314**	24,762
		7,322,917	5,499,376
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness	*17 a) d)*	**5,949**	3,801
Trade and other payables		**320,306**	337,667
Provisions	*16*	**26,137**	23,260
Income tax liabilities		**16,133**	103,650
Deferred and prepaid revenue		**68,010**	85,302
Balance due on a business combination		—	118
Derivative financial instruments		—	192
Current portion of long-term debt	*17*	**77,209**	131,935
		513,744	685,925
Non-current			
Long-term debt	*17*	**3,817,935**	2,479,421
Deferred and prepaid revenue and other liabilities		**40,560**	31,462
Pension plan liabilities and accrued employee benefits	*21*	**5,390**	7,709
Deferred tax liabilities	*10*	**563,677**	623,436
		4,941,306	3,827,953
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*18 B)*	**108,838**	114,021
Share-based payment reserve		**9,147**	7,644
Accumulated other comprehensive income	*19*	**36,248**	24,575
Retained earnings		**547,222**	432,316
		701,455	578,556
Equity attributable to non-controlling interest		**1,680,156**	1,092,867
		2,381,611	1,671,423
		7,322,917	5,499,376

Commitments, contingencies and guarantees (Note 24)

On behalf of the Board of Directors,

Jan Peeters
Director

James C. Cherry
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,	Notes	2018	2017
(In thousands of Canadian dollars)		$	$
Cash flow from operating activities			
Profit for the year		371,713	313,367
Adjustments for:			
Depreciation and amortization	*8*	536,671	478,451
Financial expense	*9*	185,284	136,779
Income taxes	*10*	146	103,757
Share-based payment	*18 D)*	7,657	10,250
Loss on disposals and write-offs of property, plant and equipment		1,298	2,132
Defined benefit plans contributions, net of expense		(249)	(1,739)
		1,102,520	1,042,997
Changes in non-cash operating activities	*20 A)*	(28,577)	73,038
Financial expense paid		(180,577)	(127,514)
Income taxes paid		(181,637)	(11,440)
		711,729	977,081
Cash flow from investing activities			
Acquisition of property, plant and equipment	*14*	(498,392)	(410,114)
Acquisition of intangible and other assets	*15 A)*	(20,286)	(21,193)
Acquisition of Spectrum licenses	*15 A)*	(32,306)	—
Redemption (acquisition) of short-term investments	*12*	54,000	(54,000)
Business combination, net of cash and cash equivalents acquired	*6*	(1,756,935)	(804)
Proceeds on disposals of property, plant and equipment		2,034	9,741
		(2,251,885)	(476,370)
Cash flow from financing activities			
Increase (decrease) in bank indebtedness		2,148	(314)
Net increase (decrease) under the revolving facilities		386,563	(187,286)
Issuance of long-term debt, net of discounts and transaction costs		2,082,408	—
Repayment of long-term debt		(1,329,064)	(73,099)
Increase in deferred transaction costs		(3,200)	(472)
Repayment of balance due on a business combination		(118)	(837)
Purchase and cancellation of subordinate voting shares	*18 B)*	(14,647)	(14,313)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*18 B)*	(5,575)	(2,247)
Dividends paid on multiple voting shares	*18 C)*	(2,840)	(2,506)
Dividends paid on subordinate voting shares	*18 C)*	(22,699)	(20,097)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		3,486	7,011
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		388,907	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		(9,352)	(3,436)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		(63,886)	(57,671)
		1,412,131	(355,267)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		2,094	(1,505)
Net change in cash and cash equivalents		(125,931)	143,939
Cash and cash equivalents, beginning of the year		212,283	68,344
Cash and cash equivalents, end of the year		86,352	212,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2018 and 2017

NATURE OF OPERATIONS

Cogeco Inc. ("Cogeco" or the "Corporation") is a diversified holding corporation which operates in the communications and media sectors.

Its Cogeco Communications Inc. ("Cogeco Communications") subsidiary provides residential and business customers with Internet, video 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 11 states along the East Coast, from Maine to Florida.Through 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), by way of its 16 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

Its Cogeco Media subsidiary owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences as well as Cogeco News, its news agency.

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

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

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

1. BASIS OF PRESENTATION

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments and derivative financial instruments (see Note 2 N)), cash-settled share-based payment arrangements (see Note 2 K)) and pension plan assets (see Note 2 L)), which are measured at fair value, and for the defined benefit obligation (see Note 2 L)) and provisions (see Note 2 J)), which are measured at present value.

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

The consolidated financial statements were approved by the Board of Directors of Cogeco at its meeting held on October 31, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated.

A) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year-end and accounting policies are aligned with those adopted by the Corporation. Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the Corporation's ownership interest in them. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

Operating segments and percentage of interest in the principal subsidiaries at August 31, 2018 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Communications	Cogeco Communications (1)	31.7	82.2
Other	Cogeco Media	100	100

(1) Cogeco Communications' principal subsidiaries are comprised of 100% of both Cogeco Connexion and Cogeco Peer1, and 79% of Atlantic Broadband.

The Corporation and its subsidiary, Cogeco Communications, have each established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with their Incentive and Performance Share Unit Plans. SPEs are consolidated if, based on an evaluation of the substance of their relationship with the Corporation and the SPEs' risks and rewards, the Corporation concludes that it controls the SPEs. SPEs controlled by the Corporation and Cogeco Communications were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Corporation receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

All intercompany transactions and balances and any unrealized revenue and expense are eliminated in preparing the consolidated financial statements.

B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the sum of the fair values of assets transferred, liabilities assumed, and equity instruments issued by the Corporation at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange for control of the acquiree.

A right to receive or an obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments of preliminary purchase price allocations are adjusted in the current period and such changes are applied on a retroactive basis.

Acquisition costs, other than those associated with the issuance of debt or equity securities, and integration and restructuring costs that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with the ownership nor effective control over the goods; and
- The recovery of the consideration is probable.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

- Monthly subscription revenue for Internet, video, and telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recognized as the services are provided;
- Revenue from colocation, network connectivity, hosting, cloud and managed services are recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment are recognized when the customer accepts the delivery of the equipment; and
- Revenue generated from the sale of advertising airtime and advertising display are recognized when the advertisement has been aired or displayed.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation evaluates each deliverable arrangement to determine if it would represent a separate component. Components are accounted separately when:

- The delivered elements have stand-alone value to the customer; and
- There is an objective and a reliable evidence of fair value of any undelivered elements.

Consideration is measured and allocated between the components based upon their relative fair values while applying the relevant revenue recognition policy.

The Corporation considers that installation and activation fees are not separate components because they have no stand-alone value. Accordingly, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned, which is the average life of a customer's subscription for residential customers or the term of the agreement for Business ICT service customers.

Unearned revenue, such as payments for goods and services received in advance of delivery, are recorded as deferred and prepaid revenue until the service is provided or the product is delivered to the customer.

D) BARTER TRANSACTIONS

In the normal course of its business, the Corporation enters into barter transactions under which goods, advertising and other services are acquired in exchange for advertising services. Such revenue and expenses are recorded at the estimated fair value of goods and services received when goods and other services are received and at the estimated fair value of advertising provided when advertising services are received.

E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

Depreciation is recognized from the date the asset is ready for its intended use so as to write-off the cost of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Depreciation periods are as follows:

Building and leasehold improvements (1)	10 to 40 years
Networks and infrastructure (2)	5 to 20 years
Customer premise equipment	3 to 5 years
Data centre equipment (3)	3 to 7 years
Rolling stock and equipment (4)	3 to 10 years

(1) Leasehold improvements are amortized over the shorter of the term of the lease or economic life.

(2) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

(3) Data centre equipment includes general infrastructure, mechanical and electrical equipment, security and access control. Servers that are included as part of the hosting product line are amortized on a straight-line basis over their expected useful life, which is three years.

(4) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or write-off of an item of property, plant and equipment is determined as the difference between the sale proceeds, if any, and the carrying amount of the asset and is recognized as profit or loss.

The Corporation does not record decommissioning obligations in connection with its fibre and coaxial networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, thus the resulting present value of the obligation is not significant.

F) INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise, only net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value. Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise only net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over their useful life. The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite useful lives are amortized as follows:

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a customer's subscription, not exceeding eight years;
- Spectrum licenses are amortized over the initial non-cancelable term of the licenses, not exceeding ten years;
- Favorable leases are amortized on a straight-line basis over the remaining non-cancelable term of the lease agreement;
- Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity and are amortized over the average life of a customer's subscription, not exceeding eight years; and
- Direct and incremental costs associated with the acquisition of customers are capitalized and amortized over the term of the revenue arrangement, for customers whereby the expected term of the arrangement is greater than one year.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They are comprised of Cable Distribution Undertaking Broadcasting Licenses and Franchises ("Cable Distribution Licenses") , Broadcasting Licenses and Trade name. Cable Distribution Licenses are comprised of broadcast authorities licenses and exemptions from licensing that allow access to homes and customers in a specific area. Broadcasting Licenses are broadcast authorities licenses that allow access to a radio frequency in a specific market. The Corporation has concluded that the Cable Distribution Licenses and Broadcasting Licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Trade name is considered to have an indefinite economic life because of the institutional nature of the corporate trade name, its ability to maintain market recognition and profitable operations over long periods of time and the Corporation's commitment to develop and enhance its value. The Corporation reviews at the end of each reporting period whether events and circumstances continue to support indefinite useful life assessment for these Cable Distribution Licenses, Broadcasting Licenses, and the Trade name. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually or more frequently if there is any indication of impairment.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. It is not amortized but tested for impairment at least annually or more frequently if there is an indication of impairment.

G) IMPAIRMENT OF NON FINANCIAL ASSETS

At the end of each reporting period, the Corporation reviews the carrying value of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if there is an indication of impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ("cash-generating unit" or "CGU"). When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU, otherwise they are allocated to the smallest group of CGU for which a reasonable and a consistent basis of allocation can be identified.

The most recent detailed calculation made in a preceding period of the recoverable amount of a CGU to which goodwill has been allocated may be used in the impairment test of that unit in the current period provided all of the following criteria are met:

- The assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any allocated goodwill and then to reduce the carrying amount of other assets on a pro-rata basis. The impairment loss is recognized immediately in profit or loss in the period in which the loss occurs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

H) LEASES

Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between financial expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expense and depreciation of the assets are recognized in profit or loss in the period they occur.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lessor

The Corporation leases certain equipment, primarily customer premise equipment, to its customers. These leases are classified as operating leases and rental revenue is recognized over the term of the relevant lease.

I) INCOME TAXES

Income tax expense represents the sum of the taxes currently payable and deferred. Current and deferred taxes are recognized in profit or loss, except when they relate to a business combination or to items that are recognized in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit or is related to investments in subsidiaries to the extent that the Corporation is able to control the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which, those unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle its current tax assets and liabilities on a net basis.

J) PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized represents management's best estimate required to settle the obligation at the end of the reporting period, taking into account the obligation's risks and uncertainties. When the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

K) SHARE-BASED PAYMENT

Equity-settled awards

The Corporation measures stock options granted to employees that vest rateably over the service period based on the fair value of each tranche on grant date by using the Black-Scholes pricing model and a compensation expense is recognized on a straight-line basis over the vesting period applicable to the tranche, with a corresponding increase in share-based payment reserve. Granted options vest equally over a period of five years beginning one year after the day such options are granted. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

The Corporation measures Incentive Share Units ("ISUs") and Performance Share Units ("PSUs") granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, with a corresponding increase in share-based payment reserve. The total vesting period of each grant is three years less one day.

Cash-settled awards

The fair value of the amount payable to the members of the Board of Directors in respect of share appreciation rights under the Deferred Share Unit ("DSU") Plan of the Corporation, which are settled in cash or shares, is recognized as a compensation expense with a corresponding increase in pension plan liabilities and accrued employee benefits as of the date units are issued to the members of the Board of Directors. The accrued liability is remeasured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the TSX for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period. Any changes in the fair value of the liability are recognized in profit or loss.

L) EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. They are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan whereby the amount of pension benefit that a plan participant will receive during retirement is defined and dependent on factors such as age, years of service and compensation. On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation. The Corporation's net defined benefit liability in respect of defined benefit plans is calculated separately for each plan.

The present values of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service) based on management's best-estimate assumptions on the discount rate, the expected rate of compensation increase and the mortality table.

Management determines the discount rate based on a review of the current market interest rates on investment-grade fixed-rate corporate bonds, which are rates adjusted to reflect the duration of the expected future cash outflows of retirement benefit payments.

The net defined benefit liability or asset recognized in the consolidated statement of financial position corresponds to the fair value of plan assets net of the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The net defined benefit cost components of the defined benefit plans are recognized as follows:

- Service cost is recognized in profit or loss;
- Net interest on the net defined benefit liability or asset is recognized in profit or loss;
- Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income.

The service cost recognized in profit or loss comprises:

- Current service cost provided in exchange for employees services rendered during the period;
- Past service cost recognized in profit or loss in the period in which the plan is amended; and
- Gains or losses resulting from a settlement recognized in profit or loss in the period in which the plan settlement occurs.

Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Remeasurements of the net defined benefit liability or asset are recognized immediately in retained earnings and they are not reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability or asset comprise:

- Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and changes in demographic assumptions;
- The return on plan assets, except amounts included in interest income; and
- Any change in the effect of the asset ceiling, except amounts included in net interest on the net defined benefit liability or asset.

M) FOREIGN CURRENCY TRANSLATION

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Corporation's entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss, except for those arising on the translation of financial instruments designated as a hedge of a net investment in foreign operations, and financial instruments designated as hedging instruments in a cash flow hedge, which are recognized in other comprehensive income until the hedged items are settled or recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period.

Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investment in foreign operations are recognized as foreign currency translation adjustments in other comprehensive income and accumulated in equity.

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Corporation's functional currency. Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged portion of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to profit or loss as part of the profit or loss on disposal.

N) FINANCIAL INSTRUMENTS

Classification and measurement

All financial instruments, including derivatives, are included in the statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, non-derivative financial instruments are measured in accordance with their classification as described below:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents (other than bankers' acceptances), short-term investments and trade and other receivables are classified as loans and receivables. They are measured at amortized cost using the effective interest method, less any impairment loss;

- Bankers' acceptances (included in cash equivalents), are classified as held-to-maturity and measured at amortized cost;

- Transaction costs that are directly attributable to the acquisition or related to the issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as required, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss; and

- Bank indebtedness, trade and other payables and long-term debt are classified as other liabilities. They are measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred with respect to the revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

Financial assets are derecognized only when the Corporation no longer holds the contractual rights to the cash flows of the asset or when the Corporation transfers substantially all the risks and rewards of ownership of the financial asset to another entity. Financial liabilities are derecognized only when the Corporation's obligations are discharged, canceled or expired.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments, including hedge accounting

The Corporation uses foreign currency forward contracts as derivative financial instruments to manage foreign exchange risk related to its foreign denominated forecasted purchase commitments of property, plant and equipment. In addition, the Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes.

Derivative financial instruments are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below. Net receipts or payments arising from derivative financial instruments are recognized as financial expense.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedging transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship and measure the ineffectiveness. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedging relationship are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Cash flow hedge accounting

When a derivative financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in accumulated other comprehensive income and presented in the cash flow hedge reserve in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged items affects profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative financial instrument is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in accumulated other comprehensive income and presented in cash flow hedge reserve in equity, remains there until the forecasted hedged item affects profit or loss. If the forecasted hedged items is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in profit or loss. In other cases, the amount recognized in accumulated other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss.

Impairment of financial assets

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter into bankruptcy.

The Corporation considers evidence of impairment for receivables at both the specific asset level and on an aggregate basis. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are assessed on an aggregate basis for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account presented in reduction of receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

O) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

P) SHORT-TERM INVESTMENTS

Short-term investments consist of highly liquid certificates of deposit and have original maturities over three months, but not more than one year.

Q) EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share data for its multiple and subordinate voting shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of multiple and subordinate voting shares outstanding during the period, adjusted for subordinate voting shares held in trust under the ISU and PSU Plans. Diluted earnings per share is determined by further adjusting the weighted average number of multiple and subordinate voting shares outstanding for the effects of all potential dilutive subordinate voting shares, which comprise stock options, ISUs and PSUs granted to executive officers and designated employees.

R) SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Corporation's other components. All segments' operating results are reviewed regularly by the Corporation's chief operating decision maker (“CODM”) to decide about resources to be allocated to the operating segment and to assess its performance, and for which discrete financial information is available. Segment operating results that are directly reported to the CODM include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

S) ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

Significant areas requiring the use of management's judgments and estimates relate to the following items:

- **Allowance for doubtful accounts**

  Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expenses (see Note 22 A));

- **Business combinations**

  Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts (see Note 6);

- **Depreciation of property, plant and equipment and amortization of intangible assets**

  Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used (see Note 8);

- **Provisions**

  Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate (see Note 16);

- **Contingencies**

  Contingencies such as lawsuits, taxes and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation;

- **Fair value measurement of derivative financial instruments**

  The fair value of derivative financial instruments is estimated using valuation techniques based on several market data such as interest rates, foreign exchange rates and the Corporation's or counterparties' credit risks;

- **Hedge accounting**

  Management uses significant judgment in determining whether the Corporation's financial instruments qualify for hedge accounting, including the assumptions for effectiveness and also in estimating the probability that a transaction will occur, in the case of cash flow hedges of forecasted transaction;

- **Measurement of defined benefit obligation**

  The net defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position (see Note 21);

- **Share-based payments**

  Management estimates the fair value of stock-options granted using the Black-Scholes option pricing model. The estimates used by management include expected dividend yields, volatility of the Corporation's share price, the expected life of the option, the risk-free interest rate and the number of options expected to vest. Estimates are also used in the determination of the number of ISUs and PSUs that are expected to vest, which influences their fair value. The fair value of the PSUs is also estimated based on the level of Economic Value creation;

- **Measurement of non-financial assets**

  The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets (see Note 15); and

- **Deferred taxes**

  Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences (see Note 10).

Such judgments and estimates are based on the facts and information available to the management of the Corporation. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The following standard issued by the IASB was adopted by the Corporation prospectively on September 1, 2017 and had no effect on the financial performance of the Corporation:

- *Amendments to IAS 7, Statements of Cash Flows:* was released as a part of IASB's Disclosure Initiative and is required to be applied for years beginning on or after January 1, 2017. It requires entities to provide additional disclosures that enable financial statement users to evaluate cash-flow and non-cash changes in liabilities arising from financing activities. The required enhanced disclosures have been provided in Note 20 B) .

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory but not yet effective for the year ended August 31, 2018, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after	
IFRS 9 *Financial Instruments*	January 1, 2018	Early adoption permitted
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018	Early adoption permitted
IFRS 16 *Leases*	January 1, 2019	Early adoption permitted

IFRS 9

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets and a modified approach to hedge accounting to better align it with an entity's risk management strategies. Based on current facts and circumstances, the Corporation does not expect its financial performance or disclosure to be materially affected by the application of the standard.

IFRS 15

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, five-step model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. In addition, IFRS 15 requires additional disclosure in the consolidated financial statements regarding the Corporation's revenue.

Application of the standard is mandatory for all IFRS reporters, and will be applied retrospectively by the Corporation. It applies to almost all contracts with customers: the main exceptions being leases, financial instruments and insurance contracts.

The adoption of IFRS 15 will have an impact on the timing of the recognition of revenue; however, the total revenue recognized over the term of the revenue arrangement will remain the same. All performance obligations within the contract will remain essentially the same.

The Corporation expects that the adoption of IFRS 15 will have an impact on residential non-refundable upfront installation fees charged to broadband service customers. Such revenue will be deferred and amortized over the period the fee remains material to the customer, which the Corporation estimates to be approximately six months. The estimate requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. Currently these installation fees are deferred and amortized as revenue at the same pace as the revenue from the related services is earned, which is the average life of a customer's subscription for broadband service customers.

The Corporation expects that the adoption of IFRS 15 should have an impact on the consolidated financial statements with regards to the capitalization of costs to obtain a contract. IFRS 15 requires costs to obtain a contract (such as direct and incremental costs associated with the acquisition of customers) to be recognized as an asset and recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation. Direct and incremental costs associated with the acquisition of customers are currently being capitalized as intangible assets, for contracts lasting greater than 1 year, and amortized over the term of the revenue arrangement. For contracts with durations of less than 1 year, these costs are currently being recognized in operating expenses as incurred

Upfront fees paid by the Corporation to multiple dwelling units, such as condo associations, in order to gain access to serve and market occupants of the dwelling, will be deferred and recognized as contract costs in other assets. These fees will be recognized over the term of the agreement. Currently, these fees are capitalized in property, plant and equipment and recognized in depreciation expense, over the term of the agreement.

The Corporation is continuing its progress with the implementation of this standard and determining the effect on its consolidated financial statements. The adoption of IFRS 15 is expected to impact the consolidated financial statements as follows:

- The impact on the statement of profit or loss is not expected to be significant for fiscal 2018;
- Non-current other assets will increase by approximately $32 million at August 31, 2018 ($27 million in 2017) as a result of the capitalization of costs to obtain a contract and upfront fees paid to multiple dwelling units;
- Property, plant and equipment and intangible assets will decrease by approximately $9 million and $16 million respectively, at August 31, 2018 ($6 million and $15 million respectively in 2017) due to upfront fees paid to multiple dwelling units and customer acquisition fees being presented as contract costs in non-current other assets;
- Contract liabilities (currently reported as deferred and prepaid revenue) will decrease by approximately $28 million at August 31, 2018 ($27 million in 2017) due to the recognition of residential non-refundable installation fees over a shorter period;
- Deferred tax liabilities will increase by approximately $10 million at August 31, 2018 ($11 million in 2017);
- As a result of the above changes on the 2018 consolidated financial statements, approximately $25 million ($22 million in 2017) will be recognized as an increase to opening retained earnings.

IFRS 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*.

IFRS 16

IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make the lease payments. IFRS 16 supersedes the current standard IAS 17 *Leases.* The accounting treatment for lessors will remain largely the same as under IAS 17. Early adoption is permitted, but only if the entity is also applying IFRS 15. At adoption, there is the option to either apply IFRS 16 with full retrospective effect or to recognize the cumulative effect of the initial application as an adjustment to opening retained earnings.

As a transitional practical expedient permitted by IFRS 16, the Corporation has a choice whether to reassess if existing contracts are, or contain, leases as at September 1, 2019, using the criteria of the new standard. Therefore, at September 1, 2019, only contracts that were previously identified as leases by applying IAS 17 may be impacted by the transition to the new standard. If the practical expedient was applied, only contracts entered into or changed after September 1, 2019 would be assessed for containing a lease while applying the criteria of the new standard.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized and presented either as lease assets (right-of-use assets) or together with property, plant and equipment. IFRS 16 may result in an increase to both assets and liabilities recorded on the consolidated statements of financial position, stemming from recognizing the right-of-use assets and the corresponding lease liabilities. Generally, the adoption of IFRS 16 results in a decrease in operating expenses, an increase in financial expense (due to the accretion of the lease liability) and an increase in depreciation and amortization (due to the depreciation of the right-of-use asset) on the consolidated statements of profit or loss.

Compared to the results of the current standard, the results of applying the new standard should generally reflect increases in cash flows from operating activities and decreases in cash-flows from financing activities. This stems from the payment of the principal component of leases that are currently accounted for as operating leases, being presented as a cash flow use within the financing activities under the new standard.

The Corporation continues to asses the extent of the impact of this standard on its consolidated financial statements.

5. OPERATING SEGMENTS

The Corporation's segment profit for the year 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 the Cogeco Communications subsidiary, residential and business customers with Internet, video 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 11 states along the East Coast, from Maine to Florida. Through its subsidiary, Cogeco Peer 1, Cogeco Communications provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud and managed services), through 16 data centres in Canada, the United States and Europe, extensive FastFiber Network® and more than 50 points of presence, including in Germany, the Netherlands and Mexico.

The Other segment is comprised of radio and head office activities, as well as inter-segment eliminations.Through its subsidiary, Cogeco Media, the Corporation owns and operates 13 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.

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.

	Communications		Other		Consolidated	
Years ended August 31,	2018	2017	2018	2017	2018	2017
(in thousands of Canadian dollars)	$	$	$	$	$	$
Revenue	2,423,549	2,226,851	114,626	120,827	2,538,175	2,347,678
Operating expenses	1,318,603	1,202,942	105,295	109,191	1,423,898	1,312,133
Management fees – Cogeco Inc.	18,961	18,939	(18,961)	(18,939)	—	—
Segment profit	1,085,985	1,004,970	28,292	30,575	1,114,277	1,035,545
Integration, restructuring and acquisition costs (1)	20,328	3,191	135	—	20,463	3,191
Depreciation and amortization	533,154	475,068	3,517	3,383	536,671	478,451
Financial expense	182,554	129,424	2,730	7,355	185,284	136,779
Profit before income taxes	349,949	397,287	21,910	19,837	371,859	417,124
Income taxes	(6,392)	98,062	6,538	5,695	146	103,757
Profit for the year	356,341	299,225	15,372	14,142	371,713	313,367
Total assets	7,167,413	5,348,380	155,504	150,996	7,322,917	5,499,376
Property, plant and equipment	2,302,676	1,947,239	14,073	14,504	2,316,749	1,961,743
Intangible assets	2,971,088	1,978,302	79,918	79,918	3,051,006	2,058,220
Goodwill	1,608,446	1,023,424	18,585	18,585	1,627,031	1,042,009
Acquisition of property, plant and equipment	495,290	406,864	3,102	3,250	498,392	410,114
Acquisition of intangible and other assets	20,286	21,193	—	—	20,286	21,193
Acquisition of Spectrum Licenses	32,306	—	—	—	32,306	—

(1) In fiscal 2018, comprised mainly of acquisition and integration costs in connection with the MetroCast acquisition completed on January 4, 2018 (see Note 6), while in fiscal 2017, comprised of due diligence and acquisition costs related to the MetroCast acquisition.

The following tables set out certain geographic market information:

Year ended August 31, 2018	**Canada**	**United States**	**Europe**	**Total**
(in thousands of Canadian dollars)	$	$	$	$
Revenue	1,580,320	925,551	32,304	2,538,175
Property, plant and equipment	1,427,702	862,393	26,654	2,316,749
Intangible assets	1,145,952	1,903,189	1,865	3,051,006
Goodwill	240,452	1,371,992	14,587	1,627,031

Year ended August 31, 2017	Canada	United States	Europe	Total
(in thousands of Canadian dollars)	$	$	$	$
Revenue	1,587,775	729,201	30,702	2,347,678
Property, plant and equipment	1,440,593	490,820	30,330	1,961,743
Intangible assets	1,124,909	929,565	3,746	2,058,220
Goodwill	240,452	787,633	13,924	1,042,009

6. BUSINESS COMBINATION

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

The acquisition was accounted for using the purchase method and was subject to post closing adjustments. During fiscal 2018, adjustments were made to the working capital resulting in a reduction of the purchase price by $5.2 million (US$4.2 million). The final allocation of the purchase price of this acquisition is as follows:

	Preliminary May 31, 2018 $	Final **August 31, 2018** **$**
Purchase price		
Consideration paid at closing	1,762,163	**1,762,163**
Working capital adjustments	(5,222)	**(5,222)**
	1,756,941	**1,756,941**
Net assets acquired		
Cash and cash equivalents	6	**6**
Trade and other receivables	5,075	**5,075**
Prepaid expenses and other	1,989	**1,989**
Property, plant and equipment	297,156	**280,491**
Intangible assets	874,553	**944,738**
Goodwill	583,209	**529,689**
Trade and other payables assumed	(5,047)	**(5,047)**
	1,756,941	**1,756,941**

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

In connection with this acquisition, the Corporation incurred acquisition-related costs of $23.5 million, of which $20.3 million were recognized in the current year ($3.2 million in 2017), as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statement of profit and loss.

During the year ended August 31, 2018, the Corporation recognized $200 million of revenue and $50.2 million of profit related to the additional operations generated by the acquisition of MetroCast which excludes acquisition and integration costs, financial expense and income tax. The MetroCast revenue, operating expenses and depreciation and amortization are recognized in the American broadband services operating segment.

Had the business combination been effective at September 1, 2017, the consolidated revenue of the Corporation would have been $2.633 billion, and the profit would have been $373.3 million for the year ended August 31, 2018. Management considers these "pro-forma" numbers to represent an approximate measure of the performance of the combined group. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on September 1, 2017.

7. OPERATING EXPENSES

Years ended August 31,	2018	2017
(in thousands of Canadian dollars)	$	$
Salaries, employee benefits and outsourced services	465,176	435,573
Service delivery costs (1)	719,480	668,586
Customer related costs (2)	87,208	76,923
Other external purchases (3)	152,034	131,051
	1,423,898	1,312,133

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

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

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

8. DEPRECIATION AND AMORTIZATION

Years ended August 31,	2018	2017
(in thousands of Canadian dollars)	$	$
Depreciation of property, plant and equipment	455,020	416,399
Amortization of intangible assets	81,651	62,052
	536,671	478,451

9. FINANCIAL EXPENSE

Years ended August 31,	2018	2017
(in thousands of Canadian dollars)	$	$
Interest on long-term debt (1)	182,229	131,378
Net foreign exchange losses (gains)	(5,470)	835
Amortization of deferred transaction costs	1,945	2,578
Capitalized borrowing costs (2)	(2,074)	(2,930)
Other	8,654	4,918
	185,284	136,779

(1) In connection with the early reimbursement of the US$400 million Senior Unsecured Notes, an amount of $2.5 million of unamortized deferred transaction costs and a redemption premium of $6.2 million were charged to financial expense in May 2018. In connection with the MetroCast acquisition, an amount of $7.3 million was charged to financial expense, representing the unamortized deferred transaction costs pertaining to the early reimbursement of the Term Loan A-2, A-3 and B facilities in January 2018.

(2) For the years ended August 31, 2018 and 2017, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

10. INCOME TAXES

Years ended August 31,	2018	2017
(in thousands of Canadian dollars)	$	$
Current	72,800	94,346
Deferred	(72,654)	9,411
	146	103,757

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:

Years ended August 31,	2018	2017
(in thousands of Canadian dollars)	$	$
Profit before income taxes	371,859	417,124
Combined Canadian income tax rate	26.50%	26.50%
Income taxes at combined Canadian income tax rate	98,543	110,538
Adjustment for losses or profit subject to lower or higher tax rates	335	9,394
Impact on deferred taxes as a result of changes in substantively enacted tax rates [1]	(89,084)	(1,828)
Revaluation of deferred tax assets	9,660	587
Impact on income taxes arising from non-deductible expenses and non-taxable profit	2,648	1,405
Tax impacts related to foreign operations	(23,151)	(17,009)
Other	1,195	670
Income taxes at effective income tax rate	146	103,757

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

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax losses carryforwards:

At August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Property, plant and equipment	(165,548)	(164,901)
Intangible assets and goodwill	(520,603)	(583,523)
Deferred and prepaid revenue	24,491	11,731
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	124,063	145,723
Other	(8,766)	(7,704)
Net deferred tax liabilities	(546,363)	(598,674)
Financial statement presentation:		
Deferred tax assets	17,314	24,762
Deferred tax liabilities	(563,677)	(623,436)
Net deferred tax liabilities	(546,363)	(598,674)

The movements in deferred tax asset and liability balances during fiscal 2018 and 2017 were as follows:

Year ended August 31, 2018	**Balance beginning of the year**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	$	$	$	$	$
Property, plant and equipment	(164,901)	3,065	—	(3,712)	(165,548)
Intangible assets and goodwill	(583,523)	73,633	—	(10,713)	(520,603)
Deferred and prepaid revenue	11,731	12,580	—	180	24,491
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	145,723	(25,671)	—	4,011	124,063
Other	(7,704)	9,047	(10,173)	64	(8,766)
	(598,674)	72,654	(10,173)	(10,170)	(546,363)

Year ended August 31, 2017	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Acquired through a business combination	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$	$
Property, plant and equipment	(174,348)	4,767	—	63	4,617	(164,901)
Intangible assets and goodwill	(585,872)	(11,083)	—	(612)	14,044	(583,523)
Deferred and prepaid revenue	10,973	995	—	—	(237)	11,731
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	151,568	(487)	—	—	(5,358)	145,723
Other	(737)	(3,603)	(3,461)	—	97	(7,704)
	(598,416)	(9,411)	(3,461)	(549)	13,163	(598,674)

At August 31, 2018, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these financial statements, unless indicated otherwise. The benefits represent the amount expected to be realized, based on management's assessment of the Corporations projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others. These losses expire as follows:

	2025	2026	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$
Canada	—	—	109,479	109,479
United States (1)	43,809	72,044	286,469	402,322
United Kingdom (2)	—	—	34,216	34,216
	43,809	72,044	430,164	546,017

(1) The benefit on $52.8 million of tax losses in the United States has not been recognized in these financial statements.

(2) Net tax losses in United Kingdom can be carried forward indefinitely to offset against profit of the same enterprise. The benefit of these tax losses have not been recognized in these financial statements.

The Corporation and its subsidiaries also had accumulated capital losses amounting to $839 million which can be carried forward indefinitely against capital gains, and $103 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

11. EARNINGS PER SHARE

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

Years ended August 31	2018	2017
(In thousands of Canadian dollars, except number of shares and per share data)	$	$
Profit for the year attributable to owners of the Corporation	125,271	108,985
Weighted average number of multiple and subordinate voting shares outstanding	16,372,167	16,618,229
Effect of dilutive incentive share units	59,529	51,998
Effect of dilutive performance share units	70,743	56,736
Weighted average number of diluted multiple and subordinate voting shares outstanding	16,502,439	16,726,963
Earnings per share		
Basic	7.65	6.56
Diluted	7.59	6.52

12. SHORT-TERM INVESTMENTS

At August 31, 2017 short-term investments, held by Cogeco Communications, were comprised of certificates of deposit, for a total of $54 million, bore interest between 1.08% to 1.22% and matured on dates ranging from October 2017 to June 2018.

13. OTHER ASSETS

At August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Transaction costs	4,745	3,392
Other	2,876	4,004
	7,621	7,396

14. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2018 and 2017, property, plant and equipment variations were as follows:

Years ended August 31, 2018 and 2017	Land, buildings and leasehold improvements	Networks and infrastructure (1)	Data centre equipment (2)	Customer premise equipment	Rolling stock and equipment (3)	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at August 31, 2016	261,134	3,076,215	321,344	607,465	386,603	4,652,761
Acquisitions through a business combination	—	204	—	—	—	204
Additions	5,528	233,627	25,189	78,961	66,919	410,224
Disposals and write-offs	(6,931)	(15,485)	(17,896)	(47,647)	(2,902)	(90,861)
Foreign currency translation adjustments	(3,463)	(31,450)	(11,523)	(6,198)	(5,316)	(57,950)
Balance at August 31, 2017	256,268	3,263,111	317,114	632,581	445,304	4,914,378
Acquisitions through a business combination	7,715	245,585	—	16,524	10,667	280,491
Additions	7,717	287,886	24,627	97,150	81,012	498,392
Disposals and write-offs	(1,494)	(14,860)	(5,812)	(48,334)	(3,778)	(74,278)
Foreign currency translation adjustments	3,106	40,529	4,448	6,630	5,432	60,145
Balance at August 31, 2018	**273,312**	**3,822,251**	**340,377**	**704,551**	**538,637**	**5,679,128**
Accumulated depreciation and impairment losses						
Balance at August 31, 2016	80,115	1,720,732	137,719	447,823	262,125	2,648,514
Depreciation expense	16,382	244,847	32,528	70,361	52,281	416,399
Disposals and write-offs	(653)	(10,844)	(17,845)	(46,845)	(2,801)	(78,988)
Foreign currency translation adjustments	(1,339)	(16,237)	(9,807)	(2,799)	(3,108)	(33,290)
Balance at August 31, 2017	94,505	1,938,498	142,595	468,540	308,497	2,952,635
Depreciation expense	18,790	270,393	35,243	78,856	51,738	455,020
Disposals and write-offs	(1,420)	(12,622)	(5,811)	(47,387)	(3,706)	(70,946)
Foreign currency translation adjustments	1,155	15,996	2,933	2,686	2,900	25,670
Balance at August 31, 2018	**113,030**	**2,212,265**	**174,960**	**502,695**	**359,429**	**3,362,379**
Carrying amounts						
At August 31, 2017	161,763	1,324,613	174,519	164,041	136,807	1,961,743
At August 31, 2018	**160,282**	**1,609,986**	**165,417**	**201,856**	**179,208**	**2,316,749**

(1) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

(2) Data centre equipment includes general infrastructure, mechanical and electrical equipment, security and access control.

(3) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

15. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2018 and 2017, intangible assets variations were as follows:

	Finite useful life			Indefinite useful life			
Years ended August 31, 2018 and 2017	Customer relationships (1)	Spectrum Licenses (2)	Other (3)	Cable Distribution Licenses	Broadcasting licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Cost							
Balance at August 31, 2016	424,645	—	78,619	1,809,047	79,918	25,934	2,418,163
Acquisitions through a business combination	2,358	—	—	—	—	—	2,358
Additions	—	—	21,572	—	—	—	21,572
Fully amortized	—	—	(13,533)	—	—	—	(13,533)
Foreign currency translation adjustments	(14,144)	—	(1,316)	(37,236)	—	—	(52,696)
Balance at August 31, 2017	412,859	—	85,342	1,771,811	79,918	25,934	2,375,864
Acquisitions through a business combination	195,264	—	2,131	747,343	—	—	944,738
Additions	—	32,306	20,286	—	—	—	52,592
Fully amortized	(33,983)	—	(11,867)	—	—	—	(45,850)
Foreign currency translation adjustments	20,732	—	1,278	64,447	—	—	86,457
Balance at August 31, 2018	**594,872**	**32,306**	**97,170**	**2,583,601**	**79,918**	**25,934**	**3,413,801**
Accumulated amortization and impairment losses							
Balance at August 31, 2016	239,455	—	39,242	—	—	—	278,697
Amortization expense	44,095	—	17,957	—	—	—	62,052
Fully amortized	—	—	(13,533)	—	—	—	(13,533)
Foreign currency translation adjustments	(9,002)	—	(570)	—	—	—	(9,572)
Balance at August 31, 2017	274,548	—	43,096	—	—	—	317,644
Amortization expense	59,592	897	21,162	—	—	—	81,651
Fully amortized	(33,983)	—	(11,867)	—	—	—	(45,850)
Foreign currency translation adjustments	8,773	—	577	—	—	—	9,350
Balance at August 31, 2018	**308,930**	**897**	**52,968**	**—**	**—**	**—**	**362,795**
Carrying amounts							
At August 31, 2017	138,311	—	42,246	1,771,811	79,918	25,934	2,058,220
At August 31, 2018	**285,942**	**31,409**	**44,202**	**2,583,601**	**79,918**	**25,934**	**3,051,006**

(1) Customer relationships include long-term contractual agreements with customers.

(2) In 2018, Cogeco Communications' subsidiary, Cogeco Connexion, was the successful bidder on 23 Spectrum licenses of 2500 MHz and 2300 MHz, primarily in its Ontario and Québec wireline footprints, in the auction for residual Spectrum licenses organized by Innovation, Science & Economic Development ("ISED") Canada for a total price of $24.3 million. In addition it also acquired 10 Spectrum licenses of 2500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for a consideration of $8 million. Both transactions were completed in June 2018.

(3) Includes reconnect and additional service activation costs in the Broadband services, direct and incremental costs associated with the acquisition of customers and favorable leases.

B) GOODWILL

During fiscal 2018 and 2017, goodwill variations were as follows:

Years ended August 31, 2018 and 2017	
(In thousands of Canadian dollars)	$
Cost	
Balance at August 31, 2016	1,504,475
Foreign currency translation adjustments	(51,806)
Balance at August 31, 2017	1,452,669
Acquisitions through a business combination	**529,689**
Foreign currency translation adjustments	**67,906**
Balance at August 31, 2018	**2,050,264**
Accumulated impairment losses	
Balance at August 31, 2016	425,110
Foreign currency translation adjustments	(14,450)
Balance at August 31, 2017	410,660
Foreign currency translation adjustments	**12,573**
Balance at August 31, 2018	**423,233**
Carrying amounts	
At August 31, 2017	1,042,009
At August 31, 2018	**1,627,031**

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

The Corporation tests goodwill and intangible assets with indefinite useful lives for impairment annually, or more frequently when indicators of impairment are identified.

Goodwill is allocated to cash-generating units ("CGU") based on the level at which management monitors goodwill. The allocation is made to CGUs that are expected to benefit from the synergies of the business combination from which it arose.

Intangible assets with indefinite useful lives who do not generate independent cash inflows from those of other assets or group of assets, are allocated and tested for impairment as part of the CGU to which they belong.

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows:

At August 31,				2018				2017
Operating segment / CGU	**Goodwill**	**Cable Distribution Licenses**	**Trade name**	**Broadcasting Licenses**	Goodwill	Cable Distribution Licenses	Trade name	Broadcasting Licenses
(In thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Communications								
Canadian broadband services	**4,662**				4,662			
Ontario		**857,696**	—	—		857,696	—	—
Québec		**109,304**	—	—		109,304	—	—
American broadband services	**1,332,781**				749,982			
Southern Florida		**244,129**	—	—		234,423	—	—
South Carolina		**40,471**	—	—		38,862	—	—
Western Pennsylvania		**406,011**	—	—		389,870	—	—
Maryland/Delaware		**53,526**	—	—		51,398	—	—
Eastern Connecticut		**93,995**	—	—		90,258	—	—
Eastern Pennsylvania		**94,257**	—	—		—	—	—
Maryland/Virginia		**357,315**	—	—		—	—	—
New Hampshire/Maine		**326,897**	—	—		—	—	—
Business ICT services	**271,003**	—	**25,934**	—	268,780	—	25,934	—
Other								
Radio Broadcasting	**18,585**	—	—	**79,918**	18,585	—	—	79,918
Total	**1,627,031**	**2,583,601**	**25,934**	**79,918**	1,042,009	1,771,811	25,934	79,918

Goodwill and intangible assets with indefinite useful lives are considered impaired if the recoverable amount is less than the carrying amount. The recoverable amount of each CGU is calculated based on the higher of value in use and fair value less cost to sell. The value in use is determined using cash flow projections derived from internal financial projections covering a period of five to eight years. They reflect management's expectations of revenue growth, expenses and capital expenditures for each CGU based on past experience and expected growth for the segment. Cash flows beyond that period are extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profiles of the individual CGUs.

At June 30, 2018 and 2017, the Corporation performed its annual test for its Radio broadcasting CGU. The recoverable amount of this CGU was determined to be higher than its carrying amount and no impairment loss has been recognized for the years ended August 31, 2018 and 2017. The 2016 recoverable amount calculation of the Radio broadcasting CGU, which represented the most recent detailed calculation made in a preceding year, was used in the impairment test of that CGU at June 30, 2017.

At June 30, 2018 and 2017, the Corporation's subsidiary, Cogeco Communications performed impairment tests for its CGUs within the Canadian and American broadband services segments. The recoverable amount of each CGU was determined to be higher than its carrying amount and no impairment loss has been recognized for the years ended August 31, 2018 and 2017. The 2017 calculation of the recoverable amount of the Canadian broadband services, which represented the most recent detailed calculation made in a preceding year, was used in the impairment test of its CGUs at June 30, 2018.

At June 30, 2018 and May 31, 2017, the Corporation's subsidiary, Cogeco Communications performed impairment tests of its Business ICT services CGU.The recoverable amount was determined to be higher than its carrying amount and no impairment loss was recognized for the years ended August 31, 2018 and 2017.

The following key assumptions were used to determine the recoverable amounts in the most recent impairment tests performed for each of the Corporation's operating segments:

	2018		2017	
	Pre-tax discount rate	**Terminal growth rate**	Pre-tax discount rate	Terminal growth rate
Operating segment	**%**	**%**	%	%
Communications	**7.9 to 11.5**	**2.0 to 3.2**	9.2 to 11.5	2.0 to 3.2
Other	**12.8**	**1.0**	12.3	1.2

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the terminal growth rate used in the tests performed, that would have been required in order for the recoverable amount to equal the carrying value of the CGU at the date of the most recent impairment tests:

	Increase in pre-tax discount rate	**Decrease in terminal growth rate**
Operating segment	**%**	**%**
Communications	**0.5 to 12.1**	**0.6 to 15.4**
Other	**11.5**	**15.9**

16. PROVISIONS

During fiscal 2018, provisions variations were as follows:

Year ended August 31, 2018	Withholding and stamp taxes (1)	Programming and content costs (2)	Other (3)	**Total**
(In thousands of Canadian dollars)	$	$	$	$
Balance, beginning of the year	**7,099**	**5,758**	**10,403**	**23,260**
Provisions made during the year	**—**	**4,967**	**5,943**	**10,910**
Provisions used during the year	**—**	**(1,104)**	**(4,066)**	**(5,170)**
Provisions reversed during the year	**—**	**(3,046)**	**—**	**(3,046)**
Foreign currency translation adjustments	**133**	**21**	**29**	**183**
Balance, end of the year	**7,232**	**6,596**	**12,309**	**26,137**

(1) The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a Portuguese subsidiary by the Corporation. Pursuant to the completion of the sale of the Portuguese subsidiary in 2012, the Corporation remains responsible for these contingent liabilities up to a maximum amount of €5 million under the terms of the sale agreement.

(2) The provisions for programming and content costs include provisions for retroactive rate increases as well as additional royalties or content costs as a result of periodical audits from service providers.

(3) The other provisions include provisions for contractual obligations and other legal obligations.

17. LONG-TERM DEBT

At August 31,	Maturity	Interest rate		2018	2017
(In thousands of Canadian dollars, except percentages)		%		$	$
Corporation					
Term Revolving Facility [a)]					
Revolving loan	February 2023	3.06	(1)	**1,995**	—
Unsecured Debentures [b)]	November 2021	6.50		**34,860**	34,822
Finance lease	February 2022	4.27		**81**	101
Subsidiaries					
Term Revolving Facility [c)]					
Canadian Revolving Facility					
Revolving loan – US$310 million	January 2023	3.53	(1)	**404,705**	—
Senior Secured Notes [d)]					
Series A – US$25 million	September 2024	4.14		**32,540**	31,229
Series B - US$150 million	September 2026	4.29		**195,176**	187,325
Senior Secured Notes Series B [e)]	October 2018	7.60		**54,994**	54,922
Senior Secured Notes - US$215 million [f)]	June 2025	4.30		**279,711**	268,432
Senior Secured Debentures Series 2 [g)]	November 2020	5.15		**199,544**	199,354
Senior Secured Debentures Series 3 [h)]	February 2022	4.93		**199,255**	199,061
Senior Secured Debentures Series 4 [i)]	May 2023	4.18		**298,381**	298,078
Senior Unsecured Debenture [j)]	—	—		**—**	99,979
Senior Unsecured Notes – US$400 million in 2017 [k)]	—	—		**—**	498,141
First Lien Credit Facilities [l)]					
Senior Secured Term Loan B Facility - US$1,695.8 million	January 2025	4.45	(1) (2)	**2,167,792**	—
Senior Secured Revolving Facility - US$20 million	January 2023	4.44	(1)	**26,110**	—
Term Loan A-2 Facility – US$94.4 million in 2017	—	—		**—**	117,397
Term Loan A-3 Facility - US$118.4 million in 2017	—	—		**—**	147,073
Term Loan B Facility – US$355.4 million in 2017	—	—		**—**	439,088
Revolving Facility – US$29 million in 2017	—	—		**—**	36,354
				3,895,144	2,611,356
Less current portion				**77,209**	131,935
				3,817,935	2,479,421

(1) Interest rate on debt includes applicable credit spread.

(2) A US subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.175 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate at fixed rates ranging from 0.987% to 2.262% for maturities between July 31, 2019 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.44%.

a) The Corporation benefits from a Term Revolving Facility of $50 million, including a swingline limit of $7.5 million. On December 4, 2017, the maturity was extended until February 1, 2023, and can be further extended annually. The Term Revolving Facility can be repaid at any time without penalty and is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation’s subsidiary, Cogeco Communications, and guaranteed by its subsidiaries, excluding Cogeco Communications and its subsidiaries. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares, share repurchases and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA"), to financial expense and to total indebtedness. The Term Revolving Facility bears interest based, at the Corporation’s option, on bankers’ acceptance, LIBOR in US dollars, bank prime rate or US base rate plus the applicable credit spread, and commitment fees are payable on the unused portion.

b) On November 7, 2011, the Corporation completed, pursuant to a private placement, the issue of 6.50% Unsecured Debentures for a total of $35 million maturing November 7, 2021. Interest on these Notes is payable semi-annually in arrears on November 7 and May 7 of each year commencing May 7, 2012.

c) The Corporation's subsidiary, Cogeco Communications, has a Term Revolving Facility of $800 million with a syndicate of lenders. On December 11, 2017, the maturity was extended until January 24, 2023 and can be further extended annually. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to $788 million and the second tranche, a UK tranche, amounting to $12 million. Cogeco Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche is available in Canadian dollars, US dollars, Euros and British Pounds and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds, plus the applicable credit spread. The UK tranche is available in British Pounds and interest rates are based on British Pounds base rate loans and British Pounds LIBOR loans.The Term Revolving Facility provides access to a swingline with a limit of $30 million, from which $12 million are available under a UK swingline.The Term Revolving Facility is indirectly secured by a first priority fixed and floating charges and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of Cogeco Communications and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Communications. Generally, the most significant restrictions relate to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as the incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA").

d) On August 27, 2014, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a private placement, the issuance of US$25 million Senior Secured Notes Series A and of US$150 million Senior Secured Notes Series B. The Senior Secured Notes Series A bear interest at 4.14% per annum payable semi-annually and mature on September 1, 2024, and the Senior Secured Notes Series B bear interest at 4.29% per annum payable semi-annually and mature on September 1, 2026. The Senior Secured Notes Series A and B are redeemable at any time at Cogeco Communications' option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and certain of its subsidiaries.

e) On October 1, 2008, the Corporation's subsidiary, Cogeco Communications, issued $55 million Senior Secured Notes Series B maturing October 1, 2018. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and certain of its subsidiaries. These Notes are redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

f) On June 27, 2013, the Corporation's subsidiary, Cogeco Communications, completed, pursuant to a private placement, the issuance of US$215 million Senior Secured Notes. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2025. The Senior Secured Notes are redeemable at the Cogeco Communications' option at any time, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and certain of its subsidiaries.

g) On November 16, 2010, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and certain of its subsidiaries.

h) On February 14, 2012, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 3. These debentures mature on February 14, 2022 and bear interest at 4.925% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and certain of its subsidiaries.

i) On May 27, 2013, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 4. These debentures mature on May 26, 2023 and bear interest at 4.175% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

j) On March 5, 2008, the Corporation's subsidiary, Cogeco Communications, issued a $100 million Senior Unsecured Debenture by way of a private placement. The debenture bore interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture was reimbursed by Cogeco Communications, at its maturity date, on March 5, 2018.

k) On April 23, 2013, the Corporation's subsidiary, Cogeco Communications, completed a private placement of US$400 million aggregate principal amount of Senior Unsecured Notes. At issuance, these Notes matured on May 1, 2020 and bore interest at 4.875% per annum payable semi-annually. In May 2018, Cogeco Communications proceeded with the early reimbursement of the Notes. In connection with the early reimbursement, an amount of $2.5 million of unamortized deferred transaction costs and a redemption premium of $6.2 million were charged to financial expense in fiscal 2018.

l) On January 4, 2018, in connection with the financing of the MetroCast acquisition by Cogeco Communications' subsidiary, Atlantic Broadband, a new $2.1 billion (US$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a $188 million (US$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' US subsidiaries, whereby $733 million (US$583 million) was used to reimburse the pre-existing Term Loan A-2, A-3, B and Revolving Facility. An amount of $7.3 million was charged to financial expense, representing the unamortized deferred transaction costs pertaining to the early reimbursement of the Term Loan A-2, A-3 and B facilities in January 2018.

The interest rate on these First Lien Credit Facilities is based on LIBOR plus an applicable credit spread. Commencing in August 2018, the Senior Secured Term Loan B is subject to a quarterly amortization of 0.25% until its maturity date. In addition to the quarterly amortization, the loan shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year defined below. The first payment will be based on excess cash flows generated in fiscal year 2019.

(i) 50% if Atlantic Broadband's ratio of net senior secured indebtedness / adjusted EBITDA ("Leverage Ratio") is greater than or equal to 5.1 to 1.0;
(ii) 25% if Atlantic Broadband's Leverage Ratio is greater than or equal to 4.6 to 1.0 but less than 5.1 to 1.0; and
(iii) 0% if Atlantic Broadband's Leverage Ratio is less than 4.6 to 1.0.

The First Lien Credit Facilities are non-recourse to Cogeco Communications, its Canadian subsidiaries and the foreign subsidiaries of Cogeco Peer 1, and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

18. 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

At August 31,	2018	2017
(In thousands of Canadian dollars, except number of shares)	$	$
1,812,860 multiple voting shares (1,842,860 at August 31, 2017)	12	12
14,574,435 subordinate voting shares (14,750,245 at August 31, 2017)	118,358	120,031
	118,370	120,043
61,375 subordinate voting shares held in trust under the Incentive Share Unit Plan (50,178 at August 31, 2017)	(4,237)	(2,590)
72,359 subordinate voting shares held in trust under the Performance Share Unit Plan (61,386 at August 31, 2017)	(5,295)	(3,432)
	108,838	114,021

During fiscal 2018 and 2017, multiple voting share transactions were as follows:

Years ended August 31,	2018		2017	
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	1,842,860	12	1,842,860	12
Conversion of multiple voting shares into subordinate voting shares	(30,000)	—	—	—
Balance, end of the year	1,812,860	12	1,842,860	12

During fiscal 2018 and 2017, subordinate voting share transactions were as follows:

Years ended August 31,		2018		2017
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	14,750,245	120,031	14,969,572	121,815
Purchase and cancellation of subordinate voting shares (1)	(205,810)	(1,673)	(219,327)	(1,784)
Conversion of multiple voting shares into subordinate voting shares	30,000	—	—	—
Balance, end of the year	14,574,435	118,358	14,750,245	120,031

(1) On July 30, 2018 Cogeco announced that the TSX accepted its renewed notice of intention for a normal course issuer bid, enabling it to purchase for cancellation up to 550,000 additional subordinate voting shares from August 2, 2018 to August 1, 2019 (up to 550,000 subordinate voting shares from August 2, 2017 to August 1, 2018). During fiscal 2018, Cogeco purchased and cancelled 205,810 (219,327 in 2017) subordinate voting shares with an average stated value of $1.7 million ($1.8 million in 2017), for consideration of $14.6 million ($14.3 million in 2017). The excess of the purchase price over the average stated value of the shares totaled $13.0 million ($12.5 million in 2017) and was charged to retained earnings.

During fiscal 2018 and 2017, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		2018		2017
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	50,178	2,590	63,021	3,142
Subordinate voting shares acquired	26,175	2,426	18,379	1,005
Subordinate voting shares distributed to employees	(14,978)	(779)	(31,222)	(1,557)
Balance, end of the year	61,375	4,237	50,178	2,590

During fiscal 2018 and 2017, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Years ended August 31,		2018		2017
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	61,386	3,432	38,786	2,196
Subordinate voting shares acquired	33,979	3,149	22,701	1,242
Subordinate voting shares distributed to employees	(23,006)	(1,286)	(101)	(6)
Balance, end of the year	72,359	5,295	61,386	3,432

C) DIVIDENDS

For the year ended August 31, 2018, quarterly eligible dividends of $0.39 per share, for a total of $1.56 per share were paid to the shareholders of multiple and subordinate voting shares, totaling $25.5 million, compared to quarterly eligible dividends of $0.34 per share, for a total of $1.36 per share, or $22.6 million for the year ended August 31, 2017.

For the year ended August 31, 2018, quarterly eligible dividends of $0.475 per share, for a total of $1.90 per share, were paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest, totaling $63.9 million, compared to quarterly eligible dividends of $0.43 per share, for a total of $1.72 per share or $57.7 million for the year ended August 31, 2017.

Years ended August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	2,840	2,506
Dividends on subordinate voting shares	22,699	20,097
	25,539	22,603
Attributable to non-controlling interest		
Dividends on subordinate voting shares	63,886	57,671

At its October 31, 2018 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.43 per share for multiple voting and subordinate voting shares, payable on November 28, 2018, to shareholders of record on November 14, 2018.

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 ("Board").

Stock purchase plans

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans, which are accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation and its subsidiary contribute 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plans

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their executive officers and designated employees Stock Options Plans. Under the plans' conditions, the minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options granted vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

A total of 1,545,700 subordinate voting shares are reserved, for the purpose of Cogeco's Stock Option Plan. During fiscal years 2018 and 2017, no stock options were granted to employees by Cogeco and no stock options were outstanding at August 31, 2018 and 2017.

A total of 3,432,500 subordinate voting shares of Cogeco Communications are reserved for the purpose of its Stock Option Plan.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at August 31:

Years ended August 31,	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the year	652,385	56.61	645,626	53.67
Granted [1]	281,350	85.08	210,650	62.43
Exercised [2]	(60,337)	57.77	(140,236)	50.00
Cancelled	(54,005)	72.28	(63,655)	60.60
Outstanding, end of the year	819,393	65.27	652,385	56.61
Exercisable, end of the year	277,108	49.76	200,526	46.87

(1) For the year ended August 31, 2018, Cogeco Communications granted 126,425 (81,350 in 2017) stock options to Cogeco executive officers as executive officers of Cogeco Communications.

(2) The weighted average share price for options exercised during the year was $83.46 ($73.75 in 2017).

At August 31, 2018, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

At August 31, 2018	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$		(years)	$		$
31.82 to 39.00	100,843	2.54	36.50	100,843	36.50
39.01 to 50.10	103,810	4.68	49.36	77,760	49.11
50.11 to 62.12	74,295	6.21	61.22	34,290	61.20
62.13 to 67.64	278,220	7.75	64.19	62,500	65.07
67.65 to 85.20	262,225	9.16	84.92	1,715	72.90
	819,393	7.03	65.27	277,108	49.76

The weighted average fair value of stock options granted for the period ended August 31, 2018 was $13.37 ($8.96 in 2017) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

Years ended August 31,	2018	2017
	%	%
Expected dividend yield	2.24	2.52
Expected volatility (1)	20.12	21.28
Risk-free interest rate	1.65	0.81
Expected life (in years)	6.0	6.1

(1) The expected volatility is based on the historical volatility of Cogeco Communications' subordinate voting shares for a period equivalent to the expected life of the options.

A compensation expense of $1,788,000 ($1,300,000 in 2017) was recorded for the year ended August 31, 2018 related to this plan.

ISU plans

The Corporation and its subsidiary, Cogeco Communications, offer executive officers and designated employees Incentive Share Unit (“ISU”) Plans. According to the plans, executive officers and designated employees periodically receive a given number of ISUs which entitle the participants to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. For the grants made after April 7, 2015 the holder of ISUs is entitled to payment of the ISUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year less one day vesting period. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustees to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trusts for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation’s financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plans presented in reduction of share capital or non-controlling interest.

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at August 31:

Years ended August 31,	2018	2017
Outstanding, beginning of the year	50,178	62,475
Granted	26,500	18,925
Distributed	(14,978)	(31,222)
Outstanding, end of the year	61,700	50,178

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at August 31:

Years ended August 31,	2018	2017
Outstanding, beginning of the year	101,538	144,623
Granted	47,900	41,075
Distributed	(35,892)	(74,495)
Cancelled	(8,071)	(9,665)
Outstanding, end of the year	105,475	101,538

A compensation expense of $3,704,000 ($2,964,000 in 2017) was recorded for the year ended August 31, 2018 related to these plans.

PSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Performance Share Unit ("PSU") Plans for executive officers and designated employees. The objectives of the PSU Plans are to retain executive officers and designated employees, to align their interests with those of the shareholders and to sustain positive corporate performance, as measured by the Economic Value Creation formula, a performance measure used by management. The number of PSUs is based on the dollar value of the award and the average closing stock price of the Corporation and its subsidiary for the previous twelve month period ending August 31. The PSUs vest over a three-year less one day period, based on the level of increase in the Economic Value of the Corporation or the relevant subsidiary for the preceding three-year period ending August 31, meaning that no vesting will occur if there is no increase in the Economic Value. The participants are entitled to receive dividend equivalents in the form of additional PSUs but only with respect to vested PSUs. PSUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause, in which cases, the holder of PSUs is entitled to payment of the PSUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year less one day vesting period. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustee to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plans presented in reduction of share capital or non-controlling interest.

Under the PSU Plan of the Corporation, the following PSUs were granted and are outstanding at August 31:

Years ended August 31,	2018	2017
Outstanding, beginning of the year	61,142	38,062
Granted	29,075	21,925
Performance-based additional units granted	4,196	—
Distributed	(23,006)	(101)
Dividend equivalents	1,539	1,256
Outstanding, end of the year	72,946	61,142

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at August 31:

Years ended August 31,	2018	2017
Outstanding, beginning of the year	115,207	81,376
Granted (1)	65,525	50,925
Performance-based additional units granted	2,639	—
Distributed	(41,441)	(1,362)
Cancelled	(12,184)	(18,421)
Dividend equivalents	3,435	2,689
Outstanding, end of the year	133,181	115,207

(1) For the year ended August 31, 2018, Cogeco Communications granted 19,025 (12,150 in 2017) PSUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $4,816,000 ($2,776,000 in 2017) was recorded for the year ended August 31, 2018 related to these plans.

DSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Deferred Share Unit ("DSUs") Plans for members of the Board to assist in the attraction and retention of qualified individuals to serve on their respective Boards. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of DSUs with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the TSX for the twenty consecutive trading days immediately preceding by one day the date of issue. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable and payable in cash or in shares, upon an individual ceasing to be a member of the Board or in the event of the death of the member.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at August 31:

Years ended August 31,	2018	2017
Outstanding, beginning of the year	60,374	59,824
Issued	3,797	7,196
Redeemed	(23,328)	(7,890)
Dividend equivalents	963	1,244
Outstanding, end of the year	41,806	60,374

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at August 31:

Years ended August 31,	2018	2017
Outstanding, beginning of the year	40,446	32,483
Issued	6,662	7,097
Redeemed	(5,549)	—
Dividend equivalents	1,048	866
Outstanding, end of the year	42,607	40,446

A compensation expense reduction of $62,000 (a compensation expense of $3,653,000 in 2017) was recorded for the year ended August 31, 2018 related to these plans.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2018 and 2017, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2018 and 2017	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2016	(47)	27,156	27,109
Other comprehensive income (loss) for the year	177	(2,711)	(2,534)
Balance at August 31, 2017	130	24,445	24,575
Other comprehensive income for the year	8,036	3,637	11,673
Balance at August 31, 2018	**8,166**	**28,082**	**36,248**

20. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	2018	2017
(in thousands of Canadian dollars)	$	$
Trade and other receivables	(1,096)	29,591
Prepaid expenses and other	(5,185)	(6,736)
Trade and other payables	(16,765)	33,312
Provisions	4,005	(9,411)
Deferred and prepaid revenue and other liabilities	(9,536)	26,282
	(28,577)	73,038

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Year ended August 31, 2018	Bank indebtedness	Balance due on a business combination	Current and non-current portion of long-term debt	Total
(In thousands of Canadian dollars)	$	$	$	$
Balance at August 31, 2017	3,801	118	2,611,356	2,615,275
Increase in bank indebtedness	2,148	—	—	2,148
Net increase under the revolving facilities	—	—	386,563	386,563
Issuance of long-term debt, net of discounts and transaction costs	—	—	2,082,408	2,082,408
Repayment of long-term debt	—	—	(1,329,064)	(1,329,064)
Repayment of balance due on a business combination	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	2,148	(118)	1,139,907	1,141,937
Effect of changes in foreign exchange rates	—	—	126,789	126,789
Amortization of discounts and transaction costs	—	—	17,092	17,092
Total non-cash changes	—	—	143,881	143,881
Balance at August 31, 2018	5,949	—	3,895,144	3,901,093

C) CASH AND CASH EQUIVALENTS

At August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Cash	86,352	163,320
Cash equivalents [(1)]	—	48,963
	86,352	212,283

(1) At August 31, 2017, comprised of banker's acceptances and a certificate of deposit, bore interest between 1.12% to 1.30% and matured ranging from September 21 to October 19, 2017.

21. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to their employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounted to $10,866,000 ($10,311,000 in 2017) for the year ended August 31, 2018 and are included in the Corporation's consolidated statement of profit and loss under "salaries, employee benefits and outsourced services".

B) DEFINED BENEFIT PLANS

The Corporation and its subsidiaries sponsor defined benefit plans for the benefit of their employees and separate defined benefit plans for the benefit of their executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers supplementary pension plans. Each year at August 31 the Corporation and its subsidiaries measure plan assets at fair value, as well as the defined benefit obligation for all plans. The most recent actuarial valuation of the pension plan for the benefit of the employees was at August 31, 2017 and the next required valuation is at August 31, 2018, which is expected to be completed in February 2019. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2017 and the next required valuation is at August 31, 2020.

The following table provides a reconciliation of the change in the defined benefit obligations and plan assets at fair value and a statement of the funded status at August 31:

Years ended August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Defined benefit obligation [(1)]		
Defined benefit obligation, beginning of the year	100,052	102,050
Current service cost	3,002	3,966
Interest cost	3,584	3,156
Contributions by plan participants	357	382
Benefits paid	(2,721)	(2,482)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	(473)	(124)
Changes in demographic assumptions	—	31
Changes in financial assumptions	(2,058)	(6,927)
Defined benefit obligation, end of the year	101,743	100,052
Plan assets at fair value		
Plan assets at fair value, beginning of the year	101,256	90,734
Interest income	3,582	2,782
Return on plan assets, except amounts included in interest income	3,767	3,991
Administrative expense	(371)	(403)
Contributions by plan participants	357	382
Employer contributions	2,731	6,252
Benefits paid	(2,721)	(2,482)
Plan assets at fair value, end of the year	108,601	101,256
Funded status		
Plan assets at fair value	108,601	101,256
Defined benefit obligation	101,743	100,052
Net defined benefit asset	6,858	1,204

(1) The weighted average duration of the defined benefit obligation at August 31, 2018 and 2017 is 13 years.

The net defined benefit asset and liability is included in the Corporation's consolidated statement of financial position under ''Pension plan assets'' and "Pension plan liabilities and accrued employee benefits", respectively.

Defined benefit costs recognized in profit or loss

Years ended August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	3,002	3,966
Administrative expense	371	403
Recognized in financial expense (other)		
Net interest	2	374
	3,375	4,743

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Actuarial losses (gains) arising from:		
Experience adjustments	(473)	(124)
Change in demographic assumptions	—	31
Change in financial assumptions	(2,058)	(6,927)
Return on plan assets, except amounts included in interest income	(3,767)	(3,991)
	(6,298)	(11,011)

The expected employer contributions to the Corporation's defined benefit plans will be $3,519,000 in 2019.

Plan assets consist of:

At August 31,	2018	2017
	%	%
Equity securities (1)	57	55
Debt securities (1)	14	13
Deposits in trust (2)	24	24
Other	5	8
Total	100	100

(1) All debt and equity securities have a quoted price in active markets.

(2) Deposits in trust prescribed by the Canada Revenue Agency for funded supplemental employee retirement plans are non-interest-bearing.

The significant weighted average assumptions used in measuring the Corporation's defined benefit obligation and defined benefit costs are as follows:

At August 31,	2018	2017
	%	%
Defined benefit obligation		
Discount rate	3.65	3.50
Rate of compensation increase	2.75	2.75
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	3.75	3.00
Rate of compensation increase	2.75	2.75
Mortality table	CPM-2014	CPM-2014

C) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Corporation sets investment goals, both in terms of asset mix percentage and target return, which is monitored monthly and adjusted as needed.

Interest rate risk

A decrease in the interest rate on investment-grade fixed-rate Corporate bonds will reduce the discount rate used and increase the present value of the defined benefit obligation. However, the increase in the obligation would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

Active members expected benefits are linked to their pre-retirement compensation. The present value of the defined benefit obligation is calculated using management's best estimate of the expected rate of compensation increase of plan members. Increasing that assumption would increase the defined benefit obligation.

D) SENSITIVITY ANALYSIS

The sensitivity analysis of the defined benefit obligation was calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The sensitivity analysis was prepared in accordance with the Corporation's accounting policies described in Note 2 L). The actual results of items subject to estimates may differ.

At August 31, 2018	Change in assumption	Increase in the defined benefit obligation
(In thousands of Canadian dollars)	%	$
Discount rate decrease	0.10	1,331
Expected rate of compensation increase	0.25	244

22. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

Management’s objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate and foreign exchange risk.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents, short-term investments and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the statement of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps and foreign currency forward contracts may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2018, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor’s rating services ("S&P").

Cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. The credit rating of the counterparties to the cash equivalents was "A+" by S&P and "A (high)" by Dominion Bond Rating Services ("DBRS"), or better.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer’s balance outstanding as well as the customer’s collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada, in United States and in Europe, there is no significant concentration of credit risk.

The following table provides further details on trade and other receivables, net of allowance for doubtful accounts:

At August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Trade accounts receivable	117,157	108,922
Allowance for doubtful accounts	(6,838)	(4,355)
	110,319	104,567
Other accounts receivable	8,399	7,525
	118,718	112,092

Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of the Corporation’s customers are billed and pay before the services are rendered. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. The following table provides further details on trade accounts receivable past due net of allowance for doubtful accounts at August 31, 2018 and 2017:

At August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Less than 60 days past due	44,201	32,965
60 to 90 days past due	4,375	2,373
More than 90 days past due	5,751	1,358
	54,327	36,696

The following table shows changes in the allowance for doubtful accounts for the year ended August 31, 2018 and 2017:

Years ended August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	4,355	4,878
Provision for impaired receivables	19,653	17,403
Net use	(17,206)	(17,902)
Foreign currency translation adjustments	36	(24)
Balance, end of the year	6,838	4,355

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2018, an amount of $2 million was used from the Corporation's Term Revolving Facility of $50 million and $413.3 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $48 million and $386.7 million, respectively. Management believes that the committed revolving credit facilities will, until their maturities in 2023, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries of Cogeco Communications, also benefit from a Revolving Facility of $195.8 million (US$150 million) of which $28.9 million (US$22.1 million) was used at August 31, 2018 for a remaining availability of $166.9 million (US$127.9 million).

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2018:

		Contractual cash flows						
	Carrying amount	2019	2020	2021	2022	2023	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Bank indebtedness	5,949	5,949	—	—	—	—	—	5,949
Trade and other payables (1)	303,130	303,130	—	—	—	—	—	303,130
Long-term debt	3,895,144	77,215	22,216	222,218	257,206	755,008	2,611,979	3,945,842
	4,204,223	386,294	22,216	222,218	257,206	755,008	2,611,979	4,254,921

(1) Excluding accrued interest on long-term debt.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at August 31, 2018 and their respective maturities:

	2019	2020	2021	2022	2023	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on long-term debt	**173,065**	**169,987**	**163,849**	**151,649**	**135,145**	**187,338**	**981,033**
Interest receipts on derivative financial instruments	**(31,674)**	**(29,811)**	**(24,594)**	**(20,867)**	**(17,231)**	**(11,744)**	**(135,921)**
Interest payments on derivative financial instruments	**31,584**	**30,698**	**25,295**	**21,436**	**17,691**	**11,922**	**138,626**
	172,975	**170,874**	**164,550**	**152,218**	**135,605**	**187,516**	**983,738**

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risks on their floating interest rate instruments. Interest rates fluctuations will have an effect on the repayment of these instruments. At August 31, 2018, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To mitigate such risk, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2018:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities is approximately $11.1 million based on the outstanding debt at August 31, 2018.

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximatively $13.6 million based on the outstanding debt at August 31, 2018.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents, trade and other receivables, trade and other payables and provisions denominated in US dollars, Euros or British Pounds. The Corporation's exposure to foreign currency risk is as follows:

At August 31,			**2018**			2017
	US	**Euro**	**British Pounds**	US	Euro	British Pounds
(In thousands of Canadian dollars)	$	$	$	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**18,415**	**961**	**93**	18,864	957	108
Trade and other receivables	**3,625**	**191**	**—**	4,889	122	—
Trade and other payables and provisions	**(22,017)**	**(7,232)**	**—**	(15,828)	(7,100)	—
	23	**(6,080)**	**93**	7,925	(6,021)	108

Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is not significant. The impact of a 10% fluctuation in the foreign exchange rates (US dollar, Euro and British Pound) would not change financial expense significantly.

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

The following table shows the net investments in foreign operations outstanding at August 31, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$700 million	US$963.1 million	Net investments in foreign operations in US dollar
N/A	£—	£24.7 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the consolidated statement of financial position accounts at August 31, 2018 was $1.3055 ($1.2536 in 2017) per US dollar and $1.6931 ($1.6161 in 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $38.5 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, short-term investments, trade and other receivables, bank indebtedness and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Term Revolving Facilities and First Lien Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds loans plus applicable credit spread. Therefore, the carrying value approximates fair value for these facilities, since they have conditions similar to those currently available to the Corporation;
- The fair value of the Senior Secured Debentures Series 2, 3 and 4, Senior Secured Notes Series A and B, and Senior Secured Notes, and Unsecured Debentures are based upon current trading values for similar financial instruments; and
- The fair values of finance leases are not significantly different from their carrying amounts.

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

At August 31,		2018		2017
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Long-term debt	**3,895,144**	**3,980,600**	2,611,356	2,722,629

All financial instruments recognized at fair value on the consolidated statement of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

C) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash generated by operations and the level of distribution to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, short-term investments, bank indebtedness, long-term debt and assets or liabilities related to derivative financial instruments.

The provisions of financing agreements of the Corporation and its subsidiary, Cogeco Communications provide for restrictions on their activities. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2018 and 2017 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:

Years ended August 31,	2018	2017
Net secured indebtedness (1) / adjusted EBITDA (3)	3.4	1.7
Net indebtedness (2) / adjusted EBITDA (3)	3.5	2.3
Adjusted EBITDA (3) / financial expense (3)	6.0	7.6

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

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

(3) Adjusted EBITDA and financial expense for the year ended August 31, 2018 include eight months of MetroCast operations.

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

Years ended August 31,	2018	2017
Net secured indebtedness (1) / adjusted EBITDA (3)	3.5	1.7
Net indebtedness (2) / adjusted EBITDA (3)	3.5	2.3
Adjusted EBITDA (3) / financial expense (3)	5.9	7.8

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

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

(3) Adjusted EBITDA and financial expense for the year ended August 31, 2018 include eight months of MetroCast operations.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Financial assets		
Loans and receivables	205,070	343,431
Held to maturity	—	34,944
Derivative financial instruments in designated hedge relationships	35,126	857
	240,196	379,232
Financial liabilities		
Derivative financial instruments in designated hedge relationships	—	192
Other liabilities	4,221,399	2,952,942
	4,221,399	2,953,134

23. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco is the parent company of Cogeco Communications and holds 31.7% of Cogeco Communications' equity shares, representing 82.2% of Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement. Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue of Cogeco Communications. In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. 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. As contemplated by this provision and following the MetroCast acquisition completed on January 4, 2018, the management fees payable on a monthly basis charged to Cogeco Communications were reviewed and reduced from 0.85% to 0.75% of the consolidated revenue of Cogeco Communications, effective on January 4, 2018. For fiscal 2018 management fees paid to Cogeco amounted to $19 million, compared to $18.9 million for fiscal 2017.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, Cogeco Communications granted 126,425 stock options (81,350 in 2017), did not grant any ISUs (nil in 2017) and granted 19,025 PSUs (12,150 in 2017) to these executive officers as executive officers of Cogeco Communications during fiscal 2018. During fiscal 2018, Cogeco Communications charged the Corporation amounts of $915,000 ($652,000 in 2017), $1,000 ($39,000 in 2017) and $990,000 ($660,000 in 2017) with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers.

B) INTERCOMPANY NOTE PAYABLE

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 was set at $40 million and the full amount was advanced to Cogeco Communications as of the signing date. The credit facility was payable on demand and the interest was calculated on the daily outstanding balance at an annual rate equivalent to Cogeco Communications' Canadian Revolving Facility. During the third quarter of fiscal 2017 the intercompany loan was fully repaid by Cogeco Communications.

C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board and of the Management Committee of the Corporation. The compensation paid or payable to key management personnel for employee services is as follows:

Years ended August 31,	2018	2017
(In thousands of Canadian dollars)	$	$
Salaries and other short-term employee benefits	5,090	6,614
Post-employment benefits	597	599
Share-based payments	7,204	3,507
	12,891	10,720

24. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2018, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2019	2020	2021	2022	2023	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Operating lease agreements (1)	37,194	36,883	36,006	31,030	28,809	74,820
Acquisitions of property, plant and equipment and intangible assets (2)	36,059	13,055	14,361	16,972	18,277	20,888
Other long-term contracts (3)	44,955	22,221	15,674	7,964	6,948	25,289
	118,208	72,159	66,041	55,966	54,034	120,997

(1) Include operating lease agreements for rent of premises and support structures.

(2) Include minimum spend commitments under acquisitions of customer premise equipment and software licenses.

(3) Include long-term commitments with suppliers to provide services including minimum spend commitments.

Purchase of a fibre network and corresponding assets

On December 30, 2017 Atlantic Broadband signed an Asset Purchase Agreement with FiberLight, LLC to acquire all of its fibre network and corresponding assets located on the East Coast of south Florida for a consideration of US$34 million, which was subject to regulatory approvals and customary closing adjustments. The transaction was completed on October 1, 2018.

Acquisition of 10 regional radio stations

In April 2018, Cogeco Media announced the conclusion of an agreement to acquire 10 regional radio stations (9 located in Québec and 1 in Ontario) owned by RNC Média inc. The transaction, valued at $18.5 million, is subject to customary closing adjustments and usual closing conditions. The transaction was approved by the CRTC on October 11, 2018 and is expected to be completed in the first quarter of fiscal 2019.

B) CONTINGENCIES

The Corporation and its subsidiaries are involved in matters involving litigations or potential claims from suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigations to be significant to these consolidated financial statements.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. At August 31, 2018 and 2017, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16.

Business combinations and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnifications relating to failure to perform covenants and breach of representations and warranties, the Corporation and its subsidiaries have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale.

Long-term debt

Under the terms of Cogeco Communications' Senior Secured Notes, the subsidiary has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

Employees and contractuals indemnification agreements

The Corporation's subsidiary, Cogeco Media, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss.

Sale of services

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

Purchase and development of assets

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

25. NON-MONETARY TRANSACTIONS

During fiscal 2018, the Corporation's subsidiary, Cogeco Media, entered into non-monetary transactions. An amount of $4.4 million ($4.5 million in 2017) of revenue and $4.7 million ($4.6 million in 2017) of operating expenses were recorded.

INVESTOR INFORMATION

CREDIT RATINGS

COGECO COMMUNICATIONS

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

At August 31, 2018	S&P	DBRS	Fitch	Moody's
Cogeco Communications				
Senior Secured Notes and Debentures	BBB-	BBB (low)	BBB-	NR
Atlantic Broadband				
First Liens Credit Facilities	BB-	NR	NR	B1

NR : Not rated

Our ability to access debt capital markets and bank credit markets and the cost and amount of funding available partly depends on the quality of our credit ratings. Obligations rated in the "BBB" category are considered investment grade and their cost of funding is typically lower relative to the "BB/B" rating category. In addition, obligations with BBB ratings generally have greater access to funding than those with "BB/B" ratings.

SHARE INFORMATION

At August 31, 2018		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	1,842,860	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1-800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	14,574,435	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

DIVIDENDS

DIVIDEND DECLARATION

At its October 31, 2018 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.43 per share for multiple voting and subordinate voting shares, payable on November 28, 2018 to shareholders of record on November 14, 2018. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

TRADING STATISTICS

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2018 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	**96.75**	**96.87**	**75.95**	**67.17**	
Low	**77.41**	**69.76**	**64.25**	**57.15**	
Close	**96.57**	**71.70**	**65.25**	**62.07**	
Volume (subordinate voting shares)	**1,923,844**	**1,196,567**	**919,499**	**925,632**	**4,965,542**

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2017 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	55.63	63.56	70.00	82.75	
Low	47.55	53.45	58.30	65.31	
Close	54.95	62.00	67.08	82.51	
Volume (subordinate voting shares)	1,212,782	689,219	558,904	797,634	3,258,539

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

	August 31, 2018	May 31, 2018	February 28, 2018	November 30, 2017	August 31, 2017	August 31, 2016
CONSOLIDATED						
Primary service units(1)	2,751,383	2,782,705	2,788,268	2,532,964	2,533,903	2,510,357
Internet service customers	1,207,225	1,207,262	1,199,201	1,054,346	1,042,996	987,365
Video service customers	1,006,020	1,019,852	1,029,901	948,778	956,775	982,955
Telephony service customers(1)	538,138	555,591	559,166	529,840	534,132	540,037
CANADA						
Primary service units(1)	1,866,918	1,901,037	1,914,178	1,919,939	1,921,068	1,916,201
Internet service customers	782,277	787,007	786,314	779,434	769,869	733,701
Penetration as a percentage of homes passed	44.7%	45.0%	45.1%	44.9%	44.5%	43.0%
Video service customers	688,768	699,554	708,584	715,604	720,636	739,323
Penetration as a percentage of homes passed	39.3%	40.0%	40.7%	41.2%	41.6%	43.4%
Telephony service customers(1)	395,873	414,476	419,280	424,901	430,563	443,177
Penetration as a percentage of homes passed(1)	22.6%	23.7%	24.1%	24.5%	24.9%	26.0%
UNITED STATES						
Primary service units(1)	884,465	881,668	874,090	613,025	612,835	594,156
Internet service customers	424,948	420,255	412,887	274,912	273,127	253,664
Penetration as a percentage of homes passed	51.0%	51.1%	49.5%	46.2%	45.9%	42.9%
Video service customers	317,252	320,298	321,317	233,174	236,139	243,632
Penetration as a percentage of homes passed	38.1%	38.9%	38.5%	39.2%	39.7%	41.2%
Telephony service customers(1)	142,265	141,115	139,886	104,939	103,569	96,860
Penetration as a percentage of homes passed(1)	17.1%	17.2%	16.8%	17.6%	17.4%	16.4%

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

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT[1]

BOARD OF DIRECTORS

✪★ **LOUIS AUDET**, Eng., MBA, C.M., **Executive Chairman of the Board**
Westmount (Québec)

✪ **JAN PEETERS, Lead Director**
Montréal (Québec)
President and Chief Executive Officer and Board Chair
Olameter Inc. (Telemetry company)

●◆■ **MARY-ANN BELL**, Eng., M.Sc., ASC
Montréal (Québec)
Corporate Director

●■ **JAMES C. CHERRY**, B.Com, FCPA, FCA
Montréal (Québec)
Corporate Director

●◆ **NORMAND LEGAULT**, B.B.A
Montréal (Québec)
Corporate Director

■◆ **DAVID MCAUSLAND**, B.C.L., LL.B.
Baie-D'Urfé (Québec)
Partner
McCarthy Tétrault (Major law firm in Canada)

Legend :

✪ Attends as an observer and participates in meetings of all the committees

● Member of the Audit Committee

■ Member of the Human Resources Committee

◆ Member of the Corporate Governance Committee

★ Member of the Strategic Opportunities Committee

(1) At October 31, 2018.

CORPORATE HEAD OFFICE

5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
corpo.cogeco.com

CORPORATE MANAGEMENT

PHILIPPE JETTÉ

President and Chief Executive Officer

ELIZABETH ALVES

Vice President, Internal Audit and Risk Management

PHILIPPE BONIN

Vice President, Corporate Development

NATHALIE DORVAL

Vice President, Regulatory Affairs and Copyright

MARTIN GRENIER

Vice President, Procurement

RENÉ GUIMOND

Senior Vice President, Public Affairs and Communications

CHRISTIAN JOLIVET

Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary

PIERRE MAHEUX

Vice President, Corporate Controller

LUC NOISEUX

Senior Vice President and Chief Technology and Strategy Officer

DIANE NYISZTOR

Senior Vice President, Corporate Human Resources

PATRICE OUIMET

Senior Vice President and Chief Financial Officer

ANDRÉE PINARD

Vice President and Treasurer

SUBSIDIARIES INFORMATION

COGECO COMMUNICATIONS INC.

PHILIPPE JETTÉ
President and Chief Executive Officer

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Suite 1700
Montréal (Québec)
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COGECO CONNEXION

KEN SMITHARD
President

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ATLANTIC BROADBAND

RICHARD SHEA
President and Chief Executive Officer

2 Batterymarch Park
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Quincy, MA 02169
www.atlanticbb.com

COGECO PEER 1

SUSAN BOWEN
President

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Floor 2
Toronto (Ontario)
M9C 5K8
www.cogecopeer1.com

COGECO MÉDIA

MICHEL LORRAIN
President

800, rue de la Gauchetière Ouest
Montréal (Québec)
H5A 1K6
www.cogecomedia.com

CORPORATE INFORMATION

ANNUAL MEETING
The Annual Meeting of Shareholders will be held at 11:45 a.m. on Friday, January 11, 2019, at the Centre Mont-Royal, Mont-Royal room 1, 4th Floor, Montréal (Québec).

AUDITORS
Deloitte LLP
1190 Avenue des Canadiens-de-Montréal
Suite 500
Montréal (Québec)
H3B 0M7

LEGAL COUNSEL
Stikeman Elliott LLP
1155 René-Lévesque Blvd. West
40th Floor
Montréal (Québec)
H3B 3V2

TRANSFER AGENT FOR SUBORDINATE AND MULTIPLE VOTING SHARES, AND TRUSTEE FOR SENIOR SECURED DEBENTURES AND NOTES
Computershare Trust Company of Canada

QUARTER ENDS
November, February, May

YEAR END
August 31

INQUIRIES

The Annual Report, Annual Information Form, Quarterly Reports and Information Circular are available in the Investors section of the Corporation's website (corpo.cogeco.com) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle, des rapports trimestriels et de la circulaire d'information sont disponibles sous la section « Investisseurs » du site Internet de la société (corpo.cogeco.com) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

For financial information about the Corporation, please contact the Department of Finance of the Corporation.

SHAREHOLDERS

For any inquiries regarding a change of address or a change of registration of shares, please contact Computershare Trust Company of Canada. For any other inquiries please refer to the Shareholder Engagement Policy which can be found on the "Information for Shareholders" section on the Corporation's website at corpo.cogeco.com.

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

ETHICS LINE

Cogeco Inc., makes available an anonymous and confidential Ethics Line for its employees and the employees of all its business units and other individuals who wish to report any perceived or actual instances of violations of the Cogeco Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is operated by a specialized external provider that is independent of Cogeco Inc. Reports can be made through secured confidential toll-free telephone lines or the web site described below. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and Risk Management and/or the Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting truthfully and in good faith.

By telephone:

Canada or United States:	**1-877-706-2640**
United Kingdom:	**0 800 016 3854**
France:	**0 800 914 343**

Web site of ClearView Connects: www.clearviewconnects.com

CORPO.COGECO.COM