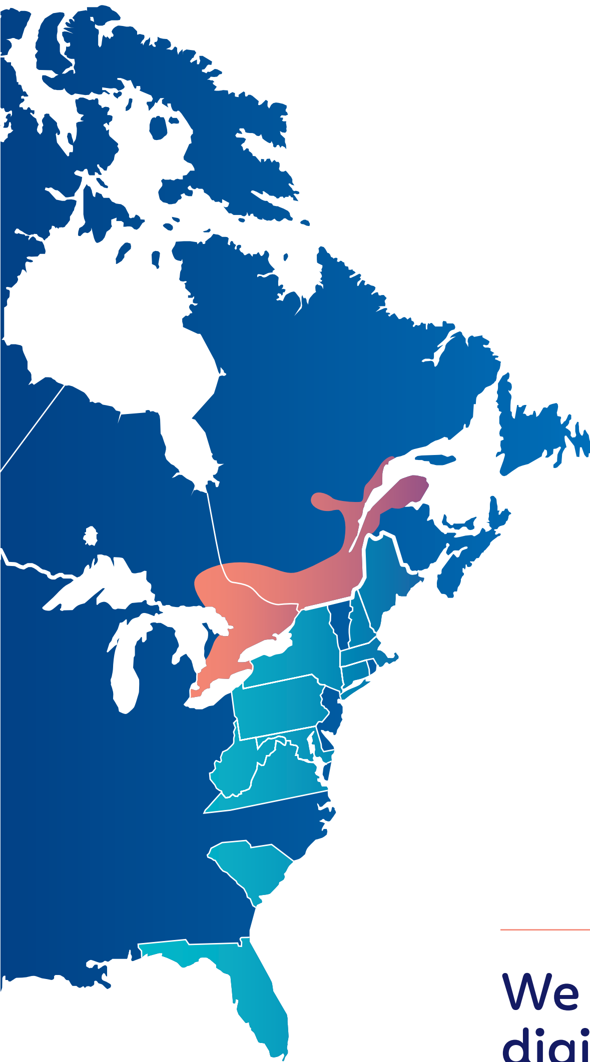
2019
ANNUAL REPORT

Profile

Cogeco Communications Inc. is a communications corporation. It is the 8th largest cable operator in North America, operating in Canada under the Cogeco Connexion name in Québec and Ontario, and along the East Coast of the United States under the Atlantic Broadband brand (in 11 states from Maine to Florida). The Corporation provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks. Cogeco Communications Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

Cogeco Communications is...



3,800 employees bringing state-of-the-art communications and media services, with a commitment to providing customers with unparalleled service.

committed to continued growth and success based on solid financial management and an acquisition strategy that is at once bold and rigorous.

very well positioned for the future, with a commitment to innovation and to being at the forefront of the rapidly changing communications landscape.

committed to contributing to the social, economic and cultural development of the communities it serves through focused initiatives that reflect the particular needs of these communities.

We connect our customers to the digital world and create outstanding communication experiences

Table of contents

2 2019 Financial performance
3 Financial highlights
4 Message from the Executive Chairman
5 Message from the President & CEO
9 Management's Discussion and Analysis ("MD&A")
75 Consolidated financial statements
127 Investor information
129 Customer statistics
130 Board of Directors and corporate management
132 Operations information
133 Corporate information

2019 Financial Performance

+8.6%

REVENUE
(in thousands of Canadian dollars)

2019		2,331,820
2018[2]		2,147,404

+10%

ADJUSTED EBITDA[1] AND ADJUSTED EBITDA MARGIN[1]
(in thousands of Canadian dollars, except percentages)

2019	47.5%	1,107,940
2018[2]	46.9%	1,006,818

+20%

PROFIT FOR THE YEAR
(in thousands of Canadian dollars)

2019		432,288
2018[2]		360,197

+39.9%

CASH FLOW FROM OPERATING ACTIVITIES
(in thousands of Canadian dollars)

2019		868,711
2018[2]		620,748

–5.1%

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY[1]
(in thousands of Canadian dollars, except percentages)

2019	18.6%	434,545
2018[2]	21.3%	457,808

+50.4%

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

2019		454,059
2018[2]		301,850

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").

2 Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections of the MD&A.

Financial Highlights

YEARS ENDED AUGUST 31 (in thousands of Canadian dollars, except percentages and per share data)	2019 $	2018[1] $	Change %	Change in constant currency[2] %	Foreign exchange impact[2] $
OPERATIONS					
Revenue	2,331,820	2,147,404	8.6	6.8	37,433
Adjusted EBITDA	1,107,940	1,006,818	10.0	8.5	15,797
Adjusted EBITDA margin	47.5%	46.9%			
Integration, restructuring and acquisition costs[3]	11,150	20,328	(45.1)		
Profit for the year from continuing operations	356,908	384,578	(7.2)		
Profit (loss) for the year from discontinued operations	75,380	(24,381)	—		
Profit for the year	432,288	360,197	20.0		
Profit for the year attributable to owners of the Corporation	415,353	350,833	18.4		
CASH FLOW					
Cash flow from operating activities	868,711	620,748	39.9		
Acquisitions of property, plant and equipment[4]	434,545	457,808	(5.1)	(7.1)	9,342
Free cash flow	454,059	301,850	50.4	50.0	1,330
CAPITAL INTENSITY	18.6%	21.3%			
FINANCIAL CONDITION					
Cash and cash equivalents	556,504	84,725	—		
Total assets	6,951,079	7,180,043	(3.2)		
Indebtedness[5]	3,454,923	3,914,711	(11.7)		
Equity attributable to owners of the Corporation	2,199,789	1,997,169	10.1		
PER SHARE DATA[6]					
Earnings (loss) per share					
Basic					
From continuing operations	6.89	7.61	(9.5)		
From discontinued operations	1.53	(0.49)	—		
From continuing and discontinued operations	8.41	7.12	18.1		
Diluted					
From continuing operations	6.83	7.55	(9.5)		
From discontinued operations	1.51	(0.49)	—		
From continuing and discontinued operations	8.35	7.06	18.3		
Dividends	2.10	1.90	10.5		

1 Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections 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 at the foreign exchange rate of the prior year. For the year ended August 31, 2018, the average foreign exchange rate used for translation was 1.2773 USD/CDN.

3 For the year ended August 31, 2019, integration, restructuring and acquisition costs were mostly due to restructuring costs incurred in the Canadian broadband services segment related to an operational optimization program during the first half of fiscal 2019. In addition, acquisition and integration costs were incurred by the American broadband services segment related to the FiberLight acquisition. For the year ended August 31, 2018, integration, restructuring and acquisition costs were related to the MetroCast acquisition completed on January 4, 2018.

4 For the year ended August 31, 2019, acquisitions of property, plant and equipment in constant currency amounted to $425.2 million.

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

6 Per multiple and subordinate voting share.

LOUIS AUDET

Message from the Executive Chairman

Fiscal 2019 was another landmark year at Cogeco Communications Inc., ("Cogeco Communications" or the "Corporation") and for me personally, as I completed my first year as Executive Chair of the Board of Directors. Under the leadership of its new President and Chief Executive Officer, Philippe Jetté, Cogeco Communications boldly asserted its willingness to focus on its primary business through the sale of Cogeco Peer 1. In Canada, we continued to explore a diligent entry into the wireless market and announced our intention to invest more than $1 billion over the next four years in the operation and expansion of our hybrid fibre coaxial cable network, partly to support underserved and unserved communities. In our US market, we expanded our presence in Florida, a strategic growth market, after completing the acquisition of Florida's FiberLight LLC while continuing to expand and enhance product and service offerings in our 11-state footprint.

At Cogeco Communications, our fundamental goal is to help connect people, businesses and institutions to the world via our advanced broadband networks and services. We serve more than 1,200 communities across Canada and the US, invest over $434.5 million in capital annually in our Canadian and US markets, provide more than 3,800 stable and well-paid jobs, high-quality customer services with fast Internet connections, and have strong relationships with municipalities in our network footprint.

The Corporation delivered value to shareholders by striving to create exceptional customer experiences, building on our geographical reach in Canada and in the US, expanding into new market segments and mobilizing highly engaged teams. Our organic financial performance was good despite increased market pressure. As Cogeco Communications continues to build on its foundation to pursue transformational digital change, we remain mindful of the trust and support our shareholders, customers and employees have invested in us. In return, we have consistently delivered strong results for shareholders. Over the past 5 years, dividends paid per share have increased by 10.7% on a compounded annual basis, and the Corporation's market capitalization has approximately doubled over the last 6 years.

Cogeco has a longstanding commitment to high social responsibility standards, building on our track record of active engagement with our communities. In 2019, we proudly contributed over $7.8 million in cash and in-kind donations and sponsorships to several organizations in our communities and territories. At the close of the fiscal year, we were honoured to sign, at the G7 in Biarritz, France, the Organisation for Economic Co-operation and Development's ("OECD") Business for Inclusive Growth pledge. Cogeco Communications volunteered along with 33 other multinational organizations from around the world to seek effective ways to share more fairly the fruits of economic development.

With this annual report, we are proud to share with you Cogeco Communications' new visual brand platform, which is centered on you, our shareholder, our customer, our employee, our fellow citizen. It is a reflection of who Cogeco Communications is today: a modern, innovative, dynamic, accessible Corporation, that has always been close to its customers and communities.

I would like to congratulate Philippe Jetté on a remarkable first year in his new position. Through his visionary leadership, Cogeco Communications closed the fiscal year solidly, continuing on its growth curve. I would also like to thank the members of Cogeco Communications' Board of Directors who showed great openness and support, and shared their wisdom with me and the Corporation's executive leadership team throughout the year. I am always proud to see our organization's corporate governance recognized, year after year, amongst the top tier of family-controlled dual-class companies listed on a Canadian stock exchange in the Globe and Mail's annual Board Games publication.

My fellow shareholders, I look forward to overseeing Cogeco Communications through another year of exciting innovation and growth. All together, employees, senior leadership and members of the Board of Directors, we will continue to focus on creating value, maintaining a leadership position in our markets and providing excellent experiences for our customers and employees alike.

LOUIS AUDET
Executive Chairman of the Board

Message from the President & CEO

In many ways, fiscal 2019 marked a new beginning for the Corporation as we initiated significant change and transformation. With an updated leadership team in place at the start of the fiscal year and under the constant guidance of our Board of Directors, we refined our strategic vision and mission, supported by core strategic priorities.

Consolidated revenue increased by 8.6% in fiscal 2019 to reach $2.33 billion, while adjusted EBITDA reached $1.11 billion, up by 10.0%. Profit for the year reached $432.3 million and the Corporation generated free cash flow of $454.1 million. Dividends paid to our shareholders increased by 10.5% to $2.10 per share.

We took on a number of transformational projects in fiscal 2019. The sale of Cogeco Peer 1 in the spring allowed us to refocus Cogeco Communications' resources on our Canadian and American broadband services businesses and has provided us with greater flexibility to pursue organic investment and acquisition opportunities. This was evidenced by our commitment to invest more than $1 billion in our Québec and Ontario networks over the next four years where we are working closely with municipalities and towns to extend and enhance our network so that we can deliver high-speed connectivity to as many residents, businesses and institutions as possible.

In fiscal 2019, we also continued exploring various business models and proactively proposed a new hybrid mobile network operator model to policy makers as part of government consultations in Canada that would allow us to launch a profitable wireless service. We opted not to participate in the auction process for licenses that took place in 2019 given that the structure of the auction, based on large geographic areas, would have made the acquisition of such spectrum uneconomical for the Corporation.

At an organizational level, we further developed our shared services teams internally, allowing our subsidiaries more time to focus on core activities such as sales, marketing and customer support, ultimately allowing us to deliver an exceptional customer experience.

Cogeco. A world of your very own.

At Cogeco Communications, our mission is to connect our customers to the digital world and create outstanding communication experiences. In fiscal 2019, we internalized a promise to ensure our customers' needs remain at the heart of all our actions and we approached our strategy and priorities with a renewed sense of commitment to them.

Our new tagline – Cogeco. A world of your very own. – was launched in early fiscal year 2020. It is centered on the customer, people, the human touch. It reinforces the notions that are at the heart of our mission: accessibility and proximity with our customers and communities. These are amongst our key differentiators in a crowded market. It also speaks to how our products and services can be personalised to match the needs of our customers.

PHILIPPE JETTÉ

INITIATIVES

Canadian broadband services

In fiscal 2019, at Cogeco Connexion, we focused on leveraging our superior Internet speeds and video services by continuing to expand our Gigabit offerings to reach approximately 60% coverage of our footprint. In addition, our evolution towards Internet protocol television ("IPTV"), which will provide highly customizable video content, wireless enabled equipment and more, is underway with pre-launch preparations. We continued concentrating on growing our business customer base in our footprint in Canada, expanding the availability of 360Mbps and Gigabit service to more locations.

As our teams focused on achieving best-in-class operating efficiencies considerable effort was devoted to the stabilization of the new advanced customer management system at the end of fiscal year 2018 and the start of fiscal year 2019. Since then, teams have been leveraging the system's capabilities to offer excellent customer experiences and accelerate our digital transformation.

Recognizing that our employees are at the heart of our success, we constantly invest in developing our employees by improving our training, development programs and tools in order to ensure they are highly engaged in delivering on our customer promises. In fiscal 2019, we deployed a modern and engaging collaboration and communication platform to optimize people performance and productivity while putting in place renewed health and safety programs to provide a safe working environment.

American broadband services

Atlantic Broadband continues to work to deliver an exceptional customer experience throughout the customer lifespan with a focus on new self-serve options. In fiscal 2019, we introduced a range of customer care enhancements throughout the year to improve efficiency and productivity for the Corporation, while producing an enhanced experience for customers.

Cogeco Communications' executive leadership **team**

From left to right: **PATRICE OUIMET,** Senior Vice President and Chief Financial Officer • **CHRISTIAN JOLIVET,** Senior Vice President, Corporate Affairs and Chief Legal Officer and Secretary • **FRANK VAN DER POST,** President, Atlantic Broadband • **MARIE-HÉLÈNE LABRIE,** Senior Vice President and Chief Public Affairs and Communications Officer • **PHILIPPE JETTÉ,** President and Chief Executive Officer • **LUC NOISEUX,** Senior Vice President and Chief Technology and Strategy Officer • **DIANE NYISZTOR,** Senior Vice President and Chief Human Resources Officer • **KEN SMITHARD,** President, Cogeco Connexion.

Message from the President & CEO (continued)

Through this, we made employee engagement a key priority through a number of recognition, communication and training activities that help create team members who are invested in the Corporation and the communities they serve.

In fiscal 2019, we continued to focus on delivering market-leading Internet service speed offerings and advanced video services with an emphasis on performance and reliability. We extended our market advantage in the high-speed Internet segment by increasing top download and upload speeds for our modem-based Internet products for both residential and business customers and by expanding our deployment of Gigabit Internet to over 90% of our footprint. We also introduced major video enhancements through our TiVo® platform, providing greater ease-of-use for customers and through the expansion of voice control of our TiVo® Experience 4 platform and the launch of Amazon Alexa functionality, the launch of a new mobile app for multi-screen viewing and the migration to IP Video On Demand ("VOD").

We also generated strong customer growth at Atlantic Broadband and in the recently acquired MetroCast markets in both the residential and business segments. Programs were targeted to retain high-value residential customers and an aggressive effort was undertaken to move more business customers into long-term contracts. In addition, strong acquisition initiatives were deployed to drive new connection activity among non-customers in competitive markets.

Core Strategic **Priorities**

Deliver an exceptional customer experience through continuous innovation of our service offering.

Grow our footprint and obtain our fair share of market in current segments.

Optimize our cost structure and operational effectiveness by exploiting group synergies facilitated through a highly collaborative culture.

Leverage our leadership and digital technologies in client relationship management.

Continue building a strong brand.

Deliver an exceptional employee experience.

Corporate Social Responsibility

We have strengthened our corporate social responsibility ("CSR") program aimed at operating responsibly and sustainably and being a good corporate citizen. To support the achievement of our CSR goals, we have developed key performance indicators for environmental, social and governance ("ESG") objectives. During fiscal 2019, key initiatives of the CSR program were rolled-out to our business units, namely Atlantic Broadband and Cogeco Connexion.

Amongst our CSR highlights reported in 2019, we have reduced our GHG emissions on a per revenue basis by 40% over the past five years and have diverted 163,095 kilos of electronic waste from landfills. Cogeco Communications partnered with Computers for Success Canada by donating used electronic devices, in support of the program's intent to deliver improved access to technology for Canadians at risk of digital exclusion. We also participated in the Connected for Success program, through which we offer affordable Internet to more than 475 low income families in Québec and Ontario. Once again, Cogeco Communications was named to Corporate Knights' 2019 Best 50 Corporate Citizens in Canada.

Fiscal 2020 outlook

Building on our fiscal 2019 results, we are well positioned for continued growth and success. On a constant currency basis, the Corporation expects fiscal 2020 revenue to grow between 2% and 4%, adjusted EBITDA between 2.5% and 4.5%, acquisitions of property, plant and equipment should reach between \$460 million and \$480 million and free cash flow is expected to grow between 5% and 11%.

Concluding remarks

As we look forward to taking on the challenges and opportunities that a new fiscal year will bring, I am honoured to have the support of a talented team of over 3,800 employees, who embody Cogeco Communications' values of innovation, commitment to customer service, teamwork, trust, and respect. I would like to thank Louis Audet and the members of the Board of Directors for the guidance and wisdom they shared throughout my first year as President and Chief Executive Officer. I would also like to take this opportunity to recognize the collaboration, encouragement and loyalty I have received from Cogeco Communications' executive leadership team. Working together as one team, we can achieve our business goals to continue being a leader in the communications industry while ensuring we recognize and respond to the needs of our customers, the communities we serve and our colleagues.

PHILIPPE JETTÉ
President and Chief Executive Officer

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

MD&A

Forward-looking statements	10
Overview of the business	11
Operating and financial results	22
Related party transactions	27
Cash flow analysis	27
Segmented operating and financial results	31
Financial position	36
Capital resources and liquidity	37
Discontinued operations	41
Quarterly operating results	43
Fiscal 2020 financial guidelines	53
Uncertainties and main risk factors	54
Corporate social responsibility program	64
Controls and procedures	68
Accounting policies	68
Non-IFRS financial measures	72
Additional Information	74

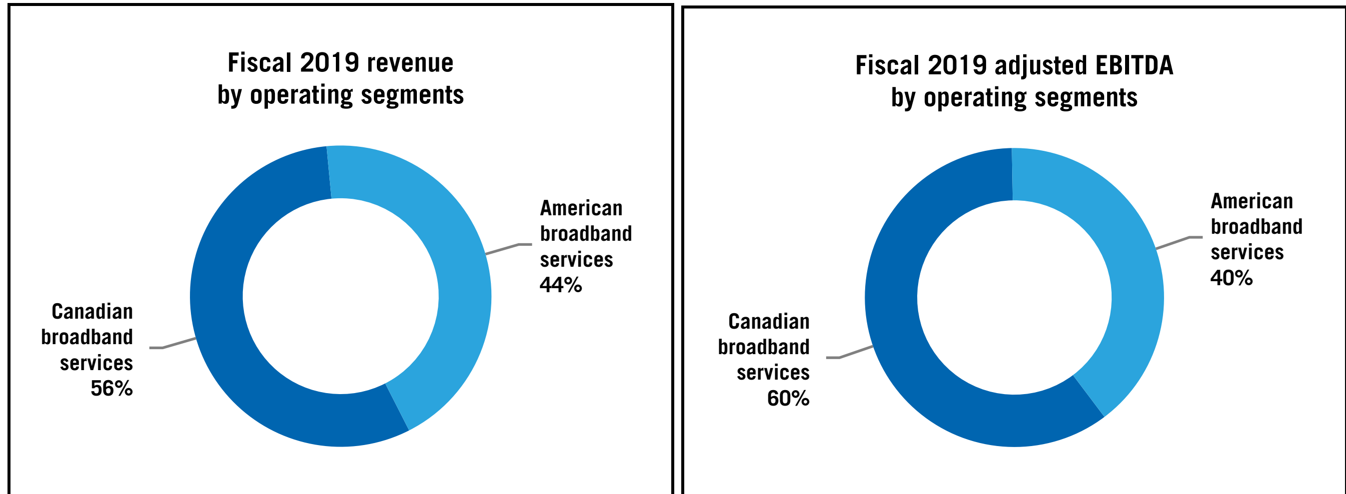
1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2020 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 Communications 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 Communications and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2019.

2. OVERVIEW OF THE BUSINESS

Cogeco Communications is a communications corporation. It is the 8th largest cable operator in North America. In fiscal 2019, the Corporation reported its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance. For the year ended August 31, 2019, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA[1] excluding inter-segment eliminations, intercompany transactions and head office activities were as follows:



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

2.1 CANADIAN AND AMERICAN BROADBAND SERVICES

DESCRIPTION OF SERVICES

The Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers as well as business services across its coverage areas.

The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 11 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Pennsylvania, South Carolina, Virginia and West Virginia.

The following four services represent our core suite of offerings:

Internet services: We offer a range of Internet packages with top download speeds of up to 1 Gbps in Canada and the United States. Simple and complete security suite and email solutions are available to our Internet customers with automatic updates to protect their devices. As an added benefit, Internet customers can connect wirelessly to the Internet at no extra cost from designated WiFi Internet hotspots in our Canadian and American footprints.

Video services: We offer our customers a full array of digital video services and programming offerings. Our customers have access to various digital tier packages, discretionary services, pay-per-view ("PPV") channels, video on demand ("VOD") services, high definition television ("HD"), TiVo advanced video services and Ultra HD/4K television.

Telephony services: Telephony services use internet protocol ("IP") to transport digitized voice signals over the same private network that brings video and Internet services to customers. Residential customers can subscribe to different packages. All residential telephony service customers have access to direct international calling and can subscribe to various international long distance plans, voicemail and other popular custom calling features.

Business services: We offer to our business customers, depending on the area, a wide range of Internet packages, video services, telephony services, managed cloud services and other advanced network connectivity services, such as session initiation protocol ("SIP"), primary rate interface ("PRI") trunk solutions, hosted private branch exchange ("HPBX") solutions and business and software efficiency services.

Furthermore, we actively bundle our services into "double play" and "triple play" offerings at competitive prices to encourage cross-selling within our customer base and to attract new customers.

(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.

NETWORKS AND INFRASTRUCTURE

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 their own 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 Ontario to the Eastern Québec. Atlantic Broadband's distribution network covers the East Coast 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.

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 "just in time" capacity of two-way services such as Internet, 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 coax/fibre network for delivery to our customers. Cogeco Connexion and Atlantic Broadband believe that the 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 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. Cogeco Connexion offers Internet speeds of 120 Mbps in virtually all of its footprint and up to 1 Gbps in approximately 60% of its footprint. Atlantic Broadband has upgraded to 1 Gbps Internet speeds to more than 90% of its footprint of serviceable homes and business. Cogeco Connexion and Atlantic Broadband intend to continue deploying 1 Gbps in the coming years through several technologies depending on the location, with DOCSIS 3.1 being the most cost effective.

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, 2019:

	% of homes passed where service is available	
Service	**Cogeco Connexion**	**Atlantic Broadband**
Digital video	99%	100%
VOD	98%	99%
Internet	98%	100%
Telephony	97%	100%

2.2 BUSINESS DEVELOPMENTS

On August 15, 2019, the CRTC issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the impact of the new reduced rates in the 2019 financial statements.

On April 30, 2019, the Corporation completed the sale of its subsidiary Cogeco Peer 1 Inc., its Business information and communications technology ("Business ICT") services subsidiary, to affiliates of Digital Colony for a net cash consideration of $720 million which resulted in a gain on disposal of $84.4 million. Operating and financial results as well as cash flows from Cogeco Peer 1 from both the current and comparable periods are therefore presented as discontinued operations.

On December 6, 2018, Cogeco Communications confirmed that it has elected to not participate in the auction process for licenses in the 600 MHz spectrum band that took place in 2019. The structure of the auction based on large geographic areas made the acquisition of such spectrum uneconomical. This decision is consistent with the Corporation's continued commitment to pursue opportunities to enter the wireless market in a disciplined and thoughtful manner. Following the acquisition of spectrum licenses in fiscal 2018, Cogeco Communications is committed to continue exploring various business models in order to launch a profitable wireless service.

On December 4, 2018, the Corporation extended its $800 million Term Revolving Facility maturity date by an additional year until January 24, 2024.

On October 3, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition") which provides high-performance metro and long-haul fibre transport services. The closing of this deal marks the addition of 350 route miles to Atlantic Broadband’s existing south Florida footprint.

2.3 CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Communications' mission is to connect its customers to the digital world and create outstanding communication experiences. This mission is enabled by our core fundamental values of respect, trust, commitment to customer service, teamwork and innovation.

Our vision is to deliver value to our shareholders by: 1) creating an exceptional customer experience, 2) augmenting our geographical reach in Canada and the United States, 3) expanding into new market segments and 4) mobilizing highly engaged teams. The Corporation has defined six key strategic priorities that embody the roadmap to achieving our mission and vision. These strategic priorities are as follows:

Each Business Unit of the Corporation has in turn elaborated a strategic plan that is aligned to the key strategic priorities defined above. The key areas of focus of those strategic plans are as follows:

Canadian broadband services	American broadband services
Delivering organic growth by introducing value added services for residential customers and by growing our business customer base	Deliver exceptional customer experience while fostering team member engagement
Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy	Leveraging Internet superiority and advanced video platform to promote growth and customer satisfaction
Exploring a potential wireless service in a profitable manner and within our financial means	Focusing on growth in the business market and continuing Florida expansion efforts while actively pursuing acquisition opportunities
Enabling business transformation through modern people management practices that will provide meaningful and engaging employee experiences	Drive unit growth and customer satisfaction through product marketing and brand positioning

In addition to the above, 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 have strengthened our 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, customers and employees and setting concrete CSR commitments accordingly, disclosing CSR information transparently and maintaining the highest ethical standards.

ANTICIPATED RESULTS OF THE CORPORATION'S STRATEGIES

The following sections contain forward-looking statements concerning the business outlook for our Canadian and American broadband services segments. These sections also describe certain key economic, market and operational assumptions we have made in preparing such forward-looking statements and other forward-looking statements contained in this MD&A. For a description of risk factors that could cause actual results or events to differ materially from our expectations expressed in this Annual Report, please refer in particular to the "Uncertainties and main risk factors" section of this report.

The successful implementation of the strategies described below should result in increased revenue and adjusted EBITDA which combined, should lead to heightened profitability that will be measured based on the criteria described in greater details in the "Fiscal 2020 financial guidelines" section. Please refer to the "Key performance indicators and performance highlights" section for further details on the fiscal 2019 results and achievements.

CANADIAN BROADBAND SERVICES SEGMENT

DELIVERING ORGANIC GROWTH BY INTRODUCING VALUE ADDED SERVICES FOR RESIDENTIAL CUSTOMERS AND BY GROWING OUR BUSINESS CUSTOMER BASE

We focus on leveraging our superior Internet speeds and video services by improving our offerings and constantly investing in technology.

We continue concentrating on growing our business customer base in our footprint in Canada. We remain focused on increasing our market share of addressable business customers by strategically investing in network expansion programs, by launching enhanced products and by improving the effectiveness of our sales and marketing initiatives in conjunction with a stronger focus on digital strategies.

We strive to build a powerful brand identity inspired by our ability to innovate and deliver strong customer experiences and further strengthen our leadership in communities we serve. As the business continues to transform, it is important that we continue to highlight across all our customer communications and brand campaigns that Cogeco Communications' investments allow us to give our clients access to the innovative services they want with the exceptional customer experience they deserve from a local and trusted provider. This message is at the centre of all our branding communications.

Progress in fiscal 2019

We continued to expand our Internet Gigabit offerings to reach approximately 60% coverage of our footprint in 2019 and the latest WiFi extenders technology was launched in March which is now available for homes and businesses in many communities.

In August, we completed a new update for the user interface experience for the entire TiVo customer base. This update displays an appealing and customizable interface, delivering personalized content from all video sources. It allowed us to modernize the look (more visual, less text) and also to recognize that users have evolved in terms of interaction with devices. This change enables better usability and time to content and personalizes the TV experience.

Our evolution toward Internet protocol television ("IPTV") is underway and is currently in pre-launch preparation. IPTV will provide highly customizable video content, wireless enabled equipment, voice activated controls and access to the Google Play store for a complete video offering.

In order to improve our Business services, we continued to develop products, packages and service experiences that are tailored to small and medium business needs. We enhanced our ultra-high speed Internet offering for small and medium size businesses by expanding the availability of 360 Gbps and Gigabit services to more locations in Ontario and Québec to meet the data intense needs of our customers. Furthermore, we launched enhancements to our business HPBX and SIP trunking services which include platform redundancy, an updated customer portal, and the launch of several customer-requested features. We also launched a comprehensive managed business WiFi solution, an all-in monthly price solution delivering high reliability of WiFi while eliminating cost and complexity of deployment and management.

Focus in fiscal 2020

For the residential market, we will continue to invest in our network in order to increase bandwidth to 1 gigabit Internet speeds according to market demand. We will also introduce a new solution that will optimize the in-home experience which will allow us to support the customer self-install of WiFi extenders.

We will also enhance our residential video services by investing in additional capabilities including IPTV integrated with voice activated control, media-optimized cloud-based services and new capabilities for its over-the-top ("OTT") applications. To complement our residential IPTV initiative, we will work on solutions designed to meet the unique needs of our customers across key segments.

The MediaFirst IPTV platform is expected to be launched at the beginning of calendar year 2020 and will then become the new standard video experience offering to new customers. Customers currently enjoying our existing video services, including the advanced TiVo solution, will continue to be offered their current services in the future as MediaFirst will coexist with these video platforms.

For the business segment, we will introduce key enhancements in each of our product portfolios. We will continue our rollout of 360 Gbps and Gigabit Internet. HBPX and SIP Trunking will be offered OTT and will also receive feature enhancements. Fibre-based private networking services will be enhanced with software-defined wide area network ("SD-WAN") technologies to meet the needs of a broader group of customers. We will expand our video services and will launch a video service over IP for business customers. In addition, we will expand our Managed WiFi services to meet the needs of multi-business/dwelling units and further enhance our customer management portal.

OPTIMIZING THE RETURN ON INVESTMENTS BY DELIVERING OUR SERVICES MORE EFFICIENTLY AND IMPROVING LOYALTY THROUGH A DIFFERENTIATED CUSTOMER EXPERIENCE STRATEGY

We focus on achieving the best in-class operating efficiencies by optimizing our cost structure in order to improve our ability to manage our capital utilization to support future growth.

Progress in fiscal 2019

In fiscal 2019, we focused on the stabilization of our new customer management system and have started to leverage its capabilities to further improve the quality of the customer experience and enhance our local marketing strategies through targeted offers that meet customer profiles and segments.

We also continued our transformation journey towards more digitization by introducing a new self-install option for our phone service, further enhancing our cogeco.ca website, as well as providing new self-serve functionality accessible through my account (appointment management, channel changes).

Moreover, in our business segment we continued to transition to digital, automated marketing strategies and tactics. Focused on our customers' experience, we developed personalized offers to improve acquisition rates and customer retention.

Focus in fiscal 2020

Our focus will continue to be on continuous improvement of our residential and business customer experience to strengthen loyalty, engagement and brand advocacy.

Our multi-year digitization program is well under way and, in fiscal 2020, we are planning to introduce advanced and cost effective contact centre technology as well as marketing automation. These tools will create more efficient business processes while enhancing our ability to customize our marketing approach and personalize our customer experience.

EXPLORING A POTENTIAL WIRELESS SERVICE IN A PROFITABLE MANNER AND WITHIN OUR FINANCIAL MEANS

We believe that offering wireless services to complement our current service offering to customers within our traditional footprint would grow our share of our customers' telecommunications spending.

Our objective is to offer profitable wireless services by investing prudently in alignment with our strategic priorities and within our financial means.

We believe that the model most likely to be achievable while satisfying our profitability requirements will be a hybrid model consisting of segments relying on the mobile virtual network operator model, as well as some segments where we would be a facilities-based operator.

Progress in fiscal 2019

Innovation Science and Economic Development Canada ("ISED") initiated in November 2018 a consultation on the creation of smaller spectrum license service areas. Cogeco Communications led a consortium of industry associations in developing a joint proposal deemed a more suitable alternative than those initially proposed in the consultation. ISED issued its decision in July 2019 creating 654 Tier-5 service areas incorporating most elements of the joint proposal. Tier-5 service areas, if used by ISED in future spectrum licence auctions, will allow Cogeco Communications to be more focused and efficient to the extent it participates in future spectrum auctions.

In February 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") launched a review of mobile wireless services and the CTRC expressed a "preliminary view that it would be appropriate to mandate that the national wireless carriers provide wholesale mobile virtual network ("MVNO") access as an outcome of this proceeding" (Telecom Notice of Consultation CRTC 2019-57). Cogeco has submitted its Hybrid Mobile Network Operator ("HMNO") model to the CRTC as a means for the Government to achieve its policy objectives of increasing competition in the mobile wireless market while safeguarding investments in telecommunication networks. The CRTC public hearings on this matter are planned for January 2020.

Focus in fiscal 2020

We will continue to explore all the options available to us in order to potentially launch a Canadian wireless service which satisfies our profitability and capital allocation objectives.

ENABLING BUSINESS TRANSFORMATION THROUGH MODERN PEOPLE MANAGEMENT PRACTICES THAT WILL PROVIDE MEANINGFUL AND ENGAGING EMPLOYEE EXPERIENCES

At Cogeco Connexion, our employees are the fibre of our success. We constantly invest in developing our employees by improving our training, development programs and tools in order to ensure they are highly engaged in delivering on our customer promises. We recognize that creating an engaging employee experience will lead to a superior experience for our customers and have a significant impact on the communities we serve.

Progress in fiscal 2019

In our pursuit of enhancing our employee experience, we continued to identify areas of focus in order to make Cogeco Connexion one of the best places to work. We focused on proactive change management and communication initiatives to support the business transformation through a sustainable transition plan of the workforce while developing a culture of agility. We deployed a modern and engaging collaboration and communication platform to optimize people performance and productivity. We put in place health and safety programs to reduce absenteeism, increase productivity and provide a safe working environment. We also started the renovation of our Burlington head office by redesigning the cafeteria into a collaborative workplace while changing the food offerings to promote a culture of health and wellness.

We continued to be an influential partner to the communities we serve with our 37 community television stations across Ontario and Québec offering close to 9,000 hours of programming produced by local artisans with the assistance of more than 1,200 volunteers who, along with our full time staff, think, create and support our community television for our local customers.

Finally, our brand ambassadors have participated in more than 250 events across our markets this past year to support many different types of organizations, bringing great visibility to our residential and commercial segments. We also continued to be a partner of choice in fundraising and our involvement has raised more than $7 million in various activities for non-profit organizations.

Focus in fiscal 2020

We will pursue the digital transformation of our systems to offer an engaging and agile work environment. With the deployment of our new Human Capital Management tool, we will finalize the transformation of our human resources business model. New centres of excellence will focus on specific training and development initiatives to evolve our workforce and management skill set in order to embrace the digital environment. We will continue the renovation of the Burlington office by redesigning the contact centre. The Montréal headquarters will also be completely modernized and transformed to offer an engaging employee experience. Lastly, there will be an important focus on health, safety and wellness through prevention initiatives, training and proper governance.

AMERICAN BROADBAND SERVICES SEGMENT

DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE WHILE FOSTERING TEAM MEMBER ENGAGEMENT

Atlantic Broadband will continue to work to deliver an exceptional customer experience across the entire customer lifespan with a focus on new self-care options. At the same time, the prioritization of customer experience is closely linked to team member engagement and satisfaction. Fully engaged and highly-trained team members that are invested in Atlantic Broadband and the communities they serve will be strong ambassadors dedicated to ensuring the highest levels of customer satisfaction.

Progress in fiscal 2019

We introduced a range of customer care enhancements during the fiscal year to improve efficiency and productivity for Atlantic Broadband, while producing an enhanced experience for customers.

A new online shopping cart was launched in September 2019 through a service gateway. This allows customers to select new services, modify existing services, place their order and schedule an installation appointment without the need for agent assistance. The Gateway has been integrated with the online account management portal which also allows customers to view account information, make bill payments, report an outage, trouble-shoot equipment and more, without the need for a phone call or agent assistance. Single sign-on ("SSO") coming in 2020 will also simplify the experience for customers. Meanwhile, the implementation of a new workforce management platform will improve customer communication as well as operational efficiency and productivity. For example, the tool allows to deliver automated appointment messages via the customer's preferred communication channel, including SMS/Text, to remind them of upcoming service calls, to confirm appointments and be notified regarding possible delays, as well as for future communications during the entire span of the customer journey. The automated workflow tool also allows for the scheduling of installation and service work in-real time based on work traffic, street-level geography, technician skills and availability. It also gives the dispatch team the ability to track jobs and technician status in real-time via detailed maps. These workflow initiatives will improve on-time scheduling performance, while the notification tools will reduce missed customer appointments.

We introduced improved outage messaging, including an online tool which provides customers with up-to-date information on service interruption or outages organized by zip code. Social media platforms also provided customers with important outage information related to storms or preventive maintenance.

We made employee engagement a key priority in fiscal 2019 through periodic all-associates meetings, launching a new quarterly all-employee communication highlighting customer service achievements and service heroes, listening sessions, employee development and training, and regular communication through internal channels.

Focus in fiscal 2020

We will continue to leverage the workforce management program to manage workflow, including MetroCast locations and transitioning them from paper work orders to electronic tablets. Virtual support tools will also be introduced in 2020 to enhance phone support while reducing trouble calls. A new Interactive Voice Response ("IVR") system will be fully deployed in 2020. The IVR utilizes speech recognition so that customers can more easily reach the appropriate Atlantic Broadband team (support, sales, etc.), as well as self-care options, without the need for manual transfers. We will also evaluate a new application to expedite business quotes and sales process and enhance the billing and invoice management.

In addition, we will reimagine our customer communications strategy to align with key moments in the customer journey, with messaging that goes beyond the typical focus on sales to speak directly and relationally to customers as individuals in order to add value, elevate the customer experience, and help deepen the customer bond.

Through these and other efforts, we are committed to exceeding customer expectations not only as a matter of sound, ethical business practice, but also to delineate the Atlantic Broadband experience from other providers as a competitive marker. This means first contact resolution, personalized service, and helpful, empathetic, caring interactions that delight the customer, positively upending his or her expectations, thereby leading to deeper loyalty, a propensity for repeat business and willingness to recommend Atlantic Broadband to others.

Building on the success of its first corporate social responsibility ("CSR") day in fiscal 2019, our commitment to our local communities will also be demonstrated through CSR initiatives designed to engage team members and the wider community in activities that will support sustainability, respect for the environment and social responsibility. Internal communications will be further enhanced in fiscal 2020 through the launch of a new team intranet that will aggregate important content for team members in an easy-to-use portal.

LEVERAGING INTERNET SUPERIORITY AND ADVANCED VIDEO PLATFORM TO PROMOTE GROWTH AND CUSTOMER SATISFACTION

Continuing to deliver market-leading Internet service speed offerings and advanced video services with a focus on performance and reliability to promote growth and customer satisfaction, represents a key area of focus for us.

Progress in fiscal 2019

We extended our market advantage in the High Speed Internet ("HSI") segment in fiscal 2019 through four key initiatives: 1) increasing top download and upload speeds for our modem-based Internet products for both residential and business customers; 2) expanding our deployment of Gigabit Internet; 3) enhancing customers' WiFi experience; and 4) improving Internet performance and reliability. We also introduced major video enhancements through our TiVo platform.

We continued to provide added value to our Internet customers by increasing speeds. In addition to Gigabit deployments, we increased the speed profile of our "Premier" residential Internet to 250 Mbps and introduced the new 400 Mbps "Extreme" speed profile. Meanwhile, speeds for the business class "Pro Power" and "Pro Edge" products increased to 200 Mbps and 500 Mbps, respectively. Fiscal 2019 launches in Pennsylvania, Maryland, Delaware, Virginia, New York and West Virginia pushed the Gigabit Internet service to more than 90% of serviceable homes and businesses by August.

Previously launched in 2017, Atlantic Broadband rolled out enhanced WiFi services for residential and business customers in New Hampshire, Maine, Eastern Pennsylvania, Southern Maryland and Virginia service areas that were acquired from MetroCast last year. Unlike traditional WiFi networks which rely on a single access-point, our E-WiFi service utilizes multiple access points in a wireless configuration and intelligent routing algorithms to provide wall-to-wall coverage.

Through our partnership with TiVo, we significantly enhanced our video offering, providing greater ease-of-use for customers and a key differentiator in competitive markets through four key initiatives: 1) the expansion of our TiVo Experience 4 platform; 2) the launch of Amazon Alexa functionality with the TiVo platform in March 2019; 3) the launch of a new mobile app for multi-screen viewing; and 4) the migration to IP VOD. The new TiVo Experience 4 platform combined with IP-based VOD incorporates a redesigned on-screen user interface, personalized and tailored programming recommendations for customers, content that is searchable across multiple sources (live TV, DVR recordings, VOD and OTT applications) and it also allows customers to access content on multiple screens across TVs, smartphones, tablets and more, both in-home and on-the-go.

We have continued to invest capital in network improvements to bring fibre closer to customers' premises, to free bandwidth, to reduce contention during peak usage times, and to ensure that WiFi performance is optimized. The process of consolidating multiple headends began in fiscal 2018, continued in 2019, including reducing satellite earth stations and paving the way for DOCSIS 3.1 Gigabit Internet deployments and IP-based video. Ongoing plant maintenance continued to improve system performance and reliability, as well as to ready the network for future system interconnections.

Focus in fiscal 2020

The steps taken to ready the network for Gigabit Internet all have led to a more efficient use of available spectrum, while enhancing performance of the legacy products, even as it creates the technological environment for additional DOCSIS 3.1 product deployments in fiscal 2020 and provides the foundation for an IP linear transition in the future.

We will continue to drive unit growth through our TiVo-powered video platform. Attractively-priced TiVo bundle options coupled with awareness driven by increased marketing spend will help drive primary services units growth across all product lines while reducing churn and contributing to long-term customer value. We will also launch a new TV Online App that will allow Atlantic Broadband DVR users to watch live TV, DVR recordings, On Demand shows on any device in the home, and to download the content for later offline viewing.

We will continue with the consolidation of multiple older headend components back to master headends while modernizing older headends. This will include the move of the legacy Florida headend in Miami Beach to a new, state-of-the-art data centre more favorably located to reduce the risk posed by coastal storms.

We will also migrate to a minimum of 200Gb backbone in all key markets to accommodate residential bandwidth growth, as well as carrier and commercial products that require scalability and high throughput rates. We will continue backbone hardening, with attention to redundancy and diversity for seamless traffic rerouting. There will also be a continued conversion to 100Gb, 200Gb and 400Gb Dense Wavelength Division Multiplexing ("DWDM") channels to increase scalability and to reduce reliance on leased circuits. We will also continue our plans to perform targeted migrations from MPEG2 to MPEG4 transcoding and delivery, which utilizes the spectrum more efficiently, thereby freeing up bandwidth for growth as well as future product enhancements such as delivery of video via IP.

FOCUSING ON GROWTH IN THE BUSINESS MARKET AND CONTINUING FLORIDA EXPANSION EFFORTS WHILE ACTIVELY PURSUING ACQUISITION OPPORTUNITIES

Business customers will continue to serve as a growth accelerator as product offerings evolve to meet the demands of larger scale business customers. We will also seek additional growth in the small and medium-sized business ("SMB") market where opportunities exist to increase revenue per customer by moving customers into higher-speed tiers or upgrading these customers into value added products.

The successful pursuit of additional bulk opportunities in the Florida market remains a priority and the significant opportunities provided by the expansion of the service footprint in addition to the continued leveraging of the FiberLight network. Furthermore, in alignment with our external growth strategy, we will continue to seek acquisition opportunities of broadband businesses in order to create long-term value for our shareholders.

Progress in fiscal 2019

Fibre-based connectivity experience continued growth in fiscal 2019, with average speeds increasing from 50 Mbps to 100 Mbps. The carrier channel, which provides last mile connectivity to national and international customers, is also experiencing rapid growth. In fiscal 2019, Atlantic Broadband also worked to rapidly deploy Hosted Voice in former MetroCast markets, with launches in New Hampshire, Maine and Southern Maryland in March, with Virginia and Eastern Pennsylvania launches following in April. In addition, we implemented speed increases across all regions when integrating the MetroCast systems in order to move customers up market and increase the average revenue per user.

We have been successful in signing numerous bulk residential properties including large developments like Century Village in West Palm Beach, which was officially activated in July 2019 and for which we now provide video services to 14,000 residents in nearly 8,000 homes.

On December 30, 2017, we signed a definitive agreement to purchase the entire South Florida fibre network from FiberLight, LLC, an industry leader in providing high-performance fibre-optic network solutions. With the completion of the agreement on October 1, 2018, we added approximately 350 route miles to our existing South Florida footprint, more than doubling the existing fibre footprint in the region. The network now extends from South Miami to North Palm Beach. The acquisition puts us in closer proximity to serve commercial buildings and it also provides additional opportunities to service other bulk properties within the area.

Focus in fiscal 2020

Steady business services growth is expected across all markets with a continued emphasis on business opportunities. This growth will be propelled by new Hosted Voice launches, continued edge out opportunities in newly activated franchise areas in Virginia, as well as opportunities resulting from the fiscal 2019 acquisition of the FiberLight network. The addition of the FiberLight network in Florida will continue to support further expansion into the business and wholesale segments. Initiatives include on-net building sales, lighting up additional buildings with fibre, multi-point Ethernet networks and data-centre to data-centre services ranging from 10 Gbps to 100 Gbps.

New WiFi offerings into medium and large businesses are planned, with a particular focus on the hospitality vertical as well as a plan to explore the leveraging of a SD-WAN to offer managed network services. New offerings in the business product roadmap include the launch of 4G/LTE Backup for Internet customers, cloud-based WiFi for business clients and hotels, and a Hosted Voice product targeted to the SMB market (Hosted Voice Light).

We will continue our Florida expansion initiative by working to secure bulk opportunities in the market and continuing to grow revenues secured from the 2019 activation of Century Village. With a focus on attentive customer care for these high value customers, we plan to open a new 3,000 square feet, full-service customer care center at Pine Trail Square Plaza in West Palm Beach to serve Century Village and the surrounding community. Meanwhile, growth plans for the FiberLight investment include an expanded sales team, added sales channels, shift of product focus to include Hosted Voice, full lit fibre service and dark fibre leases.

DRIVE UNIT GROWTH AND CUSTOMER SATISFACTION THROUGH PRODUCT MARKETING AND BRAND POSITIONING

We believe that product marketing and brand positioning are critical to drive continued unit growth and enhanced revenues per subscriber. We intend to introduce a differentiated, disruptive and consistent brand to market that will position us to win.

Progress in fiscal 2019

We generated strong customer growth in legacy and former MetroCast markets in both the residential and business segments while mitigating the impact of overbuild activity in some of our markets. Programs were targeted to retain high-value residential customers by enhancing product features and moving them into longer term agreements, an aggressive effort was also undertaken to move unsecured business clients into long-term contracts. In addition to retention efforts, strong acquisition offers were deployed to drive new connect activity among the non-customer universe in competitive markets. Lastly, seasonal customers, which are heavily represented in competitive markets, were incentivized through promotional offers with longer-term agreements to temporarily suspend their services, rather than disconnect them, during the off-season to facilitate an easy return.

Focus in fiscal 2020

We will continue to promote packaging and pricing options for customers to drive unit growth and enhanced revenue per customer. We will leverage relationships with premium programmers to enhance promotional offers, to offset campaign costs, and to take advantage of premium programmer advertising spend that occurs around their program schedule cycles.

We will increase marketing spend in fiscal 2020 to ensure ample funding for Atlantic Broadband's omni-channel marketing approach, particularly in overbuild markets, to build awareness among residential and business prospects and customers of Atlantic Broadband products and services, promotional offers, and competitive differentiators across traditional, digital and social platforms. Because our markets across 11 states are diverse, market-specific initiatives will be further developed to optimize campaigns and elevate response rates. Further, customer segmentation efforts will be pursued, including the use of customer personas and customer journey mapping, for more efficient targeting and personalized messaging, not only at the point of sales, but throughout the customer lifespan.

We will elevate the awareness of Atlantic Broadband as a provider of advanced residential and business services, while unifying our messaging through common themes and creative elements. This investment will position Atlantic Broadband as a company that has the capabilities of the largest companies to connect customers to the things that matter most to them, but also the appeal of a local company dedicated to, and especially responsive to, the customers and communities it serves.

2.4 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], free cash flow[1] and capital intensity[1] on a constant currency basis[1].

	Actual	Revised projections (2)	Actual		Achievement of the projections
	Fiscal 2018 (1)	Fiscal 2019 (constant currency) (3)	**Fiscal 2019 (constant currency) (3)**		Fiscal 2019
(in millions of dollars, except percentages)	$		**$**	**%**	
Financial guidelines					
Revenue	2,147	Increase of 6% to 8%	**2,294**	**6.8**	**Achieved**
Adjusted EBITDA	1,007	Increase of 8% to 10%	**1,092**	**8.5**	**Achieved**
Acquisitions of property, plant and equipment	458	$450 to $470	**425**	**(7.1)**	**Surpassed**
Capital intensity	21.3%	20% to 21%	**18.5%**	**—**	**Surpassed**
Free cash flow	302	Increase of 38% to 45%	**453**	**50.0**	**Surpassed**

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) Following the announcement of the agreement on February 27, 2019 to sell Cogeco Peer 1, fiscal 2019 financial guidelines were revised.

(3) Actual results are presented in constant currency based on fiscal 2018 average foreign exchange rates of 1.2773 USD/CDN.

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

REVENUE

Fiscal 2019 revenue in constant currency increased by 6.8%, achieving the Corporation's revised projections resulting from higher revenue in the American broadband services segment due to the MetroCast cable systems acquisition (the "MetroCast acquisition") and FiberLight acquisition combined with strong organic growth, partly offset by a slight decrease of revenue in the Canadian broadband services segment from lower than expected primary service units resulting from issues following the implementation of a new customer management system.

ADJUSTED EBITDA

Fiscal 2019 adjusted EBITDA in constant currency increased by 8.5%, achieving the Corporation's revised projections mainly due to growth in revenue exceeding growth in operating expenses.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

For fiscal 2019, the Corporation invested $425.2 million in constant currency ($434.5 million in reported dollars) in acquisitions of property, plant and equipment, thus spending less than anticipated and surpassing the Corporation's revised projections as a result of lower than expected capital expenditures in the Canadian and American broadband services segments due to the timing of certain initiatives and a greater focus on capital expenditures optimization. For fiscal 2019, the Corporation reached a capital intensity of 18.5%, thus surpassing the Corporation's revised projections.

FREE CASH FLOW

Fiscal 2019 free cash flow in constant currency increased by 50.0%, surpassing the Corporation's revised projections mainly as a result of lower than expected capital expenditures.

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

2.5 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	2019	2018 [1]	2017 [2]
(in thousands of dollars, except percentages and per share data)	$	$	$
Operations			
Revenue	2,331,820	2,147,404	2,226,851
Adjusted EBITDA	1,107,940	1,006,818	1,004,970
Adjusted EBITDA margin	47.5%	46.9%	45.1%
Integration, restructuring and acquisition costs	11,150	20,328	3,191
Profit for the year from continuing operations	356,908	384,578	N/A
Profit (loss) for the year from discontinued operations	75,380	(24,381)	N/A
Profit for the year	432,288	360,197	299,225
Profit for the year from continuing operations attributable to owners of the Corporation	339,973	375,214	N/A
Profit for the year attributable to owners of the Corporation	415,353	350,833	299,225
Cash flow			
Cash flow from operating activities	868,711	620,748	956,657
Acquisitions of property, plant and equipment	434,545	457,808	428,057
Free cash flow	454,059	301,850	373,735
Capital intensity	18.6%	21.3%	19.2%
Financial condition			
Cash and cash equivalents	556,504	84,725	211,185
Short-term investments	—	—	54,000
Total assets	6,951,079	7,180,043	5,348,380
Indebtedness[3]	3,454,923	3,914,711	2,598,058
Long-term financial liabilities[4]	3,453,776	3,803,929	2,480,914
Equity attributable to owners of the Corporation	2,199,789	1,997,169	1,599,267
Per Share Data[5]			
Earnings (loss) per share			
Basic			
From continuing operations	6.89	7.61	N/A
From discontinued operations	1.53	(0.49)	N/A
From continuing and discontinued operations	8.41	7.12	6.08
Diluted			
From continuing operations	6.83	7.55	N/A
From discontinued operations	1.51	(0.49)	N/A
From continuing and discontinued operations	8.35	7.06	6.03
Dividends	2.10	1.90	1.72

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) Fiscal 2017 was not restated to comply with IFRS 15 and does not reflect a change in accounting policy and includes the results of Cogeco Peer 1.

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

(4) Long-term financial liabilities include long-term debt, derivative financial instruments, contract liabilities and other liabilities and pension plan liabilities and accrued employee benefits.

(5) Per multiple and subordinate voting shares.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years ended August 31,	2019 [1]	2018 [2]	Change	Change in constant currency [3]	Foreign exchange impact [3]
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**2,331,820**	2,147,404	8.6	6.8	37,433
Operating expenses	**1,203,980**	1,121,625	7.3	5.4	21,636
Management fees – Cogeco Inc.	**19,900**	18,961	5.0	5.0	—
Adjusted EBITDA	**1,107,940**	1,006,818	10.0	8.5	15,797
Adjusted EBITDA margin	**47.5%**	46.9%			

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

REVENUE

Years ended August 31,	2019 [1]	2018 [2]	Change	Change in constant currency [3]	Foreign exchange impact [3]
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**1,294,967**	1,299,906	(0.4)	(0.4)	—
American broadband services	**1,036,853**	847,372	22.4	17.9	37,433
Inter-segment eliminations and other	**—**	126	(100.0)	(100.0)	—
	2,331,820	2,147,404	8.6	6.8	37,433

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

Fiscal 2019 revenue increased by 8.6% (6.8% in constant currency) resulting from:

- a growth in the American broadband services segment mainly due to the impact of the MetroCast acquisition which was included in revenue for only an eight-month period in the prior year combined with strong organic growth and the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition"); partly offset by
- a decrease in the Canadian broadband services segment mainly as a result of:
    - a decline in primary service units in the fourth quarter of fiscal 2018 and the first quarter of 2019 from lower service activations primarily due to issues resulting from the implementation of a new customer management system; partly offset by
    - rate increases; and
    - higher net pricing from consumer sales.

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

OPERATING EXPENSES

Years ended August 31,	2019 [1]	2018 [2]	Change	Change in constant currency [3]	Foreign exchange impact [3]
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	606,286	618,886	(2.0)	(2.2)	1,102
American broadband services	571,208	478,172	19.5	15.2	20,522
Inter-segment eliminations and other	26,486	24,567	7.8	7.8	12
	1,203,980	1,121,625	7.3	5.4	21,636

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

Fiscal 2019 operating expenses increased by 7.3% (5.4% in constant currency) mainly from:

- growth in the American broadband services segment mainly due to the impact of the MetroCast acquisition which was included in operating expenses for only an eight-month period in the prior year combined with higher programming costs, additional headcount to support growth, higher marketing initiatives to drive primary service units growth and the FiberLight acquisition; and
- additional costs in Inter-segment eliminations and other resulting from the timing of corporate projects and initiatives; partly offset by
- lower operating expenses in the Canadian broadband services segment mainly attributable to lower programming costs resulting from a lower level of primary service units and lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019, partly offset by higher marketing initiatives, additional headcount costs in the first quarter of fiscal 2019 to support the stabilization phase of the new customer management system as well as retroactive costs related to higher rates than expected established by the Copyright Board of Canada.

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

MANAGEMENT FEES

Fiscal 2019 management fees paid to Cogeco Inc. reached $19.9 million compared to $19.0 million for fiscal 2018. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Years ended August 31,	2019 [1]	2018 [2]	Change	Change in constant currency [3]	Foreign exchange impact [3]
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	688,681	681,020	1.1	1.3	(1,102)
American broadband services	465,645	369,200	26.1	21.5	16,911
Inter-segment eliminations and other	(46,386)	(43,402)	6.9	6.8	(12)
	1,107,940	1,006,818	10.0	8.5	15,797

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

Fiscal 2019 adjusted EBITDA increased by 10.0% (8.5% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of strong organic growth combined with the impact of the MetroCast and FiberLight acquisitions; and
- an increase in the Canadian broadband services segment resulting mainly from a decline in operating expenses.

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

3.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2019 integration, restructuring and acquisition costs amounted to $11.2 million mostly due to restructuring costs incurred in the Canadian broadband services segment in relation to an operational optimization program during the first half of fiscal 2019. The workforce reduction strategy, which included a voluntary departure program focused on support functions, aimed at creating a leaner, more efficient and agile organization pursuant to its digital transformation. In addition, acquisition and integration costs were incurred by the American broadband services segment related to the FiberLight acquisition in the first quarter of fiscal 2019.

Fiscal 2018 integration, restructuring and acquisition costs amounted to $20.3 million and were related to the MetroCast acquisition completed on January 4, 2018.

3.3 DEPRECIATION AND AMORTIZATION

Years ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment	423,432	387,726	9.2
Amortization of intangible assets	57,293	45,928	24.7
	480,725	433,654	10.9

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 depreciation and amortization expense increased by 10.9% resulting mainly from the impact of the MetroCast acquisition combined with additional depreciation from the acquisitions of property, plant and equipment during the fiscal year and the appreciation of the US dollar against the Canadian dollar compared to the prior year.

3.4 FINANCIAL EXPENSE

Years ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Interest on long-term debt	176,798	179,680	(1.6)
Net foreign exchange gains	(2,744)	(2,134)	28.6
Amortization of deferred transaction costs	1,836	1,884	(2.5)
Capitalized borrowing costs	(690)	(2,074)	(66.7)
Other	302	8,100	(96.3)
	175,502	185,456	(5.4)

(1) Fiscal 2018 was restated to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Discontinued operations" section.

Fiscal 2019 financial expense decreased by 5.4% mainly due to:

- the reimbursement at maturity of the Senior Secured Notes Series B on October 1, 2018;
- the reimbursements of $65 million and US$35 million under the Canadian Revolving Facility during the second quarter of fiscal 2019 and of US$328 million during the third quarter of fiscal 2019 following the sale of Cogeco Peer 1; 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 the unamortized deferred transaction costs of $2.5 million; partly offset by
- higher interest cost on the First Lien Credit Facilities resulting from the full year impact of the financing of the MetroCast acquisition; and
- the appreciation of the US dollar against the Canadian dollar compared to the prior year.

3.5 INCOME TAXES

Years ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Current	53,361	68,288	(21.9)
Deferred	30,294	(85,486)	—
	83,655	(17,198)	—

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Years ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Profit before income taxes	440,563	367,380	19.9
Combined Canadian income tax rate	26.50%	26.50%	—
Income taxes at combined Canadian income tax rate	116,749	97,356	19.9
Difference in operations' statutory income tax rates	1,466	(3)	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	15	(94,175)	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(565)	1,670	—
Tax impacts related to foreign operations	(28,633)	(22,099)	29.6
Other	(5,377)	53	—
	83,655	(17,198)	—

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 income taxes expense amounted to $83.7 million compared to a recovery of $17.2 million for the prior year mainly attributable to:

- the effect of the federal rate reduction in the second quarter of fiscal 2018 in the United States;
- the increase in profit before income taxes which is mostly related to the impact of the MetroCast acquisition completed in the second quarter of fiscal 2018, and
- the appreciation of the US dollar against the Canadian dollar compared to the prior year.

On March 19, 2019, the Department of Finance Canada confirmed the acceleration of tax depreciation on most capital investments for property, plant and equipment acquired after November 20, 2018, which phases out during the period from 2023 to 2028. The federal accelerated tax depreciation had a favorable impact on the current income tax expense of the Corporation in fiscal 2019. On March 21, 2019, the Québec Department of Finance confirmed that it would harmonize with the Federal legislation.

On December 22, 2017, the U.S. federal government 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 which reduced net deferred tax liabilities by approximately $94 million (US$74 million) in the second quarter of fiscal 2018. 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, had an overall favorable impact on the income tax expense.

3.6 PROFIT FOR THE YEAR

Years ended August 31,	2019	2018 (1)	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the year from continuing operations	356,908	384,578	(7.2)
Profit for the year	432,288	360,197	20.0
Profit for the year from continuing operations attributable to owners of the Corporation	339,973	375,214	(9.4)
Profit for the year attributable to owners of the Corporation	415,353	350,833	18.4
Profit for the year from continuing operations attributable to non-controlling interest(2)	16,935	9,364	80.9
Basic earnings per share from continuing operations	6.89	7.61	(9.5)
Basic earnings per share	8.41	7.12	18.1

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) The non-controlling interest represents a participation of 21% in Atlantic Broadband's results by Caisse de dépôt et placement du Québec ("CDPQ"), effective since the MetroCast acquisition on January 4, 2018.

Fiscal 2019 profit for the year from continuing operations and profit for the year from continuing operations attributable to owners of the Corporation decreased by 7.2% and 9.4%, respectively, as a result of:

- last year's $94 million income tax reduction following the United States tax reform; and
- the increase in depreciation and amortization mostly related to the impact of the MetroCast acquisition; partly offset by
- higher adjusted EBITDA mainly as a result of the impact of the MetroCast acquisition;
- the decrease in financial expense; and
- the decrease in integration, restructuring and acquisition costs.

Fiscal 2019 profit for the year and profit for the year attributable to owners of the Corporation increased by 20.0% and 18.4%, respectively, mainly due to a profit for the year from discontinued operations of $75.4 million resulting from the sale of Cogeco Peer 1 in the third quarter of fiscal 2019 compared to a loss for the year from discontinued operations of $24.4 million for the prior year in addition to the elements mentioned above.

4. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.8% of the Corporation's equity shares, representing 82.3% of the Corporation's voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to the Corporation under a Management Services Agreement (the "Agreement"). On May 1, 2019, the Corporation and Cogeco agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by the Corporation to Cogeco, which was based on a percentage of the consolidated revenue of the Corporation, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This cost-plus methodology was adopted to avoid future variations of the management fee percentage due to the frequent changes of the Corporation's consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of the Corporation (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the year ended August 31, 2019, management fees paid to Cogeco reached $19.9 million compared to $19.0 million for fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during fiscal years 2019 and 2018, the Corporation granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

Years ended August 31,	2019	2018
Stock options	97,725	126,425
PSUs	14,625	19,025

The following table shows the amounts that the Corporation charged Cogeco with regards to the Corporation's stock options, incentive share units ("ISUs") and PSUs to these executive officers, as well as deferred share units ("DSUs") issued to Board directors of Cogeco:

Years ended August 31,	2019	2018
(in thousands of dollars)	$	$
Stock options	1,046	915
ISUs	61	1
PSUs	981	990
DSUs	631	—

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

5. CASH FLOW ANALYSIS

Years ended August 31,	2019	2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	868,711	620,748	39.9
Cash flow from investing activities	(471,078)	(2,191,666)	(78.5)
Cash flow from financing activities	(659,222)	1,426,136	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(439)	1,989	—
Net change in cash and cash equivalents from continuing operations	(262,028)	(142,793)	83.5
Net change in cash and cash equivalent from discontinued operations(2)	733,807	16,333	—
Cash and cash equivalents, beginning of the year	84,725	211,185	(59.9)
Cash and cash equivalents, end of the year	556,504	84,725	—

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) For further details on the Corporation's cash flow attributable to discontinued operations, please consult the "Discontinued operations" section.

5.1 OPERATING ACTIVITIES

Fiscal 2019 cash flow from operating activities increased by 39.9% compared to the prior year mainly from:

- higher adjusted EBITDA;
- the decreases in income taxes paid and in financial expense paid; and
- the decrease in integration, restructuring and acquisitions costs.

5.2 INVESTING ACTIVITIES

Fiscal 2019 investing activities decreased by 78.5% compared to the prior year mainly due to the MetroCast acquisition of $1.76 billion in the second quarter of fiscal 2018.

BUSINESS COMBINATION IN FISCAL 2019

On October 3, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband's existing south Florida footprint.

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

	Final August 31, 2019 $	Preliminary November 30, 2018 $
Purchase price		
Consideration paid at closing	**38,876**	38,876
Balance due on business combinations	**5,005**	5,005
	43,881	43,881
Net assets acquired		
Trade and other receivables	**1,308**	1,743
Prepaid expenses and other	**335**	335
Property, plant and equipment	**28,785**	45,769
Intangible assets	**3,978**	—
Goodwill	**11,093**	—
Trade and other payables assumed	**(644)**	(644)
Contract liabilities and other liabilities assumed	**(974)**	(3,322)
	43,881	43,881

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

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

Years ended August 31,	2019	2018 (1)	Change	Change in constant currency (2)
(in thousands of dollars, except percentages)	$	$	%	%
Canadian broadband services	**241,940**	245,228	(1.3)	(2.6)
Capital intensity	**18.7%**	18.9%		
American broadband services	**192,605**	212,580	(9.4)	(12.4)
Capital intensity	**18.6%**	25.1%		
Consolidated	**434,545**	457,808	(5.1)	(7.1)
Capital intensity	**18.6%**	21.3%		

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

Fiscal 2019 acquisitions of property, plant and equipment decreased by 5.1% (7.1% in constant currency) mainly due to lower capital expenditures in the Canadian and American broadband services segments.

Fiscal 2019 capital intensity reached 18.6% compared to 21.3% for the prior year mainly as a result of revenue growth combined with lower capital expenditures.

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

5.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2019 free cash flow increased by 50.4% (50.0% in constant currency) compared to the prior year mainly due to the following:

- higher adjusted EBITDA;
- the decrease in acquisitions of property, plant and equipment;
- the decreases in current income taxes expense and in financial expense; and
- the decrease in integration, restructuring and acquisition costs.

FINANCING ACTIVITIES

Fiscal 2019 changes in cash flows from financing activities are mainly explained as follows:

Years ended August 31,	**2019**	2018	Explanations
(in thousands of dollars)	**$**	$	
Increase (decrease) in bank indebtedness	**(5,949)**	2,148	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**(443,955)**	384,568	Repayments of the revolving facilities in fiscal 2019 as a result of the sale of Cogeco Peer 1 combined with generated free cash flow. 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 to finance the MetroCast acquisition.
Issuance of long-term debt, net of discounts and transaction costs	**—**	2,082,408	Issuance of a US$1.7 billion Senior Secured Term Loan B to finance the MetroCast acquisition and refinance Atlantic Broadband's long-term debt in the second quarter of fiscal 2018.
Repayment of long-term debt	**(77,639)**	(1,329,044)	Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018. Repayment of long-term debt in fiscal 2018 mainly related to the Atlantic Broadband refinancing and the early redemption of the US$400 million Senior Unsecured Notes.
Repayment of balance due on business combinations	**(655)**	(118)	Not significant.
Increase in deferred transaction costs	**(2,210)**	(3,168)	Not significant.
	(530,408)	1,136,794	

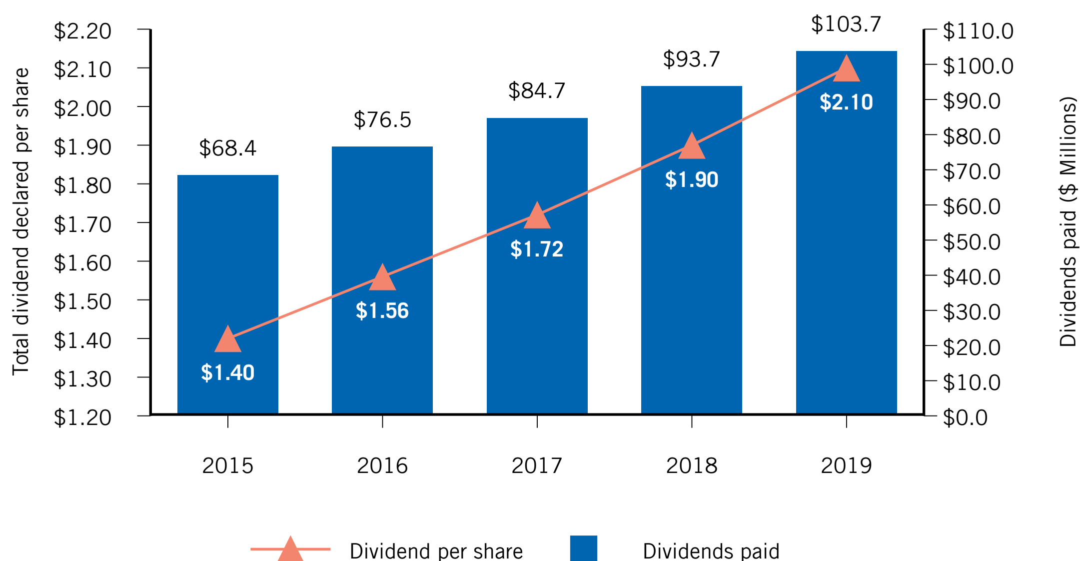
DIVIDENDS

During fiscal 2019, quarterly eligible dividends of $0.525 per share, totaling $2.10 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of $103.7 million. In fiscal 2018, quarterly eligible dividends of $0.475 per share, totaling $1.90 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of $93.7 million. During the last five years, dividends paid per share increased by 10.7% on a compounded annual basis.

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)
October 31, 2018	**November 14, 2018**	**November 28, 2018**	**0.525**
January 10, 2019	**January 24, 2019**	**February 7, 2019**	**0.525**
April 9, 2019	**April 23, 2019**	**May 7, 2019**	**0.525**
July 10, 2019	**July 24, 2019**	**August 7, 2019**	**0.525**
November 2, 2017	November 16, 2017	November 30, 2017	0.475
January 10, 2018	January 24, 2018	February 7, 2018	0.475
April 12, 2018	April 26, 2018	May 10, 2018	0.475
July 11, 2018	July 25, 2018	August 8, 2018	0.475

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



NORMAL COURSE ISSUER BID

Following the completion of the sale of Cogeco Peer 1 on April 30, 2019, the Toronto Stock Exchange has accepted Cogeco Communications' notice of intention for a normal course issuer bid in respect to its subordinate voting shares. Purchases pursuant to the normal course issuer bid will be made between May 3, 2019 to May 2, 2020 and enable the Corporation to acquire up to 1,869,000 subordinate voting shares.

During fiscal 2019, Cogeco Communications purchased and cancelled 327,200 subordinate voting shares with an average stated value of $9.1 million for a total consideration of $32.4 million.

The normal course issuer bid purchases were as follows:

					2019
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	—	—	**157,400**	**169,800**	**327,200**
Average purchase price per share	—	—	**91.87**	**105.55**	**98.97**
Purchase costs	—	—	**14,460**	**17,922**	**32,382**

6. SEGMENTED OPERATING AND FINANCIAL RESULTS

The Corporation reports its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segment and to assess its performance.

6.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	**2019** (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**1,294,967**	1,299,906	(0.4)	(0.4)	—
Operating expenses	**606,286**	618,886	(2.0)	(2.2)	1,102
Adjusted EBITDA	**688,681**	681,020	1.1	1.3	(1,102)
Adjusted EBITDA margin	**53.2%**	52.4%			
Acquisitions of property, plant and equipment	**241,940**	245,228	(1.3)	(2.6)	3,010
Capital intensity	**18.7%**	18.9%			

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

REVENUE

Fiscal 2019 revenue decreased by 0.4% (0.4% in constant currency) mainly as a result of:

- a decline in primary service units in the fourth quarter of fiscal 2018 and the first quarter of 2019 from lower service activations primarily due to issues resulting from the implementation of a new customer management system; partly offset by
- rate increases; and
- higher net pricing from consumer sales.

OPERATING EXPENSES

Fiscal 2019 operating expenses decreased by 2.0% (2.2% in constant currency) mainly attributable to:

- lower programming costs resulting from a lower level of primary service units; and
- lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019; partly offset by
- higher marketing initiatives; and
- retroactive costs of $3.2 million incurred in the first quarter of fiscal 2019 related to higher rates than expected established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period of 2014 to 2018.

ADJUSTED EBITDA

Fiscal 2019 adjusted EBITDA increased by 1.1% (1.3% in constant currency) resulting mainly from a decline in operating expenses.

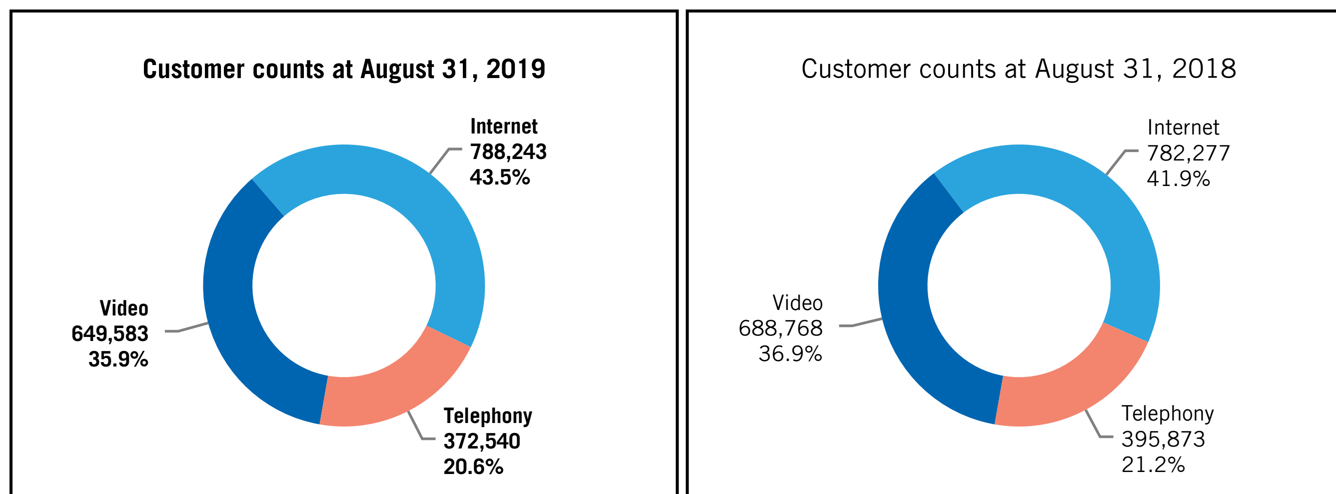
CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 acquisitions of property, plant and equipment decreased by 1.3% (2.6% in constant currency) resulting from:

- lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; and
- lower purchases of customer premise equipment due to the timing of certain initiatives; partly offset by
- additional investments to improve and expand the network infrastructure; and
- costs related to the new IPTV platform.

Fiscal 2019 capital intensity reached 18.7% compared to 18.9% for fiscal 2018 mainly as a result of a higher decrease in capital expenditures.

CUSTOMER STATISTICS



		Net additions (losses) Years ended		% of penetration[(2)]	
	August 31, 2019	August 31, 2019	August 31, 2018 [(1)]	August 31, 2019	August 31, 2018
Primary service units	1,810,366	(56,552)	(55,849)		
Internet service customers	788,243	5,966	14,173	44.7	44.7
Video service customers	649,583	(39,185)	(37,035)	36.8	39.3
Telephony service customers	372,540	(23,333)	(32,987)	21.1	22.6

(1) Excludes adjustments related to the migration to the new customer management system implemented during the third quarter of fiscal 2018.

(2) As a percentage of homes passed.

During the third quarter of fiscal 2018, the Canadian broadband services segment implemented a new customer management system, replacing 22 legacy systems. While the customer management system was still in the stabilization phase, contact center congestion resulted in lower services activations during most of the fourth quarter of fiscal 2018 and the first quarter of 2019. Contact center and marketing operations had returned to normal at the end of the first quarter of 2019.

Variations of each services are also explained as follows:

INTERNET

Fiscal 2019 Internet service customers net additions stood at 5,966 compared to 14,173 for the prior year mainly due to:

- the ongoing interest in high speed offerings;
- the sustained interest in bundle offers; and
- the increased demand from Internet resellers; partly offset by
- competitive offers in the industry; and
- contact center congestion during the stabilization period of the new customer management system.

VIDEO

Fiscal 2019 video service customers net losses stood at 39,185 compared to 37,035 for the prior year as a result of:

- highly competitive offers in the industry;
- a changing video consumption environment; and
- contact center congestion during the stabilization period of the new customer management system; partly offset by
- customers' ongoing interest in digital advanced video services; and
- customers' interest in video services bundled with fast Internet offerings.

TELEPHONY

Fiscal 2019 telephony service customers net losses amounted to 23,333 compared to 32,987 for the prior year mainly due to:

- technical issues with telephony activations following the implementation of the new customer management system which were resolved at the end of the first quarter;
- increasing wireless penetration in North America 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
- growth in the business sector; and
- more telephony bundles due to additional promotional activity in the second half of fiscal 2019.

DISTRIBUTION OF CUSTOMERS

At August 31, 2019, 69% of the Canadian broadband services segment's customers enjoyed "double play" or "triple play" bundled services.

6.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	**2019** (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**1,036,853**	847,372	22.4	17.9	37,433
Operating expenses	**571,208**	478,172	19.5	15.2	20,522
Adjusted EBITDA	**465,645**	369,200	26.1	21.5	16,911
Adjusted EBITDA margin	**44.9%**	43.6%			
Acquisitions of property, plant and equipment	**192,605**	212,580	(9.4)	(12.4)	6,332
Capital intensity	**18.6%**	25.1%			

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

REVENUE

Fiscal 2019 revenue increased by 22.4% (17.9% in constant currency). In local currency, revenue amounted to US$782.3 million compared to US$662.3 million for fiscal 2018. The increase resulted mainly from:

- the impact of the MetroCast acquisition completed on January 4, 2018 which was included in revenue for only an eight-month period in the prior year;
- rate increases;
- continued growth in Internet service customers; and
- the FiberLight acquisition completed in the first quarter of fiscal 2019; partly offset by
- a decrease in video service customers.

Excluding the MetroCast and FiberLight acquisitions, revenue in constant currency increased by 5.2% for fiscal 2019.

OPERATING EXPENSES

Fiscal 2019 operating expenses increased by 19.5% (15.2% in constant currency) mainly as a result of:

- the impact of the MetroCast acquisition which was included in operating expenses for only an eight-month period in the prior year;
- programming rate increases;
- the FiberLight acquisition completed in the first quarter of fiscal 2019;
- higher compensation expenses due to higher headcount to support growth; and
- higher marketing initiatives to drive primary service units growth; partly offset by
- the prior year's non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.

ADJUSTED EBITDA

Fiscal 2019 adjusted EBITDA increased by 26.1% (21.5% in constant currency). In local currency, adjusted EBITDA amounted to US$351.3 million compared to US$288.4 million for fiscal 2018. The increase was mainly due to the impact of the MetroCast and FiberLight acquisitions combined with strong organic growth.

Excluding the MetroCast and FiberLight acquisitions and the prior year's non-recurring costs of $3.1 million ($US2.5 million) related to hurricane Irma, adjusted EBITDA in constant currency increased by 5.7% for fiscal 2019.

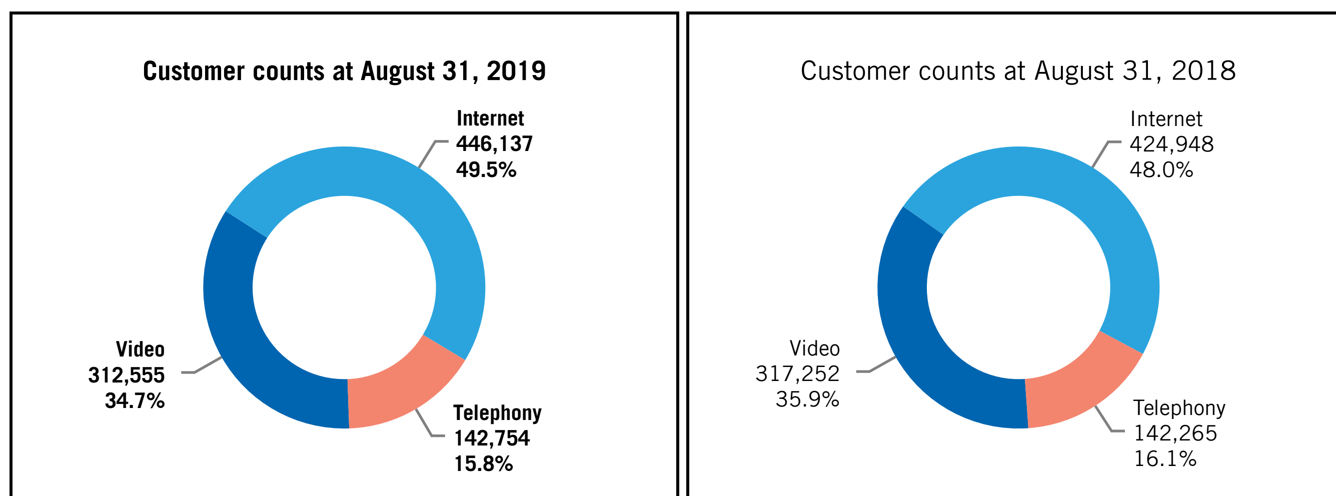
CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 acquisitions of property, plant and equipment decreased by 9.4% (12.4% in constant currency) mainly due to:

- 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; partly offset by
- additional capital expenditures related to the impact of the MetroCast acquisition; and
- additional capital expenditures related to the expansion in Florida.

Fiscal 2019 capital intensity reached 18.6% compared to 25.1% for fiscal 2018 mainly as a result of lower capital expenditures combined with revenue growth.

CUSTOMER STATISTICS



		Net additions (losses) Years ended		% of penetration[2][3]	
	August 31, 2019	August 31, 2019	August 31, 2018 [1]	August 31, 2019	August 31, 2018 [3]
Primary service units	901,446	16,981	20,251		
Internet service customers	446,137	21,189	21,417	50.8	49.7
Video service customers	312,555	(4,697)	(6,760)	35.6	37.1
Telephony service customers	142,754	489	5,594	16.2	16.6

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

(2) As a percentage of homes passed.

(3) In the first quarter of fiscal 2019, the number of homes passed in the American broadband services segment have been adjusted upwards in order to reflect the number of non-served multi-dwelling unit passings within the footprint and consequently, the penetration as a percentage of homes passed for fiscal 2018 have also been adjusted.

INTERNET

Fiscal 2019 Internet service customers net additions stood at 21,189 compared to 21,417 for the prior year as a result of:

- additional connects related to the Florida expansion initiatives and in the MetroCast footprint;
- our customers' ongoing interest in high speed offerings; and
- growth in both the residential and business sectors.

VIDEO

Fiscal 2019 video service customers net losses stood at 4,697 compared to 6,760 for the prior year mainly from:

- competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- our customers' ongoing interest in TiVo's digital advanced video services; and
- the activation of bulk properties in Florida during the fourth quarter of fiscal 2019.

TELEPHONY

Fiscal 2019 telephony service customers net additions stood at 489 compared to 5,594 for the prior year mainly as a result of the growth in the business sector, partly offset by a decline in the residential sector.

DISTRIBUTION OF CUSTOMERS

At August 31, 2019, 52% of the American broadband services segment's customers enjoyed "double play" or "triple play" bundled services.

7. FINANCIAL POSITION

7.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco Communications generally maintains a working capital deficiency due to a low level of trade and other receivables since a large proportion of the Corporation's customers pay before their services are rendered, while trade and other payables are usually paid after products are delivered or services are rendered, enabling the Corporation to use the resulting cash and cash equivalents to reduce Indebtedness. However, the Corporation had a working capital surplus at August 31, 2019 due to cash and cash equivalents from the sale of Cogeco Peer 1.

The variations are as follows:

	August 31, 2019	August 31, 2018 [1]	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Current assets				
Cash and cash equivalents	**556,504**	84,725	471,779	Please refer to the "Cash flow analysis" section.
Trade and other receivables	**75,652**	97,294	(21,642)	Related to the sale of Cogeco Peer 1 on April 30, 2019, partly offset by revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	**17,706**	24,976	(7,270)	Mostly related to lower income tax installments made during fiscal 2019 in the Canadian broadband services segment.
Prepaid expenses and other	**22,740**	29,473	(6,733)	Related to the sale of Cogeco Peer 1.
Derivative financial instrument	**—**	1,330	(1,330)	Not significant.
	672,602	237,798	434,804	
Current liabilities				
Bank indebtedness	**—**	5,949	(5,949)	Timing of payments made to suppliers.
Trade and other payables	**260,481**	302,806	(42,325)	Timing of payments made to suppliers combined with the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Provisions	**36,553**	25,887	10,666	Mostly related to the increase of network fees under negotiation in the Canadian broadband services segment.
Income tax liabilities	**16,693**	16,133	560	Not significant.
Contract liabilities and other liabilities	**43,395**	59,656	(16,261)	Related to the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Balance due on business combinations	**4,520**	—	4,520	Related to the FiberLight acquisition completed on October 3, 2018.
Current portion of long-term debt	**22,601**	77,188	(54,587)	Mostly related to the reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018, partly offset by the appreciation of the US dollar against the Canadian dollar.
	384,243	487,619	(103,376)	
Working capital surplus (deficiency)	**288,359**	(249,821)	538,180	

(1) Fiscal 2018 was restated to comply with IFRS 15. For further details, please consult the "Accounting policies" section.

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	August 31, 2019 $	August 31, 2018 (1) $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,007,610**	2,323,678	(316,068)	Related to the sale of Cogeco Peer 1, partly offset by the FiberLight acquisition in the first quarter of fiscal 2019 and the appreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,850,844**	2,927,388	(76,544)	Related to the sale of of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Goodwill	**1,373,439**	1,608,446	(235,007)	Related to the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar and the FiberLight acquisition.
Derivative financial instruments	**—**	33,797	(33,797)	Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate.
Non-current liabilities				
Long-term debt	**3,382,258**	3,781,020	(398,762)	Mostly related to the reimbursement of the US$328 million Canadian Revolving Facility during the third quarter of fiscal 2019 using the proceeds of the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Derivative financial instruments	**46,044**	—	46,044	Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate.
Shareholders' equity				
Equity attributable to non-controlling interest(2)	**359,689**	336,442	23,247	Mostly related to the increase in profit for the year from continuing operations attributable to non-controlling interest combined with the appreciation of the US dollar against the Canadian dollar.

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) The non-controlling interest represents a participation of 21% in Atlantic Broadband by CDPQ, effective since the MetroCast acquisition on January 4, 2018.

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 2020 guidelines:

Years ended August 31,	2020 Guidelines (1)	2019	2018
Average cost of indebtedness(2)	4.4%	**4.4%**	4.4%
Fixed rate indebtedness(3)	78%	**78%**	72%
Average term: long-term debt (in years)	3.9	**4.9**	5.7
Net indebtedness(4) / adjusted EBITDA(5)	2.3	**2.6**	3.8
Adjusted EBITDA / financial expense(5)	N/A (6)	**6.3**	5.4

(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 2020 have not been considered.

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

(4) Net indebtedness is defined as the aggregate of bank indebtedness, balance due on business combinations and principal on long-term debt, less cash and cash equivalents.

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

(6) 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 has declined as a result of the sale of Cogeco Peer 1 on April 30, 2019 for a net cash consideration of $720 million and to a lesser extent growing adjusted EBITDA and a reduction in net indebtedness from generated free cash flow. In fiscal 2020, prior to the adoption of IFRS 16 *Leases*, the financial leverage ratio relating to net indebtedness over adjusted EBITDA should continue to decline as a result of growing adjusted EBITDA and a projected reduction in net indebtedness from generated free cash flow.

8.2 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at September 30, 2019 is presented in the table below. Additional details are provided in note 20 of the consolidated financial statements.

(in thousands of dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	**15,691,100**	**98,346**
Subordinate voting shares	**33,656,868**	**938,013**
Options to purchase subordinate voting shares		
Outstanding options	**714,014**	
Exercisable options	**262,774**	

8.3 FINANCING

On December 4, 2018, the Corporation extended its $800 million Term Revolving Facility maturity date by an additional year until January 24, 2024.

At August 31, 2019, the Corporation had used $0.6 million of its $800 million Term Revolving Facility for a remaining availability of $799.4 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $199.4 million (US$150 million), of which $3.2 million (US$2.4 million) was used at August 31, 2019 for a remaining availability of $196.2 million (US$147.6 million).

8.4 CREDIT RATINGS

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

At August 31, 2019	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	**BBB-**	**BBB (low)**	**NR**
Atlantic Broadband			
First Liens Credit Facilities	**BB-**	**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 is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2019, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, the Corporations' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2019:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US Libor base rate	2.017% - 2.262%	January 2021 - November 2024	Senior Secured Term Loan B

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.7 million based on the outstanding debt at August 31, 2019.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $12.0 million based on the outstanding debt at August 31, 2019.

Furthermore, the Corporation's net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, notably changes in the value of the Canadian dollar versus the US dollar. The risk related to the US dollar aggregate investments is mitigated since a portion was borrowed in US dollars.

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at August 31, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,000 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2019 was $1.3295 ($1.3055 in 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $81.1 million.

Market risk

The Corporation uses derivative instruments to manage the exposure to the risk of changes in the price of its subordinate voting shares under the DSU plan. As such, the Corporation uses equity swap agreements on its subordinate voting shares to economically hedge the cash flow exposure. A 5% variation in the market price of its subordinate voting shares at August 31, 2019 would result in a variation, net of the hedge, of approximately $0.1 million in operating expenses for 2019.

8.6 FOREIGN CURRENCY

For the year ended August 31, 2019, the average rates prevailing used to convert the operating results of the American broadband services segment and the discontinued operations were as follows:

Years ended August 31,	2019	2018	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	1.3255	1.2773	0.05	3.8
British Pound vs Canadian dollar [1]	1.7212	1.7220	—	—

(1) The rate for fiscal 2019 is for the eight-month period ended April 30, 2019.

The following table highlights in Canadian dollars, the impact of a $0.05 variation of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the year ended August 31, 2019:

	Canadian broadband services	American broadband services	Consolidated [1]
Year ended August 31, 2019	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of dollars)	$	$	$
Revenue	—	37,433	37,433
Operating expenses	1,102	20,522	21,636
Management fees - Cogeco Inc.			—
Adjusted EBITDA	(1,102)	16,911	15,797
Acquisitions of property, plant and equipment	3,010	6,332	9,342
Free cash flow			1,330

(1) The consolidated results do not correspond to the addition of the operating segment's results as inter-segment eliminations and other are not presented.

8.7 COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

Cogeco Communications' contractual obligations at August 31, 2019 are shown in the table below:

Years ended August 31,	2020	2021	2022	2023	2024	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Operating lease agreements [(1)]	22,728	22,105	20,851	21,087	20,012	53,412	160,195
Acquisitions of property, plant and equipment and intangible assets [(2)]	15,201	14,625	22,355	18,613	21,272	—	92,066
Other long-term contracts [(3)]	25,603	15,174	6,178	5,899	5,666	20,113	78,633
	63,532	51,904	49,384	45,599	46,950	73,525	330,894

(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.

B) CONTINGENCIES

On August 15, 2019, the CRTC issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the impact of the new reduced rates in the 2019 financial statements.

The Corporation and its subsidiaries are involved in matters involving litigations or potential claims from customers and 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. At August 31, 2019 and 2018, no liability has been recorded with respect to these litigations and potential claims, except for those disclosed in Note 17 of the 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, 2019 and 2018, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 17 of the Consolidated financial statements.

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 has 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 the Senior Secured Notes, the Corporation has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

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. DISCONTINUED OPERATIONS

On April 30, 2019, Cogeco Communications completed the sale of its subsidiary Cogeco Peer 1 Inc., its Business ICT services subsidiary, to affiliates of Digital Colony for a net cash consideration of $720 million.

In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current and prior year results and cash flows of Cogeco Peer 1 as discontinued operations separate from the Corporation's continuing operations.

As a result of the sale, the Corporation recognized the following gain on disposal for fiscal 2019:

(in thousands of dollars)	**$**
Gross proceeds, net of cash disposed	**720,314**
Working capital adjustments	**691**
Transaction costs	**(10,903)**
Net proceeds from sale, net of cash disposed	**710,102**
Net assets disposed	**(625,738)**
Gain on disposal of a subsidiary	**84,364**

The following table presents the carrying value of the net assets disposed of:

(in thousands of dollars)	**$**
Trade and other receivables	**19,988**
Income taxes receivable	**1,126**
Prepaid expenses and other	**8,532**
Property, plant and equipment	**361,774**
Intangible assets	**49,618**
Other assets	**9,594**
Goodwill	**272,591**
Deferred tax assets	**2,061**
Trade and other payables	**(22,416)**
Provisions	**(34)**
Contract liabilities and other liabilities	**(25,104)**
Deferred tax liabilities	**(22,183)**
Foreign currency translation adjustment	**(29,809)**
	625,738

The profit or loss of the discontinued operations was as follows:

Years ended August 31,	**2019** (1)	2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**174,990**	275,952	(36.6)
Operating expenses	**132,390**	197,545	(33.0)
Adjusted EBITDA	**42,600**	78,407	(45.7)
Depreciation and amortization	**43,999**	95,891	(54.1)
Financial expense	**(1,304)**	(2,902)	(55.1)
Gain on disposal of a subsidiary	**(84,364)**	—	—
Profit (loss) before income taxes	**84,269**	(14,582)	—
Income taxes	**8,889**	9,799	(9.3)
Profit (loss) for the year from discontinued operations	**75,380**	(24,381)	—

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

REVENUE

Fiscal 2019 revenue decreased by 36.6% primarily due to an eight-month period of revenue in fiscal 2019 compared to a twelve-month period in fiscal 2018 combined with continued pricing pressures on the hosting and network connectivity services.

OPERATING EXPENSES

Fiscal 2019 operating expenses decreased by 33.0% mainly due to:

- an eight-month period of operating expenses in fiscal 2019 compared to a twelve-month period in fiscal 2018;
- lower compensation expenses; and
- lower costs related to service delivery and cloud licensing; partly offset by
- costs related to the closure of a data centre.

ADJUSTED EBITDA

Fiscal 2019 adjusted EBITDA decreased by 45.7% as a result of an eight-month period of operating results in fiscal 2019 compared to twelve-month period in fiscal 2018 combined with a decline in revenue.

CASH FLOW

The cash flows of the discontinued operations were as follows:

Years ended August 31,	2019 (1)	2018	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	**41,962**	65,720	(36.2)
Cash flow from investing activities	**691,729**	(49,492)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**116**	105	10.5
Net change in cash and cash equivalents from discontinued operations	**733,807**	16,333	—

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

10. QUARTERLY OPERATING RESULTS

10.1 QUARTERLY FINANCIAL HIGHLIGHTS

	Fiscal 2019				Fiscal 2018 [1] [2]			
Three months ended	Nov. 30[2]	Feb. 28	May 31	Aug. 31	Nov. 30	Feb. 28	May 31	Aug. 31
(in thousands of dollars, except percentages and per share data)	$	$	$	$	$	$	$	$
Operations								
Revenue	576,673	584,129	587,345	583,673	484,286	529,855	567,079	566,184
Adjusted EBITDA	267,851	280,552	283,927	275,610	227,004	248,470	267,933	263,411
Adjusted EBITDA margin	46.4%	48.0%	48.3%	47.2%	46.9%	46.9%	47.2%	46.5%
Integration, restructuring and acquisition costs	5,713	3,722	1,003	712	392	15,999	2,260	1,677
Profit for the period from continuing operations	78,806	86,128	99,571	92,403	78,271	159,912	70,525	75,870
Profit (loss) for the period from discontinued operations	(3,622)	(5,369)	82,451	1,920	(1,885)	(16,079)	(5,365)	(1,052)
Profit for the period	75,184	80,759	182,022	94,323	76,386	143,833	65,160	74,818
Profit for the period from continuing operations attributable to owners of the Corporation	73,792	81,718	96,613	87,850	78,271	157,000	67,190	72,753
Profit for the period attributable to owners of the Corporation	70,170	76,349	179,064	89,770	76,386	140,921	61,825	71,701
Cash flow								
Cash flow from operating activities	98,996	199,462	265,551	304,702	(483)	198,720	167,073	255,438
Acquisitions of property, plant and equipment	100,557	92,773	96,116	145,099	84,451	112,378	98,660	162,319
Free cash flow	107,503	125,307	136,999	84,250	92,907	58,796	102,408	47,739
Capital intensity	17.4%	15.9%	16.4%	24.9%	17.4%	21.2%	17.4%	28.7%
Earnings (loss) per share[3][4]								
Basic								
From continuing operations	1.50	1.65	1.96	1.78	1.59	3.19	1.36	1.48
From discontinued operations	(0.07)	(0.11)	1.67	0.04	(0.04)	(0.33)	(0.11)	(0.02)
From continuing and discontinued operations	1.42	1.55	3.62	1.82	1.55	2.86	1.25	1.45
Diluted								
From continuing operations	1.49	1.64	1.94	1.77	1.57	3.16	1.35	1.47
From discontinued operations	(0.07)	(0.11)	1.65	0.04	(0.04)	(0.33)	(0.11)	(0.02)
From continuing and discontinued operations	1.41	1.53	3.59	1.80	1.53	2.83	1.24	1.44
Dividends per share	0.525	0.525	0.525	0.525	0.475	0.475	0.475	0.475

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) Results were restated to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Discontinued operations" section.

(3) The addition of quarterly information may not correspond to the annual total due to rounding.

(4) Per multiple and subordinate voting share.

10.2 SEASONAL VARIATIONS

Cogeco Communications' operating results are not generally subject to material seasonal fluctuations except as follows. In the Canadian and American broadband services segments, the number of Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several towns with education institutions. In the American broadband services segment, certain areas are also subject to seasonal fluctuations due to the winter and summer seasons.

10.3 FOURTH-QUARTER OPERATING AND FINANCIAL RESULTS

CONSOLIDATED

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**583,673**	566,184	3.1	2.7	2,427
Operating expenses	**302,833**	297,977	1.6	1.1	1,441
Management fees – Cogeco Inc.	**5,230**	4,796	9.0	9.0	—
Adjusted EBITDA	**275,610**	263,411	4.6	4.3	986
Adjusted EBITDA margin	**47.2%**	46.5%			

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

REVENUE

Three months ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**319,935**	319,741	0.1	0.1	—
American broadband services	**263,738**	246,443	7.0	6.0	2,427
	583,673	566,184	3.1	2.7	2,427

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

Fiscal 2019 fourth-quarter revenue increased by 3.1% (2.7% in constant currency) resulting from:

- growth in the American broadband services segment mainly due to strong organic growth and the FiberLight acquisition.
- stable revenue in the Canadian broadband services segment mainly as a result of:
  - rate increases; partly offset by
  - decreases in video and telephony services customers compared to the same period of the prior year primarily due to issues resulting from the implementation of a new customer management system in the second half of fiscal 2018.

OPERATING EXPENSES

Three months ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**147,815**	153,560	(3.7)	(3.8)	73
American broadband services	**148,215**	136,506	8.6	7.6	1,370
Inter-segment eliminations and other	**6,803**	7,911	(14.0)	(14.0)	(2)
	302,833	297,977	1.6	1.1	1,441

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

Fiscal 2019 fourth-quarter operating expenses increased by 1.6% (1.1% in constant currency) mainly from:

- additional costs in the American broadband services segment mainly due to higher programming costs, additional headcount to support growth, higher marketing initiatives to drive primary service units growth and the FiberLight acquisition; partly offset by
- lower operating expenses in the Canadian broadband services segment mainly attributable to lower programming costs resulting from a lower level of primary service units and lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019, partly offset by higher marketing initiatives and
- lower costs in Inter-segment eliminations and other resulting from the timing of certain initiatives.

MANAGEMENT FEES

Fiscal 2019 fourth-quarter management fees paid to Cogeco Inc. reached $5.2 million compared to $4.8 million for the same period of fiscal 2018.

ADJUSTED EBITDA

Three months ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	172,120	166,181	3.6	3.6	(73)
American broadband services	115,523	109,937	5.1	4.1	1,057
Inter-segment eliminations and other	(12,033)	(12,707)	(5.3)	(5.3)	2
	275,610	263,411	4.6	4.3	986

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

Fiscal 2019 fourth-quarter adjusted EBITDA increased by 4.6% (4.3% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of strong organic growth combined with the impact of the FiberLight acquisition; and
- an increase in the Canadian broadband services segment resulting mainly from a decline in operating expenses.

INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2019 fourth-quarter integration, restructuring and acquisition costs amounted to $0.7 million mostly due to acquisition and integration costs in the American broadband services segment.

Fiscal 2018 fourth-quarter integration, restructuring and acquisition costs amounted to $1.7 million due to the MetroCast acquisition completed on January 4, 2018.

DEPRECIATION AND AMORTIZATION

Three months ended August 31,	2019	2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment	106,698	106,899	(0.2)
Amortization of intangible assets	14,858	13,172	12.8
	121,556	120,071	1.2

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 fourth-quarter depreciation and amortization expense increased by 1.2% mostly as a result of the impact of the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

FINANCIAL EXPENSE

Three months ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Interest on long-term debt	**41,307**	46,127	(10.4)
Net foreign exchange losses (gains)	**(403)**	482	—
Amortization of deferred transaction costs	**464**	441	5.2
Capitalized borrowing costs	**(168)**	(162)	3.7
Other	**(763)**	821	—
	40,437	47,709	(15.2)

(1) Fiscal 2018 was restated to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Discontinued operations" section.

Fiscal 2019 fourth-quarter financial expense decreased by 15.2% mainly due to:

- the reimbursements of $65 million and US$35 million under the Canadian Revolving Facility during the second quarter of fiscal 2019 and of US$328 million during the third quarter of fiscal 2019 following the sale of Cogeco Peer 1; and
- lower debt outstanding and interest rates on the First Lien Credit Facilities; party offset by
- the appreciation of the US dollar against the Canadian dollar compared to same period of the prior year.

INCOME TAXES

Three months ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Current	**11,603**	9,301	24.8
Deferred	**8,899**	8,783	1.3
	20,502	18,084	13.4

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Three months ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Profit before income taxes	**112,905**	93,954	20.2
Combined Canadian income tax rate	**26.50%**	26.50%	—
Income taxes at combined Canadian income tax rate	**29,920**	24,898	20.2
Difference in operations' statutory income tax rates	**1,404**	73	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**15**	—	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**220**	(397)	—
Tax impacts related to foreign operations	**(7,517)**	(6,825)	10.1
Other	**(3,540)**	335	—
	20,502	18,084	13.4

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 fourth-quarter income taxes expense increased by 13.4% compared to the same period of the prior year mainly attributable to:

- the increase in profit before income taxes; and
- 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,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the period from continuing operations	92,403	75,870	21.8
Profit for the period	94,323	74,818	26.1
Profit for the period from continuing operations attributable to owners of the Corporation	87,850	72,753	20.8
Profit for the period attributable to owners of the Corporation	89,770	71,701	25.2
Profit for the period from continuing operations attributable to non-controlling interest[(2)]	4,553	3,117	46.1
Basic earnings per share from continuing operations	1.78	1.48	20.3
Basic earnings per share	1.82	1.45	25.5

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) The non-controlling interest represents a participation of 21% in Atlantic Broadband's results by Caisse de dépot et placement du Québec ("CDPQ"), effective since the MetroCast acquisition on January 4, 2018.

Fiscal 2019 fourth-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 21.8% and 20.8%, respectively, as a result of:

- higher adjusted EBITDA; and
- the decrease in financial expense.

Fiscal 2019 fourth-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 26.1% and 25.2%, respectively, mainly due to a profit for the period from discontinued operations of $1.9 million due to working capital adjustments during the fourth quarter related to the sale of Cogeco Peer 1 compared to a loss for the period from discontinued operations of $1.1 million for the comparable period of the prior year in addition to the elements mentioned above.

CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2019 [(1)]	2018 [(2)]	Change	Change in constant currency [(3)]	Foreign exchange impact [(3)]
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	319,935	319,741	0.1	0.1	—
Operating expenses	147,815	153,560	(3.7)	(3.8)	73
Adjusted EBITDA	172,120	166,181	3.6	3.6	(73)
Adjusted EBITDA margin	53.8%	52.0%			
Acquisitions of property, plant and equipment	79,132	89,405	(11.5)	(11.7)	225
Capital intensity	24.7%	28.0%			

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

REVENUE

Fiscal 2019 fourth-quarter revenue remained essentially the same at $319.9 million compared to $319.7 million for the same period of the prior year mainly as a result of:

- rate increases; partly offset by
- decreases in video and telephony services customers compared to the same period of the prior year primarily due to issues resulting from the implementation of a new customer management system in the second half of fiscal 2018.

OPERATING EXPENSES

Fiscal 2019 fourth-quarter operating expenses decreased by 3.7% (3.8% in constant currency) mainly attributable to:

- lower programming costs resulting from a lower level of primary service units;
- lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019; and
- costs incurred in fiscal 2018 driven by an increase in headcount to support the stabilization phase of the new customer management system; partly offset by
- higher marketing initiatives.

ADJUSTED EBITDA

Fiscal 2019 fourth-quarter adjusted EBITDA increased by 3.6% (3.6% in constant currency) resulting mainly from a decline in operating expenses.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 fourth-quarter acquisitions of property, plant and equipment decreased by 11.5% (11.7% in constant currency) resulting from:

- lower purchases of customer premise equipment due to the timing of certain initiatives; and
- lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; partly offset by
- additional investments to improve and expand the network infrastructure; and
- costs related to the new IPTV platform.

Fiscal 2019 fourth-quarter capital intensity reached 24.7% compared to 28.0% for the same period of the prior year mainly as a result of lower capital expenditures.

CUSTOMER STATISTICS

		Net additions (losses)	
		Three months ended August 31,	
	August 31, 2019	**2019**	2018 (1)
Primary service units	**1,810,366**	**(2,846)**	(35,818)
Internet service customers	**788,243**	**2,540**	(2,965)
Video service customers	**649,583**	**(8,164)**	(15,953)
Telephony service customers	**372,540**	**2,778**	(16,900)

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

During the third quarter of fiscal 2018, the Canadian broadband services segment implemented a new customer management system, replacing 22 legacy systems. While the customer management system was still in the stabilization phase, contact center congestion resulted in lower services activations during most of the fourth quarter of fiscal 2018. Contact center and marketing operations had returned to normal at the end of the first quarter of 2019.

Variations of each services are also explained as follows:

INTERNET

Fiscal 2019 fourth-quarter Internet service customers net additions stood at 2,540 compared to net losses of 2,965 for the same period of the prior year mainly due to:

- the ongoing interest in high speed offerings;
- the sustained interest in bundle offers; and
- the increased demand from Internet resellers; partly offset by
- competitive offers in the industry.

VIDEO

Fiscal 2019 fourth-quarter video service customers net losses stood at 8,164 compared to 15,953 for the same period of the prior year as a result of:

- highly competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- customers' ongoing interest in digital advanced video services; and
- customers' interest in video services bundled with fast Internet offerings.

TELEPHONY

Fiscal 2019 fourth-quarter telephony service customers net additions amounted to 2,778 compared to net losses 16,900 for the same period of the prior year mainly due to:

- more telephony bundles due to additional promotional activity in the second half of fiscal 2019; and
- growth in the business sector; partly offset by
- increasing wireless penetration in North America and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only.

AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	**2019** (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**263,738**	246,443	7.0	6.0	2,427
Operating expenses	**148,215**	136,506	8.6	7.6	1,370
Adjusted EBITDA	**115,523**	109,937	5.1	4.1	1,057
Adjusted EBITDA margin	**43.8%**	44.6%			
Acquisitions of property, plant and equipment	**65,967**	72,914	(9.5)	(10.5)	704
Capital intensity	**25.0%**	29.6%			

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

REVENUE

Fiscal 2019 fourth-quarter revenue increased by 7.0% (6.0% in constant currency). In local currency, revenue amounted to US$199.5 million compared to US$188.1 million for the same period of fiscal 2018. The increase resulted mainly from:

- rate increases;
- activation of bulk properties in Florida during the fourth quarter of fiscal 2019;
- continued growth in Internet service customers; and
- the FiberLight acquisition completed in the first quarter of fiscal 2019; partly offset by
- a decrease in video service customers.

OPERATING EXPENSES

Fiscal 2019 fourth-quarter operating expenses increased by 8.6% (7.6% in constant currency) mainly as a result of:

- programming rate increases;
- the FiberLight acquisition completed in the first quarter of fiscal 2019;
- higher compensation expenses due to higher headcount to support growth; and
- higher marketing initiatives to drive primary service units growth.

ADJUSTED EBITDA

Fiscal 2019 fourth-quarter adjusted EBITDA increased by 5.1% (4.1% in constant currency). In local currency, adjusted EBITDA amounted to US$87.4 million compared to US$83.9 million for the same period of fiscal 2018. The increase was mainly due to organic growth combined with the impact of the FiberLight acquisition.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 fourth-quarter acquisitions of property, plant and equipment decreased by 9.5% (10.5% in constant currency) mainly due to:

- lower purchases of customer premise equipment due to the timing of certain initiatives; and
- lower capital expenditures due to the timing of certain initiatives; partly offset by
- additional capital expenditures related to the expansion in Florida.

Fiscal 2019 fourth-quarter capital intensity reached 25.0% compared to 29.6% for the same period of the prior year as a result of revenue growth combined with lower capital expenditures.

CUSTOMER STATISTICS

		Net additions (losses)	
		Three months ended August 31,	
	August 31, 2019	2019	2018
Primary service units	901,446	7,431	2,797
Internet service customers	446,137	2,441	4,693
Video service customers	312,555	5,294	(3,046)
Telephony service customers	142,754	(304)	1,150

INTERNET

Fiscal 2019 fourth-quarter Internet service customers net additions stood at 2,441 compared to 4,693 for the same period of the prior year as a result of:

- additional connects related to the Florida expansion initiatives and in the MetroCast footprint;
- our customers' ongoing interest in high speed offerings; and
- growth in both the residential and business sectors.

VIDEO

Fiscal 2019 fourth-quarter video service customers net additions stood at 5,294 compared to net losses of 3,046 for the same period of the prior year mainly from:

- the activation of bulk properties in Florida during the fourth quarter of fiscal 2019; and
- our customers' ongoing interest in TiVo's digital advanced video services; partly offset by
- competitive offers in the industry; and
- a changing video consumption environment.

TELEPHONY

Fiscal 2019 fourth-quarter telephony service customers net losses stood at 304 compared to net additions of 1,150 for the same period of the prior year mainly as a result of a decline in the residential sector, partly offset by growth in the business sector.

CASH FLOW ANALYSIS

Three months ended August 31,	2019	2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	304,702	255,438	19.3
Cash flow from investing activities	(144,332)	(194,474)	(25.8)
Cash flow from financing activities	(50,198)	(52,127)	(3.7)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(1,405)	(63)	—
Net change in cash and cash equivalents from continuing operations	108,767	8,774	—
Net change in cash and cash equivalent from discontinued operations(2)	—	13,133	(100.0)
Cash and cash equivalents, beginning of the period	447,737	62,818	—
Cash and cash equivalents, end of the period	556,504	84,725	—

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) For further details on the Corporation's cash flow attributable to discontinued operations, please consult the "Discontinued operations" section.

OPERATING ACTIVITIES

Fiscal 2019 fourth-quarter cash flow from operating activities increased by 19.3% compared to the same period of the prior year mainly from:

- higher adjusted EBITDA;
- the decreases in income taxes paid and financial expense paid; and
- the increase in changes in non-cash operating activities primarily due to changes in working capital.

INVESTING ACTIVITIES

Fiscal 2019 fourth-quarter investing activities decreased by 25.8% compared to the same period of the prior year mainly due to the acquisition of spectrum licenses in the Canadian broadband services segment in the comparable period of the prior year combined with a decrease in acquisitions of property, plant and equipment.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

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

Three months ended August 31,	2019	2018 (1)	Change	Change in constant currency (2)
(in thousands of dollars, except percentages)	$	$	%	%
Canadian broadband services	79,132	89,405	(11.5)	(11.7)
Capital intensity	24.7%	28.0%		
American broadband services	65,967	72,914	(9.5)	(10.5)
Capital intensity	25.0%	29.6%		
Consolidated	145,099	162,319	(10.6)	(11.2)
Capital intensity	24.9%	28.7%		

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

Fiscal 2019 fourth-quarter acquisitions of property, plant and equipment decreased by 10.6% (11.2% in constant currency) mainly due to lower capital expenditures in the Canadian and American broadband services segments.

Fiscal 2019 fourth-quarter capital intensity reached 24.9% compared to 28.7% for the same period of the prior year mainly as a result of lower capital capital expenditures combined with higher revenue.

FREE CASH FLOW

Fiscal 2019 fourth-quarter free cash flow increased by 76.5% (76.9% in constant currency) compared to the same period of the prior year, mainly due to the following:

- higher adjusted EBITDA;
- the decrease in acquisitions of property, plant and equipment; and
- the decrease in financial expense.

FINANCING ACTIVITIES

Fiscal 2019 fourth-quarter change in cash flows arising from financing activities is mainly explained as follows:

Three months ended August 31,	2019	2018	Explanations
(in thousands of dollars)	$	$	
Decrease in bank indebtedness	**(4,821)**	(9,913)	Related to the timing of payments made to suppliers.
Net decrease under the revolving facilities	**—**	(13,342)	Repayments of the revolving facilities in the fourth quarter of fiscal 2018.
Repayment of long-term debt	**(5,650)**	(5,548)	Not significant.
Increase in deferred transaction costs	**(1,778)**	—	Not significant.
	(12,249)	(28,803)	

DIVIDENDS

During the fourth quarter of fiscal 2019, a quarterly eligible dividend of $0.525 per share was paid to the holders of subordinate and multiple voting shares, totalling $25.9 million, compared to an eligible quarterly dividend paid of $0.475 per share, or $23.4 million in the fourth quarter of fiscal 2018.

NORMAL COURSE ISSUER BID

During the fourth quarter of fiscal 2019, Cogeco Communications purchased and cancelled 169,800 subordinate voting shares with average stated value of $4.7 million for a total consideration of $17.9 million.

11. FISCAL 2020 FINANCIAL GUIDELINES

Cogeco Communications maintains its fiscal 2020 preliminary financial guidelines as issued on July 10, 2019.

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 a foreign currency rate. 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. Moreover, the financial guidelines exclude possible acquisitions and do not take into consideration the recent CRTC costing decision setting final rates for aggregated wholesale Internet services for resellers, since these new rates are being disputed in court. For further details, please consult the "Business developments" subsection.

On a constant currency and consolidated basis, Cogeco Communications expects fiscal 2020 revenue to grow between 2% and 4% mainly as a result of organic growth in the American broadband services segment for both the residential and business sectors, the continued expansion in Florida and annual rate increases. In the Canadian broadband services segment, revenue growth should stem primarily from growth in the business sector and Internet customer additions.

On a constant currency and consolidated basis, fiscal 2020 adjusted EBITDA should grow between 2.5% and 4.5% mainly as a result of revenue growth exceeding operating expenses in both the American and Canadian broadband services segments.

The capital intensity ratio should increase as a result of capital expenditures growth exceeding revenue increase. In the American broadband services segment, higher capital expenditures are expected due to the continued Florida network expansion and additional investments in our network infrastructure in the areas we serve, partly offset by lower capital expenditures due to the completion of equipment replacements in the MetroCast regions in fiscal 2019. In the Canadian broadband services segment, stable capital expenditures are expected as a result of lower customer premise equipment costs, offset by investments to expand our network footprint across Ontario and Québec combined with investments in digitalization projects.

Free cash flow on a constant currency and consolidated basis should increase between 5% and 11% mainly due to the growth of adjusted EBITDA, partly offset by higher capital expenditures.

The following table outlines fiscal 2020 financial guidelines ranges on a consolidated basis:

	Projections (prior to the adoption of IFRS 16) [1]	Actual
	Fiscal 2020 [2]	Fiscal 2019
(in millions of dollars, except percentages)	$	$
Financial guidelines		
Revenue	Increase of 2% to 4%	2,332
Adjusted EBITDA	Increase of 2.5% to 4.5%	1,108
Acquisitions of property, plant and equipment	$460 to $480	435
Capital intensity	19% to 20%	18.6%
Free cash flow[3]	Increase of 5% to 11%	454

(1) Fiscal 2020 financial guidelines presented as percentages reflect increases over projections for fiscal 2019 prior to the adoption of IFRS 16, *Leases*. However, management does not expect the adoption of IFRS 16 will have a significant impact on its results of operations, and therefore financial guidelines should not be impacted.

(2) Fiscal 2020 financial guidelines are based on a USD/CDN exchange rate of 1.3255 USD/CDN.

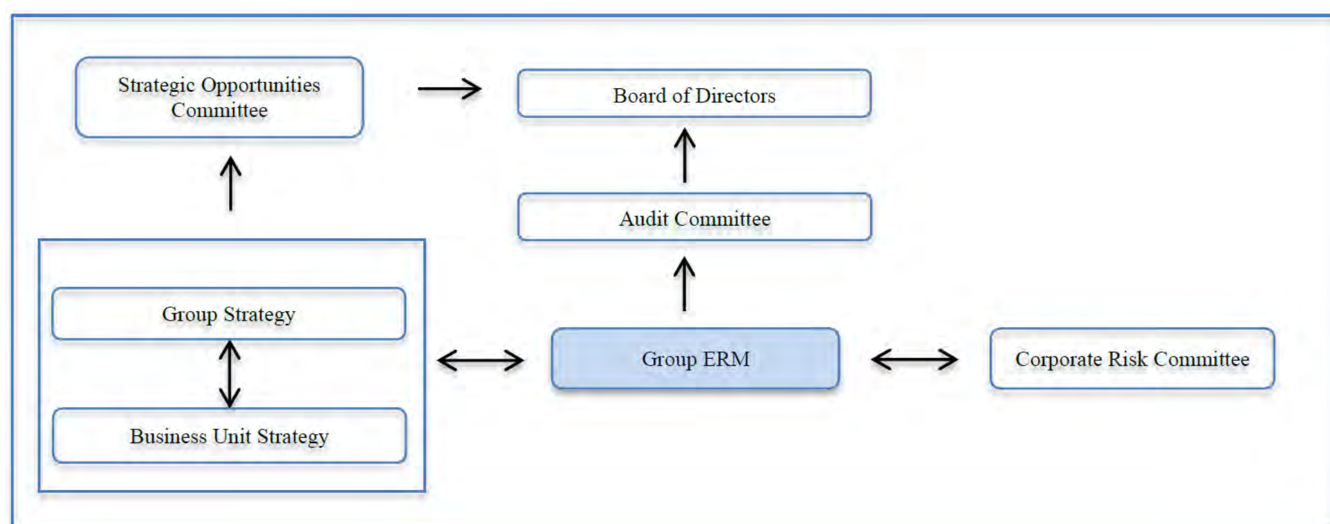
(3) The assumed current income tax effective rate is approximatively 12%

12. UNCERTAINTIES AND MAIN RISK FACTORS

This section outlines the principal risks and uncertainties which Cogeco Communications 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 integrated enterprise-wide risk management ("ERM") program structured and governed based on the widely adopted *Committee of Sponsoring Organisations of the Treadway Commission* ("COSO") ERM integrated framework. The ERM approach is supported by a Risk Governance Ecosystem as illustrated below.



The Risk Governance Ecosystem solicits input from corporate functions as well as business units and feeds the strategic planning process.

Annual Consolidated Risk Assessment	On an annual basis, principal business risks that could impact the Corporation are identified during an Executive Risk Workshop. Risks considered are not only strategic, operational, financial and compliance in nature but also environmental, social and governance ("ESG") related. In addition, during this workshop, the Risk Appetite Framework, guiding strategic decision making, is reviewed and updated, as needed. Critical output from this workshop is used in the preparation of the corporate strategy and presented to the Board of Directors as part of the strategic planning process.
Business Unit Risk Assessment	As part of the strategic planning process, business units identify the principal risks specific to their business unit as well as mitigation plans.
Risk Oversight	On an annual basis, the Board, with the Audit Committee, reviews the principal business risks facing the Corporation and its subsidiaries as well as the mitigation measures implemented to manage these risks. On a quarterly basis: - the Corporate Risk Committee, comprised of the CEO and his direct reports, governs risk management. - the Audit Committee oversees the ERM activities and the operational and financial risks associated with significant programs or projects of the Corporation.
Other Risk Related Activities	A risk universe and trends universe (e.g. industry, technology, regulatory, social, economic, political) is maintained by the ERM function and updated through exchanges with members of the business units covering risks and key trends that could impact our risk assessment and strategic planning.

12.1 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, a larger base of customers while some are digital native organizations with lower cost structures due to the absence of legacy systems to maintain. In addition, some competitors are pursuing an overbuild strategy, i.e building a network in areas where a competitor network already exists, in certain markets to grow their footprint. Our competitors may be able to adapt more quickly to new or emerging technologies, changes in customer expectations, 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 our 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 intensifying competition in our Canadian broadband services segment from several large integrated communications service providers and Internet resellers.

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"), the largest competitor, offers through its various operating entities similar 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 and satellite platforms throughout our network footprint. TELUS Communications Company ("Telus") offers through its various operating entities similar competitive voice, Internet and video services to residential as well as to business customers in Eastern Québec.

Bell and Telus are replacing older telephone systems with new 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 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, increasing competition between wireless technology and wireline broadband access in our territories.

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 ("CRTC") in order to provide Internet, telephony and to a lesser extent, video services to their customers. Resellers' market share is growing, especially in Québec and Ontario, the two regions in Canada where the resellers have been more active and are marketing their services. The recently CRTC mandated revised wholesale rates, if enforced, will provide TPIAs with a cost structure which could lead to increased competition either from established TPIA providers or new entrants. Cogeco Connexion also faces competition from satellite-based access Internet 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.

Our main 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. We are also facing intensified competition from overbuild strategies in our Florida, Connecticut and New Hampshire markets.

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 little competition from wireless Internet service providers. AT&T is also 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 wireless 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 from over-the-top ("OTT") content providers.

Cogeco Connexion and Atlantic Broadband also face competition from OTT video content providers. The majority of households use OTT services such as Netflix as they complement wired video services. The OTT trend is expected to continue and we could be materially adversely affected if, as a result, a significant number of video customers disconnected their services or reduced 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 replacing fixed lines with 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 could have a material adverse effect on our business, financial condition, prospects and results of operations.

Wireline to wireless home broadband substitution will likely increase.

An increasing number of wireline Internet customers are expected to replace wireline broadband Internet access with wireless Internet access with the launch by Canadian wireless operators, of faster speeds and unlimited data packages at attractive price points. 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 "four play" bundles that include wireless communications.

Although we provide "double play" and "triple play" bundled services 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 "four play" bundled services 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 in line with our priorities and within our 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 areas 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.

12.2 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 drivers 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 38% 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 viable, therefore the number of video channels may change from year to year.

Certain affiliation agreements with some of our major programming suppliers have expired and the terms and conditions for their renewal have not yet been fully 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.

While the programming costs in the United States showed some signs of stabilization in the last year, our ability to access content at reasonable rates, terms and conditions could be negatively impacted by the changing content landscape resulting from the increasing number of company mergers such as AT&T and Time Warner, Disney and 21st Century Fox, in 2018 and the pending Viacom and CBS merger expected in late 2019 early 2020. This ongoing consolidation activity could enable combined companies to leverage popular content and negotiate better terms with us in the future or require that we carry their less popular services, thus further increasing our costs. In addition to the increase in programming costs, most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Some of these same programmers are simultaneously launching their own direct-to-consumer products to effectively compete with programming distributors.

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 the carriage of multicast signals. The landscape continues to evolve with the pending purchase by Sinclair Broadcasting Group's, the largest affiliate broadcaster, of select regional sports networks further enhancing its leverage over programming distributors. We expect to continue to be subject to significant increases in fees by broadcasters in exchange for their required consent for the retransmission of local broadcast programming to customers.

The inability to acquire and provide content to our customers that meets their expectations 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 customer management system which involved the data conversion and migration of approximately one 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 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 EXPECTATIONS

Consumers continue to shift their media consumption towards digital and online media, mobile devices and on-demand content requiring industry players to increase their efforts in digital content and capabilities in order to compete. Consumers are also responding more and more to personalized content and marketing. In addition, rising OTT fragmentation is triggering a consumer call for aggregation of OTT offerings on a common platform. The Corporation has various on-going initiatives in place to evolve its products and service offerings, in the digital space, in line with customer expectations. 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 evolution of technology has enabled more targeted marketing approaches, initiatives and campaigns, thus changing the dynamics of the competitive environment. The Corporation is evolving its marketing and sales approach to align with customer preferences powered by machine learning and artificial intelligence and automated marketing platform based on a highly segmented outreach. The failure to achieve sales growth targets as a result of inadequate marketing and/or sales strategies, a deficient execution of said strategies or operating difficulties could have a material adverse effect on our business, financial condition and results of operations.

RELIANCE ON THIRD PARTIES

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 various 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 material adverse effect on our business, financial condition 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.

FOREIGN OPERATIONS

Our American Broadband services activities are carried out by Atlantic Broadband in 11 states along the East Coast from Maine to Florida and represent 44.5% 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 effect on our operating and financial results.

TALENT MANAGEMENT AND SUCCESSION PLANNING

The fast pace of technological advancements and the digitization within the industry and the workplace have created a shortage of digital skills as industry players compete for the same resources. In addition, employees expectations are evolving requiring comprehensive employee experiences to attract and retain talent. Our success is substantially dependent on our capacity to attract new talent and our ability to retain existing talent and foster 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 Corporation 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

Collective bargaining agreements are in place with some of our employees that are renewed from time to time in the normal course of business. 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.

12.3 REGULATORY RISKS

REGULATORY RISKS - CANADIAN AND AMERICAN BROADBAND SERVICES

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

Our Canadian and American broadband operations are subject to extensive and evolving laws, regulations and policies at the federal, provincial, state and local levels. Cogeco Connexion is primarily regulated respectively under the *Broadcasting Act* and the *Telecommunications Act* and regulations thereunder while Atlantic Broadband is regulated mainly by the *Communications Act*. In addition, they are both subject to other laws relating to copyright and intellectual property, data protection, privacy of personal information, spam, e-commerce, direct marketing and digital advertising which have become more prevalent in recent years. Changes to existing laws and regulations, the adoption of new laws and regulations as well as periodic reviews of copyright royalties payable in relation to the use by the Corporation of protected content could have negative financial, operational or competitive consequences on our business, financial condition, prospects and results of operations by increasing our costs, limiting our revenues and/or imposing additional restrictions on our operations.

Regulations and policies are evolving rapidly.

Several recent proceedings and decisions of the CRTC in Canada and the Federal Communications Commission ("FCC") in the United States could have a material adverse effect on our business and results of operations.

Canada

On December 19, 2018, the Copyright Board of Canada issued the rates payable for period 2014-2018 for the retransmission of distant Canadian and US television over-the-air signals in Canada. The 2018 rate established at $1.17 per subscriber per month represented a significant increase over the previous rate and was applied retroactively to 2014. This rate is the interim rate applicable going forward until rates for period 2019-2023 are either settled through negotiations or certified by the Copyright Board. In June 2018, the retransmission collective societies have filed their proposed rates for 2019-2023 asking for increases that range from $8.00 per subscriber per month in 2019 to $9.50 in 2023. The industry has duly opposed these rates. Any such further increase to the royalties payable under the statutory retransmission regime established under the *Copyright Act* could have a material impact on the financial condition and results of operations of the Corporation.

On February 28, 2019, the CRTC initiated a public consultation to review mobile wireless services in Canada. In this proceeding, the CRTC will consider three areas for review: (i) competition in the retail wireless market, (ii) the current wholesale mobile wireless service regulatory framework, with a focus on wholesale MVNO access, and (iii) the future of mobile wireless services in Canada, with a focus on reducing barriers to infrastructure deployment. The CRTC is concerned that the mobile wireless market continues to demonstrate a high degree of market concentration. To protect the interest of users and further the policy objectives of the Telecommunications Act, the CRTC has determined as a preliminary view in this Notice of Consultation, that it would be appropriate to mandate the national wireless carriers in Canada (Bell Mobility, Rogers Communications and Telus Communications) to provide wholesale MVNO access as an outcome of the proceeding. The CRTC received initial submissions on May 15, 2019 which will be followed by a public hearing scheduled to begin on January 13, 2020. A decision is expected sometime in mid-2020.

On May 15, 2019, the Parliament's Standing Committee on Canadian Heritage released its report on the review of the *Copyright Act*, following its study of remuneration models for artists and creative industries and after conducting hearings with witnesses from various sectors of activities, stakeholders and legal experts. The report contains a set of recommended amendments to the *Copyright Act.* It is difficult to predict if these recommendations will be adopted over time or the extent to which any changes might adversely affect us.

On June 3, 2019, the CRTC released an application guide for the Broadband Fund which will make available up to $750 million over the first five years to support projects aiming to build or upgrade infrastructure for fixed and wireless broadband Internet access services. It also released at the same time the first call for applications for funding projects in 1) eligible satellite-dependent communities located in Northern Canada, or 2) eligible geographic areas in the North West Territories, Nunavut or Yukon. Following an analysis of the published maps outlining the eligible communities and areas for the first call for applications, the Corporation concluded that these communities and areas were not targeted by our network expansion strategy. The next call for applications is expected to be launched in the fall 2019. Other governmental subsidies are expected to be made available in the next fiscal year through federal or provincial programs such as the Universal Broadband fund (ISED) and the Québec Haut Débit program. It is difficult to predict how much funds the Corporation will be able to secure from these programs and the impact it may have on its business and affairs.

On June 5, 2019, Innovation, Science and Economic Development Canada ("ISED") released its decision regarding Millimetre wave ("mmWave") spectrum to support 5G, which appears as a generally favorable decision as it frees up considerable mmWave spectrum for future 5G deployment. On July, 23, 2019, ISED announced that it would move ahead with the creation of smaller license Tier 5 license areas for spectrum in order to support more efficient use of spectrum resources and encourage network rollout in rural and remote areas. In addition, ISED also decided to move to a consumption-based license fee model for fixed point to point systems which will reduce significantly the license fees to be paid for operating these systems in future. ISED is currently reviewing the allocation rules of the 3500 MHZ spectrum with an auction expected to be held in 2020.

On June 18, 2019, the Federal Court of Appeal ("FCA") granted to Québecor the right to appeal a decision issued by the CRTC compelling TVA Group Inc. to continue providing its programming service, TVA Sports, to Bell TV customers until they can reach an agreement concerning the carriage and distribution terms of TVA Sports or until the CRTC renders a decision on matters not resolved by agreement. This order is commonly referred to as a "standstill" order and is made to enforce the "standstill" rule in the *Discretionary Services Regulations*. Québecor is arguing that the CRTC does not have the jurisdiction pursuant to the *Broadcasting Act* to interfere in commercial relations and force a party to maintain the distribution of a television signal during a dispute and that the standstill rule conflicts with the *Copyright Act*. Should the court confirm Québecor's position, this decision would have negative consequences for the Corporation as it would eliminate negotiation safeguards to ensure that broadcasting distribution undertakings ("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. The Corporation has filed leave to intervene before the Federal Court of Appeal on September 26, 2019 and will seek to have the court declare that the "standstill" rule is within the jurisdiction of the CRTC and does not conflict with the Copyright Act. Other motions for intervention have been filed by the Attorney General of Canada and Telus. In the absence of such negotiation safeguards, contained in *Discretionary Services Regulations* and in the *Wholesale Code* adopted in 2016 to govern the commercial arrangements between BDUs and programming services and in conditions of license of licensees, 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 June 26, 2019, the Review Panel appointed in 2018 by the Federal Government to review and modernize the *Broadcasting Act, the Radiocommunication Act* and the *Telecommunications Act (the "Acts")*, released its preliminary report, after having held working sessions and meetings with industry stakeholders throughout the year. The report entitled "What We Heard" summarizes the input received from Canadians representing a wide range of views from diverse groups of interested parties. The report contains neither recommendations nor conclusions on any issue in its mandate. The panel is expected to report to the Government with its recommendations by January 31, 2020. It is difficult to predict how the *Acts* will be amended, and if so, when these changes will be implemented or how they will be construed by the relevant courts or the extent to which any changes might adversely affect us.

On August 15, 2019, the CRTC issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the FCA and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the

impact of the new reduced rates in the 2019 financial statements. The outcome of these proceedings and the resulting wholesale rates applicable to Internet resellers could have a material adverse effect on our business, financial condition and results of operations.

United States

The FCC has taken since 2017 a less interventionist 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.

Following the issuance by the FCC of its *2018 Restoring Internet Freedom Order* removing many regulatory requirements from broadband service providers by reclassifying broadband service from a telecommunications service to an information service, several federal and state legislators have introduced legislation to reinstate some regulatory requirements, which would increase oversight and regulation of the industry. Some have even advocated for the creation of public broadband Internet service providers. Any such legislation could reduce our revenues and restrict the way we offer products and services, as well as increase competition from publicly-funded service providers.

The STELA Reauthorization Act of 2014 ("STELARA"), which amended certain provisions of the Communications Act governing the retransmission of distant broadcast signals, is set to expire at the end of 2019. STELARA included certain provisions that protect programming distributors, like Atlantic Broadband, from unfair treatment by broadcast stations, including: 1) prohibiting broadcast stations and programming distributors from entering into exclusive retransmission consent agreements, 2) requiring broadcast stations and programming distributors to negotiate retransmission agreements in good faith, 3) prohibiting joint retransmission consent negotiations by same-market broadcast stations, and 4) prohibiting broadcast stations from limiting the ability of programming distributors to carry out-of-market significantly viewed stations. Broadcasters are urging Congress to allow STELARA to expire, which would remove the foregoing protections. In the past, Congress has used STELARA as a means to pass other related provisions governing the retransmission of broadcast signals. If Congress allows STELARA to expire or renews STELARA with more onerous provisions, Atlantic Broadband's ability to secure the right to retransmit broadcast stations could be negatively impacted, and its costs could increase significantly.

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 Atlantic Broadband's service areas.

The FCC recently launched a proceeding to reallocate C-Band spectrum for 5G services and other users. The C-Band consists of 500 MHz of spectrum. Atlantic Broadband and other MVPDs currently use this spectrum for the receipt of programming signals. If the final regulations allow other users to utilize the same spectrum, filters would be necessary to prevent 5G interference, which could result in poor quality resolution. If current users are required to find alternative means of receiving signals, Atlantic Broadband could incur significant costs.

Congress introduced on July 25, 2019 a bipartisan bill titled the Modern Television Act of 2019. This bill would repeal retransmission consent and compulsory copyright licenses, as well as several other outdated statutory provisions. This would allow free-market contract negotiations for the carriage of broadcast signals and corresponding copyright licenses, which could give the broadcast stations considerable leverage in contract negotiations. This bill is broad sweeping and could affect Atlantic Broadband in multiple areas, depending on how the bill progresses through Congress.

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 which we compete with 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. Make ready work, which is the strengthening of the poles and/or relocation of other facilities on the poles to accommodate additional attachments, often takes several months to years to complete, which delays the company's network expansion. The FCC recently adopted regulations, which allow those seeking new attachment rights, in certain cases, to move existing cables and accessories to accommodate the new attachments, which could result in service interruptions and damage to the company's network. There is always the possibility that the FCC or a State could adopt additional regulations governing pole attachments, including permitting the increase of pole attachment rates paid by cable operators.

Additionally, depending on whether the state regulates itself or delegates authority to municipalities to regulate, Atlantic Broadband is required to obtain a franchise from states or local municipalities in order to use the public rights-of-way and provide cable or telecommunications services. Such franchises may involve the payment of franchise fees, the provision of public, educational and governmental access channels, the provision of institutional networks and free services to municipal buildings, schools and libraries. In August 2019, the FCC issued its Final Notice and Third Report and Order in the Implementation of Section 621(a)(1) of the Cable Communications Policy Act of 1984 ("Order"), in which it restricted municipalities from regulating non-cable related services, such as high-speed data, and required that certain costs be included within franchise fees paid by operators to franchising authorities. Federal law caps franchise fees at 5% of the gross revenues derived by operators from the provision of cable service within the franchise area. If this Order is challenged or if legislation is introduced to give state and local governments more regulatory authority, it could increase our costs and delay access to the rights-of-way.

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.

12.4 TECHNOLOGY RISKS

NETWORK FAILURE

The Corporation manages 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

Our daily operations are 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 effect 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 affect our operational results and financial position. During the third quarter of fiscal 2018, Cogeco Connexion implemented a new 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. Any future difficulties from system replacements or upgrades 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 continue to enhance our cyber resilience posture, the overall governance over information security and the security awareness of our employees through continuous training and continuous improvement efforts surrounding the security of our IT systems, the controls within our IT systems and our business processes. Our Cyber Security Framework and our Information and Cyber-Security Policy are based on the internationally recognized National Institute of Standards and Technology framework.

During fiscal 2019, 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 data breaches which could have an adverse effect on our brand and reputation as well as entail significant legal and financial exposure.

DATA PROTECTION

We do not disclose any customers' personal information without the consent of our customers, unless otherwise required by law. In the course of our business, we collect, use and manage various data about our customers, including sensitive personal information but policies, procedures, guidelines, business rules and safeguards are in place to ensure that the personal information of our customers is protected and treated appropriately under applicable privacy laws. Each business unit within the Corporation 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. The Corporation is committed to providing transparency to its customers with respect to the Corporation's practices in handling their information.

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 and the United States may impose limits on our collection, use and disclosure of certain kinds of information.

Any malfunction of our systems or security breaches resulting in unauthorized access to, loss or use of, customer and employee personal information could result in the potential loss of business, damage to our market reputation, litigation, regulatory scrutiny and penalties.

12.5 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 US dollars. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar 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 hedges of net investments in 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 floating interest rate instruments and have a material adverse effect 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 effect on financial results.

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

12.6 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.

12.7 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. 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 effect 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.

CLIMATE CHANGE

The effects of global climate change are increasing the severity and frequency of natural threats on our business, such as weather-related events, and may result in increased operational and capital costs. Certain of our facilities are located in areas more prone to weather-related events such as Atlantic Broadband's operations in Florida. Some of the more significant climate-related risks that were identified include: 1) increased operational costs due to increase in fuel and energy prices coming from carbon taxes and cap and trade programs; and 2) increased operational and capital costs as a result of damage to facilities and/or equipment because of extreme weather events or increased variability in weather patterns. For example, increased temperatures could impact our network equipment which could entail the need for additional cooling devices and could reduce equipment lifespan. Ice storms or extreme precipitations could have a negative impact on the physical network infrastructure which could affect the delivery of service to our customers. Hurricanes and cyclones could impact or destroy the facilities or portions of the network and could also impact our insurance-related expenses. Impacts to our supply chain would adversely affect the ability of suppliers to supply required products and services and increased capital expenditures could result from the substitution of existing products and services with lower emissions options.

Climate-related risks are mitigated through business continuity and disaster recovery plans and strategies as well as through the implementation of energy efficiency initiatives that will contribute to the reduction of operational costs (refer to the "Corporate Social Responsibility" section). The magnitude of the effects of climate change could be unpredictable and therefore, our plans may not successfully mitigate the consequences of a natural disaster. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

12.8 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 call centres are often outsourced in our industry, 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 2019, the Corporation contributed $7.8 million in cash and in-kind 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 our gross video 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.

12.9 ETHICAL BEHAVIOR RISKS

Maintaining high ethical practices throughout the Corporation 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 violations to the Corporation Code of Ethics and employees are also encouraged to use this tool to seek advice about ethical and lawful behaviour. In order to increase employee's awareness on ethics, a formal on-line training on the Code of Ethics 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 adversely affect our reputation, but may also cause the Corporation to incur extraordinary expenses related to penalties and fines.

12.10 OWNERSHIP RISKS

We are controlled by Cogeco through its ownership of multiple voting shares. Cogeco is in turn 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 us and Cogeco, all cable television undertakings must be owned or controlled by us. 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 affected.

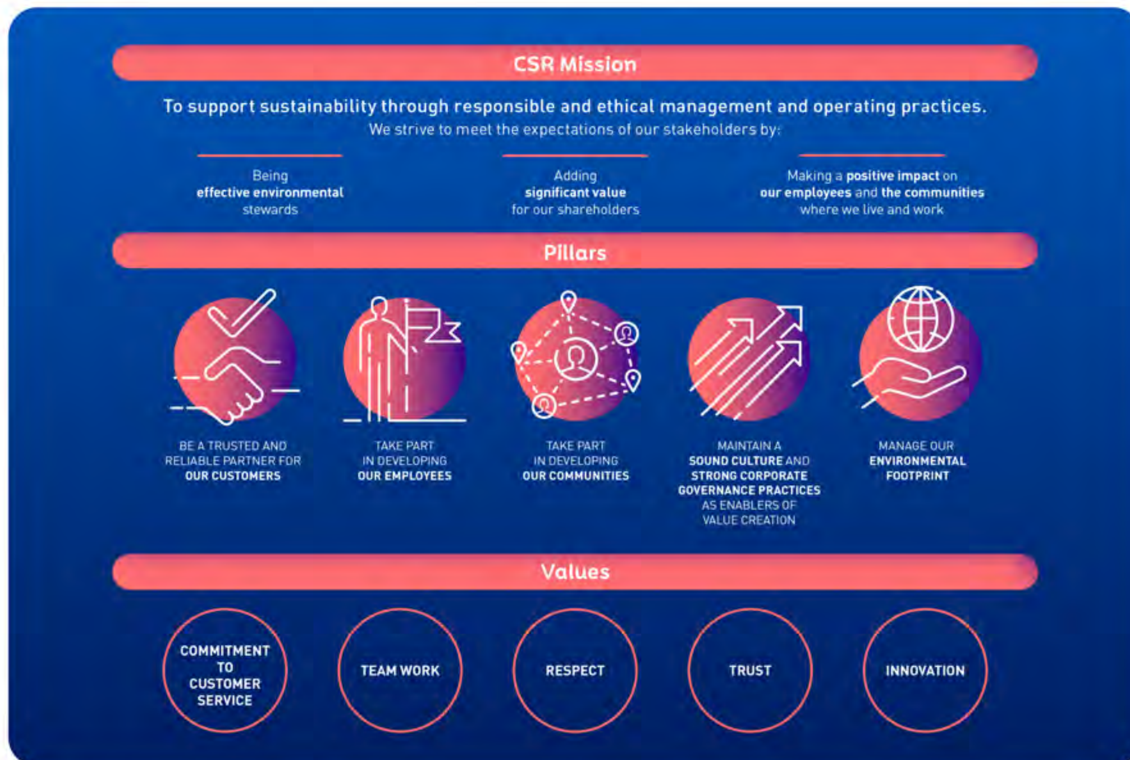
12.11 LITIGATION RISKS

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 adversely affect 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 effect on our business, results of operations or financial condition.

13. CORPORATE SOCIAL RESPONSIBILITY PROGRAM

13.1 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 CSR program integrates our corporate social responsibility objectives articulated around five pillars:



13.2 CSR GOVERNANCE

The CSR function is under the purview of the CSR Steering Committee that reports twice a year to the Corporate Governance Committee of the Board of Directors. The CSR Steering Committee, which is composed of executives from all business units, is responsible for reviewing the CSR Policy, identifying top risks, setting objectives and ambitions and monitoring CSR performance.

The CSR function is held at a corporate level and is headed by the Vice President, Enterprise Strategy and Social Responsibility. This vice presidency reports to the Senior Vice President and Chief Technology and Strategy Officer who reports to the President and Chief Executive Officer. The Vice President, Enterprise Strategy and Social Responsibility is responsible for the roll-out of corporate strategies and initiatives to promote the CSR principles and ultimately support the conduct of business in a socially responsible and ethical manner. Executives hold the business units accountable for implementing the initiatives and strategies defined by the CSR Steering Committee, including their business unit specific CSR action plans. The CSR team facilitates the integration of all business units' CSR initiatives.

The Corporation's CSR Policy, Code of Ethics and Supplier Code of Conduct together form the framework of our CSR Program.

13.3 FISCAL 2019 HIGHLIGHTS

To support the achievement of our CSR goals, we have developed key performance indicators for environment, social and governance ("ESG") objectives. During fiscal 2019, key initiatives of the CSR Program were rolled-out to our business units, namely Atlantic Broadband and Cogeco Connexion. Here below are some examples of the CSR initiatives that were deployed in fiscal 2019:

ENVIRONMENTAL HIGHLIGHTS

ACCOMPLISHMENTS

- 40% reduction of our Greenhouse Gas Emissions ("GHG") emissions on a per revenue basis compared to fiscal year 2014, surpassing our initially set commitment of 10%;
- 50% of residential customers receiving electronic bills at the end of fiscal year 2019, surpassing our commitment by 10%;
- We diverted more than 163,095 kilos of electronic waste from landfill during fiscal year 2019. For 2020 we are committed to ensuring that 100% of applicable facilities have an e-waste management strategy in place;
- We continued to measure and track our GHG emissions from all of the Corporation's business units and we implemented various energy efficiency measures as part of our energy management strategy. Measures put in place include the implementation of a thermostat replacement and temperature control project, HVAC replacement, installation of CO_2 cooling units in Cogeco Connexion’s latest headend, and LED lighting retrofit. In terms of vehicle fleet management we replaced 113 vehicles (representing 9% of the Corporation's fleet) with more energy efficient vehicles. We also deployed a new GPS device into 607 vehicles that monitors driver behavior as well as other metrics related to vehicle performance and fuel efficiency. We expect to see an overall 5% reduction on fuel consumption with the new GPS solution;
- 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 2019 (300 tons of CO2e). The offsets purchased are Gold Standard and will fund various renewable energy projects outside Canada as well as sensitive natural habitat restoration projects in Québec;
- Approximately 20% of the Corporation's facilities underwent environmental assessments. No significant adverse impact on the environment was identified as a result of that exercise;
- 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 2019, 66% of set-top boxes purchased in Canada complied with the CEEVA standards;
- During our first corporate CSR day, we committed to phase out the use of plastic water bottles in all our operations and our employees expressed publicly their own commitment to engage in more responsible consumption habits.

SOCIAL HIGHLIGHTS

ACCOMPLISHMENTS

- We donated over $7.8 million in cash and in-kind donations during fiscal year 2019, representing 1.8% of Cogeco Communications' pre-tax profit to several organizations in our communities and territories. Our principal focus areas are health, culture, education and wellbeing;
- Our workplace-related incident rate was below industry averages in the jurisdictions where we operate;
- 36% of managerial level positions in fiscal 2019 were held by women, representing good progress towards our goal of reaching 35% by 2021;
- Cogeco Connexion launched a new employee community involvement program in fiscal 2019 which will be deployed to all business units through fiscal 2020;
- We partnered with Computers for Success Canada to donate used technology in order to support the program’s intent to deliver improved access to technology for Canadians at risk of digital exclusion. During fiscal 2019, we donated more than 800 units to Computers for Success Canada;
- We participated in the Connected for Success program, through which we offered affordable Internet in fiscal 2019 to more than 475 low income families in Québec and Ontario;
- We improved wellness conditions by providing healthier food options in our office in Burlington and offering a relaxing room in our office in Trois-Rivières.

GOVERNANCE HIGHLIGHTS

ACCOMPLISHMENTS

- We remained in the top tier of family-controlled dual-class companies listed on a Canadian stock exchange according to the Globe and Mail's Board Games;
- 96% of new and current employees were trained on the Corporation's Code of Ethics;
- Overall, considering both Cogeco Communications and Cogeco, 54% of our Board of Directors members are women;
- Almost 80% of our top suppliers have acknowledged the Corporation's Supplier Code of Conduct or approved our suppliers' CSR standards. We are committed to achieving 100% by the end of fiscal 2020;
- We updated our Code of Ethics and provided online training to both employees and all members of the Board of Directors;
- As part of the purchasing process, we enhanced our CSR questionnaire used in the Request for Proposal process and we conducted ESG audits for suppliers of customer premise equipment;
- The Board has a written Board Diversity Policy to ensure that the Board, as a whole, can look at business issues from a number of different and relevant perspectives.

For more information on our initiatives and our performance, please refer to the latest CSR Report, which was published in January 2018. The Corporation will be releasing its next CSR Report in January 2020. It should further be noted that the Corporation will also provide annual updates relative to its CSR program and related commitments directly on the Corporation's website at corpo.cogeco.com.

RECOGNITIONS

The Corporation's CSR program and related initiatives were recognized during fiscal 2019 as follows:

- For the second year in a row, Cogeco Communications was named to Corporate Knights' 2018 Best 50 Corporate Citizens in Canada;
- Cogeco Communications is part of the cleanest 200 companies in the world ranking given by Corporate Knights;
- 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;
- Ken Smithard, President of Cogeco Connexion, was recognized by Canada's Clean16 for 2020 as the leader in the Technology & Telecom category. This award is given to individuals who have made a measurable difference in advancing sustainability and clean capitalism in Canada;
- Cogeco Connexion was named to the 2019 Waste Diversion Champions list from REfficient. This award entails that over 100,000 pounds of waste have been diverted.

13.4 CSR IN ACTION

Cogeco's first ever CSR day where awareness on the impacts of our daily activities was raised. The thematic for the day was "Responsible Consumption" and employees from all our business units also shared their own personal commitment towards using more responsible consumption habits.

Cogeco Connexion, in partnership with a local beekeeper, Miels des Trois-Rivières, installed bee hives at the Trois-Rivières regional office. This project, that supports the urban agricultural project initiated in 2017 by the Corporation's employees, 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. During the first year of operation, 270 kilos of honey were produced and proceeds from its sale were remitted to United Way Mauricie.

14. 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 Communications' internal control framework is based on the criteria published in the updated version released in May 2013 of the report *Internal Control Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*.

The CEO and CFO, supported by Management, evaluated the overall design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2019, and concluded that they were effective.

15. ACCOUNTING POLICIES

15.1 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 amounts of assets and liabilities, 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 Communications' business operations.

REVENUE RECOGNITION

Revenue is measured based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer. Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

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

- Monthly subscription revenue (including any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment;

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is established based on the estimated credit risk of the Corporation's customers, by examining such factors as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history).

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 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.

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 assets' 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.

15.2 ADOPTION OF NEW ACCOUNTING STANDARDS

The following standards issued by the IASB were adopted by the Corporation on September 1, 2018:

IFRS 9 *Financial Instruments*

On September 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments,* which replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes requirements for classification and measurement, impairment, derecognition and general hedge accounting. The Corporation adopted IFRS 9 on a retrospective basis.

The Corporation is applying the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets. The Corporation elected to continue to apply the hedge accounting requirements of IAS 39.

The adoption of IFRS 9 had no significant impact on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

On September 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*, on a fully retrospective basis. 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. 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*.

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

The adoption of IFRS 15 also impacted the consolidated financial statements with regards to the capitalization of costs to obtain a contract. Costs to obtain a contract (such as direct and incremental costs associated with the acquisition of customers) are 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. Prior to IFRS 15, direct and incremental costs associated with the acquisition of customers were capitalized as intangible assets for contracts lasting greater than one year, and amortized over the term of the revenue arrangement. For contracts with durations of less than one year, these costs were 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, are deferred as contract costs in other assets and recognized over the term of the contract, as a reduction of revenue. Prior to IFRS 15, these fees were capitalized in property, plant and equipment and recognized in depreciation expense, over the term of the contract.

RECLASSIFICATION OF RECONNECT COSTS

Following an in-depth analysis of all contract costs, stemming from the adoption of IFRS 15, the Corporation reviewed the reconnect and additional service activation costs ("reconnect costs") generated by the customer reconnect activity. Prompted by the significant change in technology that occurred over time regarding the activities required to reconnect customers, the Corporation determined that the reconnect costs are incurred to ensure that the customer premise equipment ("CPE") is functioning as per the intended use and within the required parameters. Thus the reconnect costs are directly attributable to bringing the CPE assets to their condition necessary for the intended operating manner.

Consequently, the Corporation changed its accounting policy with respect to reconnect costs which are now recognized as property, plant and equipment, and depreciated over the expected useful life of the CPE. Previously, reconnect costs were capitalized as intangible assets up to a maximum not exceeding the revenue generated by the reconnect activity, and amortized over the average life of a customer's subscription, not exceeding eight years.

The Corporation believes this change in accounting policy will better reflect the current nature of the reconnect costs.

IMPACTS OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the year ended August 31, 2018 and the opening statement of financial position as at September 1, 2017 and 2018. The impact of adopting these accounting policies is provided in note 3 of the Corporation’s consolidated financial statements.

15.3 FUTURE ACCOUNTING DEVELOPMENT IN CANADA

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, 2019, 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:

Standard	Effective date
IFRS 16 *Leases*	Annual periods beginning on or after January 1, 2019
IFRIC 23 *Uncertainty over income tax treatments*	Annual periods beginning on or after January 1, 2019
Amendments to IFRS 3 *Business combinations*	Prospectively for acquisitions occurring on or after January 1, 2020, with early adoption permitted

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 *Leases*, and establishes a comprehensive model for the identification of lease arrangements, and the recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors. The new standard is applicable to all leases, except for certain exceptions. 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. The accounting treatment for lessors will remain largely the same as under IAS 17. At adoption, there is the option to either apply IFRS 16 with either a full retrospective approach whereby IFRS 16 will also

be applied to comparative figures, or a modified retrospective approach whereby the cumulative effect of the initial application is adjusted to opening retained earnings.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that future lease payments be capitalized and presented either as lease assets (right-of-use assets) or together with property, plant and equipment. IFRS 16 will 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. Total expenses over the lease term will remain unchanged, however the timing of recognition of the expenses will be effected. The adoption of IFRS 16 will result 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. Total cash outflows over the lease term remain unchanged.

The application of this standard is mandatory for all IFRS reporters and will be applied by the Corporation on September 1, 2019, using the modified retrospective approach whereby the financial statements of prior periods presented are not restated. As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Electing to exclude intangible assets from the application of IFRS 16.

The Corporation continues to assess the implications of this standard and to determine the effect on its consolidated financial statements. The adoption of IFRS 16 is expected to impact the consolidated financial statements as follows:

- Total assets at September 1, 2019 are expected to increase by approximately $43 million as a result of the recognition of right-of-use assets;
- Total liabilities at September 1, 2019 are expected to increase by approximately $43 million resulting from the recognition of lease liabilities;
- Retained earnings at September 1, 2019 are expected to remain unchanged.

IFRIC 23 *Uncertainty over income tax treatments*

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 should not have a significant impact on the consolidated financial statements.

IFRS 3 *Business combinations*

The amendments to IFRS 3 may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.

16. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco Communications throughout this MD&A. These financial measures are reviewed in assessing the performance of the Corporation and used in the decision-making process with regards to our business units. Reconciliations between "free cash flow", "adjusted EBITDA", "adjusted EBITDA margin" and "capital intensity" and the most comparable IFRS financial measures are also provided. These financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

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

Non-IFRS measure	Application	Calculation	Most comparable IFRS measures
Free cash flow	Management and investors use free cash flow to measure Cogeco Communications' ability to repay debt, distribute capital to its shareholders and finance its growth.	Free cash flow: - Cash flow from operating activities add: - Amortization of deferred transaction costs and discounts on long-term debt; - Changes in non-cash operating activities; - Income taxes paid; and - Financial expense paid deduct: - Current income taxes; - Financial expense; and - Acquisition of property, plant and equipment.	Cash flow from operating activities
Adjusted EBITDA and adjusted EBITDA margin	Adjusted EBITDA and adjusted EBITDA margin are key measures commonly reported and used in the telecommunications industry, as they allow comparisons between companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco Communications' business units is equal to the segment profit (loss) reported in note 6 of the Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the year from continuing operations add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the year from continuing operations
		Adjusted EBITDA margin: - Adjusted EBITDA divided by: - Revenue	No comparable IFRS measure
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisitions of property, plant and equipment 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 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, 2018 were 1.3100 USD/CDN and 1.2773 USD/CDN, respectively.	No comparable IFRS measure
Capital intensity	Capital intensity is used by Cogeco Communications' management and investors to assess the Corporation's investment in capital expenditures in order to support a certain level of revenue.	Capital intensity: - Acquisition of property, plant and equipment divided by: - Revenue	No comparable IFRS measure

16.1 FREE CASH FLOW RECONCILIATION

	Three months ended		Years ended	
	August 31, 2019	August 31, 2018 [1]	**August 31, 2019**	August 31, 2018 [1]
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**304,702**	255,438	**868,711**	620,748
Amortization of deferred transaction costs and discounts on long-term debt	**2,940**	2,470	**9,454**	18,938
Changes in non-cash operating activities	**(73,274)**	(64,205)	**25,108**	23,903
Income taxes paid	**12,154**	25,342	**48,687**	175,163
Current income taxes	**(11,603)**	(9,301)	**(53,361)**	(68,288)
Financial expense paid	**34,867**	48,023	**165,507**	174,650
Financial expense	**(40,437)**	(47,709)	**(175,502)**	(185,456)
Acquisition of property, plant and equipment	**(145,099)**	(162,319)	**(434,545)**	(457,808)
Free cash flow	**84,250**	47,739	**454,059**	301,850

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

16.2 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

	Three months ended		Years ended	
	August 31, 2019	August 31, 2018 [1]	**August 31, 2019**	August 31, 2018 [1]
(in thousands of dollars, except percentages)	**$**	$	**$**	$
Profit for the period from continuing operations	**92,403**	75,870	**356,908**	384,578
Income taxes	**20,502**	18,084	**83,655**	(17,198)
Financial expense	**40,437**	47,709	**175,502**	185,456
Depreciation and amortization	**121,556**	120,071	**480,725**	433,654
Integration, restructuring and acquisition costs	**712**	1,677	**11,150**	20,328
Adjusted EBITDA	**275,610**	263,411	**1,107,940**	1,006,818
Revenue	**583,673**	566,184	**2,331,820**	2,147,404
Adjusted EBITDA margin	**47.2%**	46.5%	**47.5%**	46.9%

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

16.3 CAPITAL INTENSITY RECONCILIATION

	Three months ended		Years ended	
	August 31, 2019	August 31, 2018 [1]	**August 31, 2019**	August 31, 2018 [1]
(in thousands of dollars, except percentages)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**145,099**	162,319	**434,545**	457,808
Revenue	**583,673**	566,184	**2,331,820**	2,147,404
Capital intensity	**24.9%**	28.7%	**18.6%**	21.3%

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

17. ADDITIONAL INFORMATION

This MD&A was prepared on October 30, 2019. 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	76
Independent auditor's report	77
Consolidated statements of profit or loss	79
Consolidated statements of comprehensive income	80
Consolidated statements of changes in shareholders' equity	81
Consolidated statements of financial position	82
Consolidated statements of cash flows	83
Notes to the consolidated financial statements	84

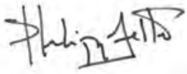
MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Cogeco Communications 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 Communications 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, is 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 has 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 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Communications Inc.

Opinion

We have audited the consolidated financial statements of Cogeco Communications Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, 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 then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

Montréal, Québec
October 30, 2019

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31, *(In thousands of Canadian dollars, except per share data)*	*Notes*	**2019** $	2018 $ *(restated, Note 3)*
Revenue	*5*	**2,331,820**	2,147,404
Operating expenses	*9*	**1,203,980**	1,121,625
Management fees – Cogeco Inc.	*25 A)*	**19,900**	18,961
Integration, restructuring and acquisition costs	*6*	**11,150**	20,328
Depreciation and amortization	*10*	**480,725**	433,654
Financial expense	*11*	**175,502**	185,456
Profit before income taxes		**440,563**	367,380
Income taxes	*12*	**83,655**	(17,198)
Profit for the year from continuing operations		**356,908**	384,578
Profit (loss) for the year from discontinued operations	*8*	**75,380**	(24,381)
Profit for the year		**432,288**	360,197
Profit for the year attributable to:			
Owners of the Corporation		**415,353**	350,833
Non-controlling interest		**16,935**	9,364
		432,288	360,197
Earnings (loss) per share			
Basic	*13*		
Profit for the year from continuing operations		**6.89**	7.61
Profit (loss) for the year from discontinued operations		**1.53**	(0.49)
Profit for the year		**8.41**	7.12
Diluted	*13*		
Profit for the year from continuing operations		**6.83**	7.55
Profit (loss) for the year from discontinued operations		**1.51**	(0.49)
Profit for the year		**8.35**	7.06

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31,	Note	2019	2018
(In thousands of Canadian dollars)		$	$
Profit for the year		**432,288**	360,197
Other comprehensive income (loss)			
Items to be subsequently reclassified to profit or loss			
Cash flow hedging adjustments			
Net change in fair value of hedging derivative financial instruments		**(81,171)**	34,462
Related income taxes		**21,511**	(9,082)
		(59,660)	25,380
Foreign currency translation adjustments			
Net foreign currency translation differences on net investments in foreign operations		**32,533**	61,703
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations		**(20,754)**	(37,164)
Realized foreign currency translation adjustments on disposal of a subsidiary		**(29,809)**	—
Related income taxes		**1,256**	379
		(16,774)	24,918
		(76,434)	50,298
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability or asset	*23*	**(9,741)**	1,630
Related income taxes		**2,655**	(432)
		(7,086)	1,198
		(83,520)	51,496
Comprehensive income for the year		**348,768**	411,693
Comprehensive income for the year attributable to:			
Owners of the Corporation		**325,521**	389,170
Non-controlling interest		**23,247**	22,523
		348,768	411,693

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

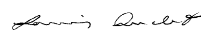
Years ended August 31, 2019 and 2018	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
			(restated, Note 3)	*(restated, Note 3)*	*(restated, Note 3)*	*(restated, Note 3)*
	(Note 20)		*(Note 21)*			
Balance at August 31, 2017	1,017,636	13,086	76,635	517,781	—	1,625,138
Profit for the year	—	—	—	350,833	9,364	360,197
Other comprehensive income for the year	—	—	37,139	1,198	13,159	51,496
Comprehensive income for the year	—	—	37,139	352,031	22,523	411,693
Issuance of subordinate voting shares under the Stock Option Plan	3,486	—	—	—	—	3,486
Share-based payment	—	7,438	—	—	—	7,438
Share-based payment previously recorded in share-based payment reserve for options exercised	591	(591)	—	—	—	—
Dividends (Note 20 C))	—	—	—	(93,699)	—	(93,699)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	74,988	(74,988)	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(9,352)	—	—	—	—	(9,352)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,811	(4,673)	—	(138)	—	—
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs (Note 7)	—	—	—	—	388,907	388,907
Total contributions by (distributions to) shareholders	(464)	2,174	—	(18,849)	313,919	296,780
Balance at August 31, 2018	**1,017,172**	**15,260**	**113,774**	**850,963**	**336,442**	**2,333,611**
Profit for the year	**—**	**—**	**—**	**415,353**	**16,935**	**432,288**
Other comprehensive income (loss) for the year	**—**	**—**	**(82,746)**	**(7,086)**	**6,312**	**(83,520)**
Comprehensive income (loss) for the year	**—**	**—**	**(82,746)**	**408,267**	**23,247**	**348,768**
Issuance of subordinate voting shares under the Stock Option Plan	**9,780**	**—**	**—**	**—**	**—**	**9,780**
Share-based payment	**—**	**5,913**	**—**	**—**	**—**	**5,913**
Share-based payment previously recorded in share-based payment reserve for options exercised	**1,717**	**(1,717)**	**—**	**—**	**—**	**—**
Dividends (Note 20 C))	**—**	**—**	**—**	**(103,708)**	**—**	**(103,708)**
Purchase and cancellation of subordinate voting shares	**(9,090)**	**—**	**—**	**(23,292)**	**—**	**(32,382)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(2,504)**	**—**	**—**	**—**	**—**	**(2,504)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**6,315**	**(5,930)**	**—**	**(385)**	**—**	**—**
Total contributions by (distributions to) shareholders	**6,218**	**(1,734)**	**—**	**(127,385)**	**—**	**(122,901)**
Balance at August 31, 2019	**1,023,390**	**13,526**	**31,028**	**1,131,845**	**359,689**	**2,559,478**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, *(In thousands of Canadian dollars)*	Notes	2019 $	2018 $ *(restated, Note 3)*
Assets			
Current			
Cash and cash equivalents		**556,504**	84,725
Trade and other receivables	*24 A)*	**75,652**	97,294
Income taxes receivable		**17,706**	24,976
Prepaid expenses and other		**22,740**	29,473
Derivative financial instrument		**—**	1,330
		672,602	237,798
Non-current			
Other assets	*14*	**40,020**	42,677
Property, plant and equipment	*15*	**2,007,610**	2,323,678
Intangible assets	*16 A)*	**2,850,844**	2,927,388
Goodwill	*16 B)*	**1,373,439**	1,608,446
Derivative financial instruments		**—**	33,797
Pension plan assets	*23*	**—**	594
Deferred tax assets	*12*	**6,564**	5,665
		6,951,079	7,180,043
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness	*22 B)*	**—**	5,949
Trade and other payables		**260,481**	302,806
Provisions	*17*	**36,553**	25,887
Income tax liabilities		**16,693**	16,133
Contract liabilities and other liabilities	*18*	**43,395**	59,656
Balance due on business combinations	*22 B)*	**4,520**	—
Current portion of long-term debt	*19*	**22,601**	77,188
		384,243	487,619
Non-current			
Long-term debt	*19*	**3,382,258**	3,781,020
Derivative financial instruments		**46,044**	—
Contract liabilities and other liabilities	*18*	**11,119**	20,125
Pension plan liabilities and accrued employee benefits	*23*	**14,355**	2,784
Deferred tax liabilities	*12*	**553,582**	554,884
		4,391,601	4,846,432
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*20 B)*	**1,023,390**	1,017,172
Share-based payment reserve		**13,526**	15,260
Accumulated other comprehensive income	*21*	**31,028**	113,774
Retained earnings		**1,131,845**	850,963
		2,199,789	1,997,169
Equity attributable to non-controlling interest		**359,689**	336,442
		2,559,478	2,333,611
		6,951,079	7,180,043

Commitments, contingencies and guarantees (Note 26)

On behalf of the Board of Directors,



Louis Audet
Director

Joanne Ferstman
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, *(In thousands of Canadian dollars)*	*Notes*	**2019** **$**	2018 $
			(restated, Note 3)
Cash flow from operating activities			
Profit for the year from continuing operations		**356,908**	384,578
Adjustments for:			
Depreciation and amortization	*10*	**480,725**	433,654
Financial expense	*11*	**175,502**	185,456
Income taxes	*12*	**83,655**	(17,198)
Share-based payment		**7,226**	6,772
Loss on disposals and write-offs of property, plant and equipment		**2,770**	1,916
Defined benefit plans contributions, net of expense		**1,227**	(714)
		1,108,013	994,464
Changes in non-cash operating activities	*22 A)*	**(25,108)**	(23,903)
Financial expense paid		**(165,507)**	(174,650)
Income taxes paid		**(48,687)**	(175,163)
		868,711	620,748
Cash flow from investing activities			
Acquisition of property, plant and equipment	*15*	**(434,545)**	(457,808)
Acquisition of Spectrum licenses	*16 A)*	**—**	(32,306)
Redemption of short-term investments		**—**	54,000
Business combinations, net of cash and cash equivalents acquired	*7*	**(38,876)**	(1,756,935)
Proceeds on disposals of property, plant and equipment		**2,343**	1,383
		(471,078)	(2,191,666)
Cash flow from financing activities			
Increase (decrease) in bank indebtedness		**(5,949)**	2,148
Net increase (decrease) under the revolving facilities		**(443,955)**	384,568
Issuance of long-term debt, net of discounts and transaction costs		**—**	2,082,408
Repayment of long-term debt		**(77,639)**	(1,329,044)
Repayment of balance due on business combinations		**(655)**	(118)
Increase in deferred transaction costs		**(2,210)**	(3,168)
Issuance of subordinate voting shares	*20 B)*	**9,780**	3,486
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		**—**	388,907
Purchase and cancellation of subordinate voting shares	*20 B)*	**(32,382)**	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*20 B)*	**(2,504)**	(9,352)
Dividends paid on multiple voting shares	*20 C)*	**(32,951)**	(29,813)
Dividends paid on subordinate voting shares	*20 C)*	**(70,757)**	(63,886)
		(659,222)	1,426,136
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(439)**	1,989
Net change in cash and cash equivalents from continuing operations		**(262,028)**	(142,793)
Net change in cash and cash equivalents from discontinued operations	*8*	**733,807**	16,333
Cash and cash equivalents, beginning of the year		**84,725**	211,185
Cash and cash equivalents, end of the year		**556,504**	84,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2019 and 2018

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation") is a communications corporation operating in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband brand (in 11 states along the East Coast, from Maine to Florida). Cogeco Communications provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks.

On April 30, 2019, the Corporation completed the sale of its Cogeco Peer 1 subsidiary (see Note 8).

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.8% of the Corporation’s equity shares, representing 82.3% of the votes attached to the Corporation’s voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

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

1. BASIS OF PRESENTATION

These 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 M)), cash-settled share-based payment arrangements (see Note 2 J)) and pension plan assets (see Note 2 K)), which are measured at fair value, and for the defined benefit obligation (see Note 2K)) and provisions (see Note 2 I)), which are measured at present value.

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

The consolidated financial statements were approved by the Board of Directors of Cogeco Communications at its meeting held on October 30, 2019.

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 interest in the net assets and results of consolidated subsidiaries is identified separately from the Corporation’s ownership interest in them. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest 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, 2019 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Canadian broadband services	Cogeco Connexion	100	100
American broadband services	Atlantic Broadband	79	79

The Corporation has established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with its 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 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 retrospective 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 based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer. Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

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

Residential
- Monthly subscription revenue (including any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment;

Commercial
- Monthly subscription revenue (including any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight line basis over the contractual period arrangement;
- Revenue from data services, long-distance and other pay-per-use services is recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment; and
- Revenue from colocation, network connectivity, hosting, cloud and managed services is recognized on a straight line basis over the contractual period arrangement;

Other
- Revenue from advertising, late fees, rental income and other miscellaneous revenue is recognized as the services are provided.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation accounts for individual products or services separately if they are distinct performance obligations, such that a product or service is separately identifiable from other items in the bundled package and a customer can benefit from it on its own or with other readily available resources.

Consideration is measured and allocated between the components based upon stand-alone selling price while applying the relevant revenue recognition policy. The stand-alone selling price is based on the observable price for which the Corporation sells its products and services separately without a contract, adjusted for market conditions and other factors.

The Corporation considers that installation and activation fees are not distinct performance obligations because a customer cannot benefit from it, on its own. Accordingly, for residential service customers, they are deferred and amortized as revenue over the period of time 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. For commercial service customers, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned over the term of the agreement

Unearned revenue, such as payments for goods and services received in advance of delivery, is recorded as contract liabilities in the statement of financial position until the service is provided or the product is delivered to the customer.

Contract cost assets are recognized in the statement of financial position as other assets, and are comprised of upfront fees paid to multiple-dwelling units as well as incremental costs of obtaining a contract. 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, are recognized over the term of the contract, as a reduction of revenue. Costs to obtain a contract (such as sales commissions) are recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation, not exceeding 4 years.

D) 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:

Buildings and leasehold improvements (1)	10 to 40 years
Networks and infrastructure (2)	3 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.

E) 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 at cost 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;

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") 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. The Corporation has concluded that the Cable Distribution 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 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.

F) 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.

G) 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.

H) 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.

I) 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.

J) 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.

K) 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.

L) 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 investments 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.

M) 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, the classification of non-derivative financial instruments, based on their method of measurement, is as follows:

- Cash and cash-equivalents and trade and other receivables are classified and measured at amortized cost using the effective interest method, less any impairment loss;

- 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, balance due on business combinations and long-term debt are classified and 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, cancelled 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 interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation also uses equity swap agreements, which are not designated as hedging relationships, in order to manage cash flow exposures related to settling DSUs. 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, except for equity swap instruments whereby the changes are recorded in operating expenses. 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 item 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 item 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

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.

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. 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. Receivables that are not individually significant are assessed for impairment on an aggregate basis by grouping together receivables with similar risk characteristics.

An impairment loss, with respect to receivables assessed on an aggregate basis, is measured based on the lifetime expected credit loss model which is an estimate of all possible default events over the expected life of the financial instrument. An impairment loss is recognized in profit or loss and reflected in an allowance account presented in reduction of receivables. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

N) CASH AND CASH EQUIVALENTS

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

O) 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.

P) 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.

Q) 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**

  The allowance for doubtful accounts is established based on the estimated credit risk of the Corporation's customers, by examining such factors as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) (see Note 24 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 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 7);

- **Revenue from contracts with customers**

  The identification of performance obligations within a contract and the timing of satisfaction of those performance obligations, as well as determining the costs that are incremental to obtaining and fulfilling a contract, require judgment. Determining the transaction price for a contract requires estimating the revenue expected for delivering the performance obligations within the contract. Additionally, an estimate might be necessary when determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations;

- **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 assets' expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used (see Note 10);

- **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 17);

- **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 23);

- **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 (Note 16); 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 12).

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. CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

On September 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments,* which replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes requirements for classification and measurement, impairment, derecognition and general hedge accounting. The Corporation adopted IFRS 9 on a retrospective basis.

The Corporation is applying the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets. The Corporation elected to continue to apply the hedge accounting requirements of IAS 39.

The adoption of IFRS 9 had no significant impact on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

On September 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*, on a fully retrospective basis. 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. 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*.

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

The adoption of IFRS 15 also impacted the consolidated financial statements with regards to the capitalization of costs to obtain a contract. Costs to obtain a contract (such as direct and incremental costs associated with the acquisition of customers) are 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. Prior to IFRS 15, direct and incremental costs associated with the acquisition of customers were capitalized as intangible assets for contracts lasting greater

than one year, and amortized over the term of the revenue arrangement. For contracts with durations of less than one year, these costs were 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, are deferred as contract costs in other assets and recognized over the term of the contract, as a reduction of revenue. Prior to IFRS 15, these fees were capitalized in property, plant and equipment and recognized in depreciation expense, over the term of the contract.

RECLASSIFICATION OF RECONNECT COSTS

Following an in-depth analysis of all contract costs, stemming from the adoption of IFRS 15, the Corporation reviewed the reconnect and additional service activation costs ("reconnect costs") generated by the customer reconnect activity. Prompted by the significant change in technology that occurred over time regarding the activities required to reconnect customers, the Corporation determined that the reconnect costs are incurred to ensure that the customer premise equipment ("CPE") is functioning as per the intended use and within the required parameters. Thus the reconnect costs are directly attributable to bringing the CPE assets to their condition necessary for the intended operating manner.

Consequently, the Corporation changed its accounting policy with respect to reconnect costs which are now recognized as property, plant and equipment, and depreciated over the expected useful life of the CPE. Previously, reconnect costs were capitalized as intangible assets up to a maximum not exceeding the revenue generated by the reconnect activity, and amortized over the average life of a customer's subscription, not exceeding eight years.

The Corporation believes this change in accounting policy will better reflect the current nature of the reconnect costs.

IMPACT OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in the accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the year ended August 31, 2018 and the consolidated statements of financial position as at August 31, 2018 and September 1, 2017. The impact on the Corporation’s consolidated financial statements of adopting these accounting policies is provided below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
(In thousands of Canadian dollars, except per share data)	$	$	$	$
Revenue	2,147,597	(193)	—	2,147,404
Operating expenses	1,126,723	(619)	(4,479)	1,121,625
Management fees – Cogeco Inc.	18,961	—	—	18,961
Integration, restructuring and acquisition costs	20,328	—	—	20,328
Depreciation and amortization	431,598	(2,827)	4,883	433,654
Financial expense	185,456	—	—	185,456
Profit before income taxes	364,531	3,253	(404)	367,380
Income taxes	(16,191	(1,129)	122	(17,198)
Profit for the year from continuing operations	380,722	4,382	(526)	384,578
Loss for the year from discontinued operations	(24,381)	—	—	(24,381)
Profit for the year	356,341	4,382	(526)	360,197
Profit for the year attributable to:				
Owners of the Corporation	347,150	4,185	(502)	350,833
Non-controlling interest	9,191	197	(24)	9,364
	356,341	4,382	(526)	360,197
Earnings (loss) per share				
Basic				
Profit for the year from continuing operations	7.54			7.61
Loss for the year from discontinued operations	(0.49)			(0.49)
Profit for the year	7.04			7.12
Diluted				
Profit for the year from continuing operations	7.48			7.55
Loss for the year from discontinued operations	(0.49)			(0.49)
Profit for the year	6.98			7.06

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at August 31, 2018 *(In thousands of Canadian dollars)*	As previously reported $	IFRS 15 impact $	Reclassification impact $	As currently reported $
Assets				
Current				
Cash and cash equivalents	84,725	—	—	84,725
Trade and other receivables	97,294	—	—	97,294
Income taxes receivable	24,976	—	—	24,976
Prepaid expenses and other	29,473	—	—	29,473
Derivative financial instrument	1,330	—	—	1,330
	237,798	—	—	237,798
Non-current				
Other assets	7,349	35,328	—	42,677
Property, plant and equipment	2,302,676	(8,692)	29,694	2,323,678
Intangible assets	2,971,088	(16,801)	(26,899)	2,927,388
Goodwill	1,608,446	—	—	1,608,446
Derivative financial instruments	33,797	—	—	33,797
Pension plan assets	594	—	—	594
Deferred tax assets	5,665	—	—	5,665
	7,167,413	9,835	2,795	7,180,043
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness	5,949	—	—	5,949
Trade and other payables	302,806	—	—	302,806
Provisions	25,887	—	—	25,887
Income tax liabilities	16,133	—	—	16,133
Contract liabilities and other liabilities	67,699	(8,043)	—	59,656
Current portion of long-term debt	77,188	—	—	77,188
	495,662	(8,043)	—	487,619
Non-current				
Long-term debt	3,781,020	—	—	3,781,020
Contract liabilities and other liabilities	40,560	(20,435)	—	20,125
Pension plan liabilities and accrued employee benefits	2,784	—	—	2,784
Deferred tax liabilities	543,856	10,079	949	554,884
	4,863,882	(18,399)	949	4,846,432
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	1,017,172	—	—	1,017,172
Share-based payment reserve	15,260	—	—	15,260
Accumulated other comprehensive income	113,500	274	—	113,774
Retained earnings	821,409	27,708	1,846	850,963
	1,967,341	27,982	1,846	1,997,169
Equity attributable to non-controlling interest	336,190	252	—	336,442
	2,303,531	28,234	1,846	2,333,611
	7,167,413	9,835	2,795	7,180,043

As at September 1, 2017	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
(In thousands of Canadian dollars)	$	$	$	$
Assets				
Current				
Cash and cash equivalents	211,185	—	—	211,185
Short-term investments	54,000	—	—	54,000
Trade and other receivables	90,387	—	—	90,387
Income taxes receivable	4,210	—	—	4,210
Prepaid expenses and other	20,763	—	—	20,763
Derivative financial instrument	98	—	—	98
	380,643	—	—	380,643
Non-current				
Other assets	7,095	28,839	—	35,934
Property, plant and equipment	1,947,239	(6,258)	29,881	1,970,862
Intangible assets	1,978,302	(14,850)	(26,687)	1,936,765
Goodwill	1,023,424	—	—	1,023,424
Derivative financial instruments	759	—	—	759
Deferred tax assets	10,918	—	—	10,918
	5,348,380	7,731	3,194	5,359,305
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness	3,801	—	—	3,801
Trade and other payables	316,762	—	—	316,762
Provisions	23,010	—	—	23,010
Income tax liabilities	103,649	—	—	103,649
Contract liabilities and other liabilities	85,005	(8,338)	—	76,667
Balance due on business combinations	118	—	—	118
Derivative financial instruments	192	—	—	192
Current portion of long-term debt	131,915	—	—	131,915
	664,452	(8,338)	—	656,114
Non-current				
Long-term debt	2,444,518	—	—	2,444,518
Contract liabilities and other liabilities	31,462	(18,470)	—	12,992
Pension plan liabilities and accrued employee benefits	4,934	—	—	4,934
Deferred tax liabilities	603,747	11,016	846	615,609
	3,749,113	(15,792)	846	3,734,167
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	1,017,636	—	—	1,017,636
Share-based payment reserve	13,086	—	—	13,086
Accumulated other comprehensive income	76,635	—	—	76,635
Retained earnings	491,910	23,523	2,348	517,781
	1,599,267	23,523	2,348	1,625,138
Equity attributable to non-controlling interest	—	—	—	—
	1,599,267	23,523	2,348	1,625,138
	5,348,380	7,731	3,194	5,359,305

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
(In thousands of Canadian dollars)	$	$	$	$
Cash flow from operating activities				
Profit for the year from continuing operations	380,722	4,382	(526)	384,578
Adjustments for:				
Depreciation and amortization	431,598	(2,827)	4,883	433,654
Financial expense	185,456	—	—	185,456
Income taxes	(16,191)	(1,129)	122	(17,198)
Share-based payment	6,772	—	—	6,772
Loss on disposals and write-offs of property, plant and equipment	1,916	—	—	1,916
Defined benefit plans contributions, net of expense	(714)	—	—	(714)
	989,559	426	4,479	994,464
Changes in non-cash operating activities	(16,645)	(7,258)	—	(23,903)
Financial expense paid	(174,650)	—	—	(174,650)
Income taxes paid	(175,163)	—	—	(175,163)
	623,101	(6,832)	4,479	620,748
Cash flow from investing activities				
Acquisition of property, plant and equipment	(445,154)	3,631	(16,285)	(457,808)
Acquisition of intangible and other assets	(15,007)	3,201	11,806	—
Acquisition of Spectrum licenses	(32,306)	—	—	(32,306)
Redemption of short-term investments	54,000	—	—	54,000
Business combinations, net of cash and cash equivalents acquired	(1,756,935)	—	—	(1,756,935)
Proceeds on disposals of property, plant and equipment	1,383	—	—	1,383
	(2,194,019)	6,832	(4,479)	(2,191,666)
Cash flow from financing activities				
Increase in bank indebtedness	2,148	—	—	2,148
Net increase under the revolving facilities	384,568	—	—	384,568
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayment of long-term debt	(1,329,044)	—	—	(1,329,044)
Repayment of balance due on business combinations	(118)	—	—	(118)
Increase in deferred transaction costs	(3,168)	—	—	(3,168)
Issuance of subordinate voting shares	3,486	—	—	3,486
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	388,907	—	—	388,907
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(9,352)	—	—	(9,352)
Dividends paid on multiple voting shares	(29,813)	—	—	(29,813)
Dividends paid on subordinate voting shares	(63,886)	—	—	(63,886)
	1,426,136	—	—	1,426,136
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	1,989	—	—	1,989
Net change in cash and cash equivalents from continuing operations	(142,793)	—	—	(142,793)
Net change in cash and cash equivalents from discontinued operations	16,333	—	—	16,333
Cash and cash equivalents, beginning of the year	211,185	—	—	211,185
Cash and cash equivalents, end of the year	84,725	—	—	84,725

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, 2019, 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:

Standard	Effective date
IFRS 16 *Leases*	Annual periods beginning on or after January 1, 2019
IFRIC 23 *Uncertainty over income tax treatments*	Annual periods beginning on or after January 1, 2019
Amendments to IFRS 3 *Business combinations*	Prospectively for acquisitions occurring on or after January 1, 2020, with early adoption permitted

IFRS 16

IFRS 16 replaces IAS 17 *Leases*, and establishes a comprehensive model for the identification of lease arrangements, and the recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors. The new standard is applicable to all leases, except for certain exceptions. 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. The accounting treatment for lessors will remain largely the same as under IAS 17. At adoption, there is the option to either apply IFRS 16 with either a full retrospective approach whereby IFRS 16 will also be applied to comparative figures, or a modified retrospective approach whereby the cumulative effect of the initial application is adjusted to opening retained earnings.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that future lease payments be capitalized and presented either as lease assets (right-of-use assets) or together with property, plant and equipment. IFRS 16 will 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. Total expenses over the lease term will remain unchanged, however the timing of recognition of the expenses will be effected. The adoption of IFRS 16 will result 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. Total cash outflows over the lease term remain unchanged.

The application of this standard is mandatory for all IFRS reporters and will be applied by the Corporation on September 1, 2019, using the modified retrospective approach whereby the financial statements of prior periods presented are not restated. As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Electing to exclude intangible assets from the application of IFRS 16.

The Corporation continues to assess the implications of this standard and to determine the effect on its consolidated financial statements. The adoption of IFRS 16 is expected to impact the consolidated financial statements as follows:

- Total assets at September 1, 2019 are expected to increase by approximately $43 million as a result of the recognition of right-of-use assets;
- Total liabilities at September 1, 2019 are expected to increase by approximately $43 million resulting from the recognition of lease liabilities;
- Retained earnings at September 1, 2019 are expected to remain unchanged.

IFRIC 23

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 should not have a significant impact on the consolidated financial statements.

IFRS 3

The amendments to IFRS 3 *Business combinations* may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.

5. REVENUE

	Canadian broadband services		American broadband services		Inter-segment eliminations and other		Consolidated	
							Years ended August 31,	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars)	**$**	$	**$**	$	**$**	$	**$**	$
Revenue								
Residential [1]	**1,164,479**	1,171,426	**885,688**	729,101	**—**	—	**2,050,167**	1,900,527
Commercial [2]	**130,226**	124,017	**123,541**	94,753	**—**	—	**253,767**	218,770
Other [3]	**262**	4,463	**27,624**	23,518	**—**	126	**27,886**	28,107
	1,294,967	1,299,906	**1,036,853**	847,372	**—**	126	**2,331,820**	2,147,404

(1) Includes revenue from Internet, video and telephony residential customers, bulk residential customers and Internet resellers customers.
(2) Includes revenue from Internet, video and telephony commercial customers.
(3) Includes advertising revenue, late fees, rental income and other miscellaneous revenue.

6. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in two operating segments: Canadian broadband services and American broadband services . The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance.

The Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers as well as business services across their coverage areas. The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 11 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Pennsylvania, South Carolina, Virginia and West Virginia.

The previously reported Business ICT services segment, comprised of the Cogeco Peer 1 operations, is now reported in discontinued operations following the sale on April 30, 2019 of the Cogeco Peer 1 subsidiary. Information about the discontinued segment is provided in Note 8.

The Corporation and its chief operating decision maker assess the performance of each operating segment based on its segment profit (loss), which is equal to revenue less operating expenses. The other expenses, except for management fees, financial expense and income taxes, are reported by segment solely for external reporting purposes. Management fees, financial expense and income taxes are managed on a consolidated basis and, accordingly, are not reflected in segmented results. The Inter-segment eliminations and other, eliminate any intercompany transactions included in each segment's operating results and include head office activities. Transactions between operating segments are measured at the amounts agreed to between the parties.

Year ended August 31, 2019	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Revenue [1]	**1,294,967**	**1,036,853**	**—**	**2,331,820**
Operating expenses	**606,286**	**571,208**	**26,486**	**1,203,980**
Management fees – Cogeco Inc.	**—**	**—**	**19,900**	**19,900**
Segment profit (loss)	**688,681**	**465,645**	**(46,386)**	**1,107,940**
Integration, restructuring and acquisition costs [2]	**9,299**	**1,851**	**—**	**11,150**
Depreciation and amortization	**254,345**	**226,301**	**79**	**480,725**
Financial expense				**175,502**
Profit before income taxes				**440,563**
Income taxes				**83,655**
Profit for the year from continuing operations				**356,908**
Acquisition of property, plant and equipment	**241,940**	**192,605**	**—**	**434,545**

(1) Revenue by geographic market includes $1,294,967 in Canada and $1,036,853 in the United States.

(2) Comprised of restructuring costs within the Canadian broadband services segment and acquisition and integration costs related to the FiberLight network acquisition in the American broadband services segment.

Year ended August 31, 2018	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
(In thousands of Canadian dollars)	$	$	$	$
	(restated, Note 3)	*(restated, Note 3)*		*(restated, Note 3)*
Revenue [(1)]	1,299,906	847,372	126	2,147,404
Operating expenses	618,886	478,172	24,567	1,121,625
Management fees – Cogeco Inc.	—	—	18,961	18,961
Segment profit (loss)	681,020	369,200	(43,402)	1,006,818
Integration, restructuring and acquisition costs [(2)]	—	20,328	—	20,328
Depreciation and amortization	244,407	188,958	289	433,654
Financial expense				185,456
Profit before income taxes				367,380
Income taxes				(17,198)
Profit for the year from continuing operations				384,578
Acquisition of property, plant and equipment	245,228	212,580	—	457,808
Acquisition of Spectrum licenses	32,306	—	—	32,306

(1) Revenue by geographic market includes $1,300,032 in Canada and $847,372 in the United States.

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

The following tables set out certain segmented and geographic market information at August 31, 2019 and August 31, 2018:

				At August 31, 2019
	Canadian broadband services	**American broadband services**	**Inter-segment eliminations and other**	**Total**
(In thousands of Canadian dollars)	$	$	$	$
Property, plant and equipment	**1,124,698**	**882,827**	**85**	**2,007,610**
Intangible assets	**996,296**	**1,854,548**	**—**	**2,850,844**
Goodwill	**4,662**	**1,368,777**	**—**	**1,373,439**

					At August 31, 2018
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Total
(In thousands of Canadian dollars)	$	$	$	$	$
	(restated, Note 3)	*(restated, Note 3)*	*(restated, Note 3)*		*(restated, Note 3)*
Property, plant and equipment	1,135,404	821,080	367,030	164	2,323,678
Intangible assets	1,000,177	1,869,626	57,585	—	2,927,388
Goodwill	4,662	1,332,781	271,003	—	1,608,446

			At August 31, 2019
	Canada	**United States**	**Total**
(In thousands of Canadian dollars)	$	$	$
Property, plant and equipment	**1,124,783**	**882,827**	**2,007,610**
Intangible assets	**996,296**	**1,854,548**	**2,850,844**
Goodwill	**4,662**	**1,368,777**	**1,373,439**

				At August 31, 2018
	Canada	United States	Europe	Total
(In thousands of Canadian dollars)	$	$	$	$
	(restated, Note 3)	*(restated, Note 3)*	*(restated, Note 3)*	*(restated, Note 3)*
Property, plant and equipment	1,436,613	860,411	26,654	2,323,678
Intangible assets	1,040,937	1,885,504	947	2,927,388
Goodwill	221,867	1,371,992	14,587	1,608,446

7. BUSINESS COMBINATIONS

BUSINESS COMBINATION IN FISCAL 2019

Purchase of a fibre network and corresponding assets

On October 3, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband's existing south Florida footprint.

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

	Final	Preliminary
	August 31, 2019	November 30, 2018
(In thousands of Canadian dollars)	**$**	$
Purchase price		
Consideration paid at closing	**38,876**	38,876
Balance due on business combinations	**5,005**	5,005
	43,881	43,881
Net assets acquired		
Trade and other receivables	**1,308**	1,743
Prepaid expenses and other	**335**	335
Property, plant and equipment	**28,785**	45,769
Intangible assets	**3,978**	—
Goodwill	**11,093**	—
Trade and other payables assumed	**(644)**	(644)
Contract liabilities and other liabilities assumed	**(974)**	(3,322)
	43,881	43,881

BUSINESS COMBINATION IN FISCAL 2018

MetroCast business combination

On January 4, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of substantially all of the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast"). This acquisition extended 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 was as follows:

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

8. DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATIONS

On April 30, 2019, the Corporation completed the sale of Cogeco Peer 1, its Business ICT services subsidiary. As a result of the sale, the Corporation recognized the following gain on disposal in the consolidated statement of profit or loss for the year ended August 31, 2019:

(In thousands of Canadian dollars)	**$**
Gross proceeds, net of cash disposed	**720,314**
Working capital adjustments	**691**
Transaction costs	**(10,903)**
Net proceeds from sale, net of cash disposed	**710,102**
Net assets disposed	**(625,738)**
Gain on disposal of a subsidiary	**84,364**

The following table presents the carrying value of the net assets disposed of:

(In thousands of Canadian dollars)	**$**
Trade and other receivables	**19,988**
Income taxes receivable	**1,126**
Prepaid expenses and other	**8,532**
Property, plant and equipment	**361,774**
Intangible assets	**49,618**
Other assets	**9,594**
Goodwill	**272,591**
Deferred tax assets	**2,061**
Trade and other payables	**(22,416)**
Provisions	**(34)**
Contract liabilities and other liabilities	**(25,104)**
Deferred tax liabilities	**(22,183)**
Foreign currency translation adjustment	**(29,809)**
	625,738

As a result and in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current and prior year results and cash flows of Cogeco Peer 1 as discontinued operations separate from the Corporation's continuing operations. The results of Cogeco Peer 1 are excluded from both continuing operations and operating segments information in the consolidated financial statements and the notes to the consolidated financial statements, unless otherwise noted, and are presented net of tax in the consolidated statement of profit or loss for the current and comparative period.

The profit or loss of the discontinued operations was as follows:

	Years ended August 31,	
	2019 [(1)]	2018
(In thousands of Canadian dollars)	**$**	$
Revenue	**174,990**	275,952
Operating expenses	**132,390**	197,545
Depreciation and amortization	**43,999**	95,891
Financial expense	**(1,304)**	(2,902)
Gain on disposal of a subsidiary	**(84,364)**	—
Profit (loss) before income taxes	**84,269**	(14,582)
Income taxes	**8,889**	9,799
Profit (loss) for the year from discontinued operations	**75,380**	(24,381)

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

The cash flows of the discontinued operations were as follows:

	Years ended August 31,	
	2019 [(1)]	2018
(In thousands of Canadian dollars)	**$**	$
Cash flow from operating activities	**41,962**	65,720
Cash flow from investing activities	**691,729**	(49,492)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**116**	105
Net change in cash and cash equivalents from discontinued operations	**733,807**	16,333

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

9. OPERATING EXPENSES

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
		(restated, Note 3)
Salaries, employee benefits and outsourced services	**345,041**	317,118
Service delivery costs[(1)]	**661,214**	615,267
Customer related costs[(2)]	**83,401**	68,744
Other external purchases[(3)]	**114,324**	120,496
	1,203,980	1,121,625

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, 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.

10. DEPRECIATION AND AMORTIZATION

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
		(restated, Note 3)
Depreciation of property, plant and equipment	**423,432**	387,726
Amortization of intangible assets	**57,293**	45,928
	480,725	433,654

11. FINANCIAL EXPENSE

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
Interest on long-term debt	**176,798**	179,680
Net foreign exchange gains	**(2,744)**	(2,134)
Amortization of deferred transaction costs	**1,836**	1,884
Capitalized borrowing costs [(1)]	**(690)**	(2,074)
Other	**302**	8,100
	175,502	185,456

(1) For the years ended August 31, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

12. INCOME TAXES

Years ended August 31, *(In thousands of Canadian dollars)*	2019 $	2018 $
		(restated, Note 3)
Current	53,361	68,288
Deferred	30,294	(85,486)
	83,655	(17,198)

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, *(in thousands of Canadian dollars)*	2019 $	2018 $
		(restated, Note 3)
Profit before income taxes	440,563	367,380
Combined Canadian income tax rate	26.50%	26.50%
Income taxes at combined Canadian income tax rate	116,749	97,356
Difference in operations' statutory income tax rates	1,466	(3)
Impact on deferred taxes as a result of changes in substantively enacted tax rates [(1)]	15	(94,175)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(565)	1,670
Tax impacts related to foreign operations	(28,633)	(22,099)
Other	(5,377)	53
Income taxes at effective income tax rate	83,655	(17,198)

(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 $94 million (US$74 million) in fiscal 2018. 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, *(In thousands of Canadian dollars)*	2019 $	2018 $
		(restated, Note 3)
Property, plant and equipment	(205,251)	(173,352)
Intangible assets and goodwill	(514,233)	(500,068)
Contract liabilities and other liabilities	15,214	16,904
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	135,205	112,738
Other	22,047	(5,441)
Net deferred tax liabilities	(547,018)	(549,219)
Financial statement presentation:		
Deferred tax assets	6,564	5,665
Deferred tax liabilities	(553,582)	(554,884)
Net deferred tax liabilities	(547,018)	(549,219)

The movements in deferred tax asset and liability balances during fiscal 2019 and 2018 were as follows:

Year ended August 31, 2019	**Balance beginning of the year**	**Recognized in profit or loss**	**Recognized in other comprehensive income (loss)**	**Discontinued operations**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(restated, Note 3)					
Property, plant and equipment	**(173,352)**	**(44,351)**	**—**	**14,055**	**(1,603)**	**(205,251)**
Intangible assets and goodwill	**(500,068)**	**(28,718)**	**—**	**18,850**	**(4,297)**	**(514,233)**
Contract liabilities and other liabilities	**16,904**	**(2,198)**	**—**	**482**	**26**	**15,214**
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**112,738**	**44,531**	**—**	**(23,704)**	**1,640**	**135,205**
Other	**(5,441)**	**442**	**25,422**	**1,551**	**73**	**22,047**
	(549,219)	**(30,294)**	**25,422**	**11,234**	**(4,161)**	**(547,018)**

Year ended August 31, 2018	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Discontinued operations	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(restated, Note 3)	*(restated, Note 3)*			*(restated, Note 3)*	*(restated, Note 3)*
Property, plant and equipment	(176,139)	8,852	—	(2,340)	(3,725)	(173,352)
Intangible assets and goodwill	(563,153)	68,316	—	5,293	(10,524)	(500,068)
Contract liabilities and other liabilities	3,505	12,815	—	520	64	16,904
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	133,791	(11,178)	—	(13,614)	3,739	112,738
Other	(2,695)	6,681	(9,135)	(329)	37	(5,441)
	(604,691)	85,486	(9,135)	(10,470)	(10,409)	(549,219)

At August 31, 2019, 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 Corporation's projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others. These losses expire as follows:

	2025	2026	2027	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$
United States	**44,614**	**73,369**	**39,683**	**388,997**	**546,663**

The Corporation and its subsidiaries also had accumulated capital losses in Canada amounting to $1,518 million which can be carried forward indefinitely and used against Canadian capital gains, and $103 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

13. EARNINGS PER SHARE

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

Years ended August 31, *(In thousands of Canadian dollars, except number of shares and per share data)*	**2019** **$**	2018 $
		(restated, Note 3)
Profit for the year from continuing operations attributable to owners of the Corporation	**339,973**	375,214
Profit (loss) for the year from discontinued operations attributable to owners of the Corporation	**75,380**	(24,381)
Profit for the year attributable to owners of the Corporation	**415,353**	350,833
Weighted average number of multiple and subordinate voting shares outstanding	**49,359,124**	49,296,872
Effect of dilutive stock options [1]	**181,471**	162,139
Effect of dilutive incentive share units	**95,816**	107,472
Effect of dilutive performance share units	**133,757**	133,931
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,770,168**	49,700,414
Earnings (loss) per share		
Basic		
Profit for the year from continuing operations	**6.89**	7.61
Profit (loss) for the year from discontinued operations	**1.53**	(0.49)
Profit for the year	**8.41**	7.12
Diluted		
Profit for the year from continuing operations	**6.83**	7.55
Profit (loss) for the year from discontinued operations	**1.51**	(0.49)
Profit for the year	**8.35**	7.06

(1) For the year ended August 31, 2019, 185,635 stock options (258,325 in 2018) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

14. OTHER ASSETS

At August 31, *(In thousands of Canadian dollars)*	**2019** **$**	2018 $
		(restated, Note 3)
Contract costs [1]	**36,372**	35,328
Transaction costs	**3,121**	4,482
Other	**527**	2,867
	40,020	42,677

(1) Include incremental costs of obtaining a contract and upfront fees paid to multiple-dwelling units.

The table below provides a reconciliation of the contract costs balance:

Years ended August 31, *(In thousands of Canadian dollars)*	**2019** **$**	2018 $
Balance, beginning of the year	**35,328**	28,839
Additions	**17,666**	12,947
Amortization	**(8,972)**	(7,003)
Foreign currency translation adjustments	**422**	797
Discontinued operations	**(8,072)**	(252)
Balance, end of the year	**36,372**	35,328

15. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2019 and 2018, property, plant and equipment variations were as follows:

Years ended August 31, 2019 and 2018	Land, buildings and leasehold improvements	Networks and infrastructure [1]	Data centre equipment [2]	Customer premise equipment [3]	Rolling stock and equipment [3] [4]	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
		(restated, Note 3)				*(restated, Note 3)*
Cost						
Balance at August 31, 2017	246,261	3,324,795	317,114	647,299	401,633	4,937,102
Acquisitions through business combinations	7,715	245,585	—	16,524	10,667	280,491
Additions	5,445	285,660	—	102,245	64,458	457,808
Disposals and write-offs	(96)	(14,694)	—	(48,334)	(3,344)	(66,468)
Foreign currency translation adjustments	1,098	39,306	—	7,325	2,919	50,648
Discontinued operations	2,631	15,818	23,263	—	10,076	51,788
Balance at August 31, 2018	**263,054**	**3,896,470**	**340,377**	**725,059**	**486,409**	**5,711,369**
Acquisitions through business combinations	**—**	**28,785**	**—**	**—**	**—**	**28,785**
Additions	**6,292**	**289,417**	**—**	**84,892**	**53,944**	**434,545**
Disposals and write-offs	**(4)**	**(8,675)**	**—**	**(43,233)**	**(2,764)**	**(54,676)**
Foreign currency translation adjustments	**545**	**21,161**	**—**	**3,850**	**1,549**	**27,105**
Discontinued operations	**(142,615)**	**(321,089)**	**(340,377)**	**—**	**(85,148)**	**(889,229)**
Balance at August 31, 2019	**127,272**	**3,906,069**	**—**	**770,568**	**453,990**	**5,257,899**
Accumulated depreciation and impairment losses						
Balance at August 31, 2017	89,964	1,976,556	142,595	473,900	283,225	2,966,240
Depreciation expense	6,715	262,862	—	80,762	37,387	387,726
Disposals and write-offs	(38)	(12,464)	—	(47,387)	(3,280)	(63,169)
Foreign currency translation adjustments	302	15,142	—	2,945	1,145	19,534
Discontinued operations	10,886	23,383	32,365	—	10,726	77,360
Balance at August 31, 2018	**107,829**	**2,265,479**	**174,960**	**510,220**	**329,203**	**3,387,691**
Depreciation expense	**7,115**	**280,437**	**—**	**88,393**	**47,487**	**423,432**
Disposals and write-offs	**(4)**	**(5,541)**	**—**	**(41,623)**	**(2,395)**	**(49,563)**
Foreign currency translation adjustments	**180**	**8,512**	**—**	**1,605**	**631**	**10,928**
Discontinued operations	**(55,646)**	**(212,737)**	**(174,960)**	**—**	**(78,856)**	**(522,199)**
Balance at August 31, 2019	**59,474**	**2,336,150**	**—**	**558,595**	**296,070**	**3,250,289**
Carrying amounts						
At August 31, 2018	155,225	1,630,991	165,417	214,839	157,206	2,323,678
At August 31, 2019	**67,798**	**1,569,919**	**—**	**211,973**	**157,920**	**2,007,610**

(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) The software that ensures the proper operation of the customer premise equipment is now presented in the Customer premise equipment category while it was previously presented in the Rolling stock and equipment category.

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

16. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2019 and 2018, intangible assets variations were as follows:

Years ended August 31, 2019 and 2018	Finite useful life			Indefinite useful life		
	Customer relationships [1]	Spectrum Licenses [2]	Other [3]	Cable Distribution Licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
			(restated, Note 3)			*(restated, Note 3)*
Cost						
Balance at August 31, 2017	412,859	—	1,208	1,771,811	25,934	2,211,812
Acquisitions through business combinations	195,264	—	2,131	747,343	—	944,738
Additions	—	32,306	—	—	—	32,306
Fully amortized	—	—	(2,131)	—	—	(2,131)
Foreign currency translation adjustments	16,629	—	—	64,447	—	81,076
Discontinued operations	(29,880)	—	43	—	—	(29,837)
Balance at August 31, 2018	**594,872**	**32,306**	**1,251**	**2,583,601**	**25,934**	**3,237,964**
Acquisitions through business combinations	**3,978**	**—**	**—**	**—**	**—**	**3,978**
Foreign currency translation adjustments	**7,683**	**—**	**—**	**29,720**	**—**	**37,403**
Discontinued operations	**(173,317)**	**—**	**(1,251)**	**—**	**(25,934)**	**(200,502)**
Balance at August 31, 2019	**433,216**	**32,306**	**—**	**2,613,321**	**—**	**3,078,843**
Accumulated amortization and impairment losses						
Balance at August 31, 2017	274,548	—	499	—	—	275,047
Amortization expense	42,900	897	2,131	—	—	45,928
Fully amortized	—	—	(2,131)	—	—	(2,131)
Foreign currency translation adjustments	5,579	—	—	—	—	5,579
Discontinued operations	(14,097)	—	250	—	—	(13,847)
Balance at August 31, 2018	**308,930**	**897**	**749**	**—**	**—**	**310,576**
Amortization expense	**53,706**	**3,587**	**—**	**—**	**—**	**57,293**
Foreign currency translation adjustments	**3,047**	**—**	**—**	**—**	**—**	**3,047**
Discontinued operations	**(142,168)**	**—**	**(749)**	**—**	**—**	**(142,917)**
Balance at August 31, 2019	**223,515**	**4,484**	**—**	**—**	**—**	**227,999**
Carrying amounts						
At August 31, 2018	285,942	31,409	502	2,583,601	25,934	2,927,388
At August 31, 2019	**209,701**	**27,822**	**—**	**2,613,321**	**—**	**2,850,844**

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

(2) In 2018, the Corporation' subsidiary, Cogeco Connexion, was 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 Innovation, Science & Economic Development ("ISED") Canada for a total price of $24.3 million. In addition it also acquired 10 Spectrum licenses of 2,500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for a consideration of $8 million. Both transactions were completed in June 2018.

(3) Prior to the adoption of the changes in accounting policies described in Note 3, this category also included reconnect and additional service activation costs in the Broadband services segments, as well as direct and incremental costs associated with the acquisition of customers.

B) GOODWILL

During fiscal 2019 and 2018, goodwill variations were as follows:

Years ended August 31, 2019 and 2018 *(In thousands of Canadian dollars)*	$
Cost	
Balance at August 31, 2017	1,434,084
Acquisitions through business combinations	529,689
Foreign currency translation adjustments	53,110
Discontinued operations	14,796
Balance at August 31, 2018	**2,031,679**
Acquisitions through business combinations	**11,093**
Foreign currency translation adjustments	**24,903**
Discontinued operations	**(694,236)**
Balance at August 31, 2019	**1,373,439**
Accumulated impairment losses	
Balance at August 31, 2017	410,660
Discontinued operations	12,573
Balance at August 31, 2018	**423,233**
Discontinued operations	**(423,233)**
Balance at August 31, 2019	**—**
Carrying amounts	
At August 31, 2018	1,608,446
At August 31, 2019	**1,373,439**

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,		**2019**			2018
Operating segment / CGU	**Goodwill**	**Cable Distribution Licenses**	Goodwill	Cable Distribution Licenses	Trade name
(In thousands of Canadian dollars)	**$**	**$**	$	$	$
Canadian broadband services	**4,662**		4,662		
Ontario		**857,696**		857,696	—
Québec		**109,304**		109,304	—
American broadband services	**1,368,777**		1,332,781		
Southern Florida		**248,617**		244,129	—
South Carolina		**41,215**		40,471	—
Pennsylvania		**509,465**			—
Western Pennsylvania				406,011	—
Eastern Pennsylvania				94,257	
Delaware/Maryland/Virginia		**418,394**			—
Maryland/Delaware				53,526	—
Maryland/Virginia				357,315	—
Eastern Connecticut		**95,723**		93,995	—
New Hampshire/Maine		**332,907**		326,897	—
Discontinued operations	**—**	**—**	271,003	—	25,934
Total	**1,373,439**	**2,613,321**	1,608,446	2,583,601	25,934

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, 2019 and 2018, the Corporation 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, 2019 and 2018. 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 tests of its CGUs at June 30, 2019.

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

		2019		2018
	Pre-tax discount rate	**Terminal growth rate**	Pre-tax discount rate	Terminal growth rate
Operating segment	**%**	**%**	%	%
Canadian broadband services	**10.0**	**2.0**	10.0	2.0
American broadband services	**7.8 to 9.1**	**2.5 to 3.0**	7.9 to 8.8	2.5 to 3.0

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	**%**	**%**
Canadian broadband services	**10.2 to 12.1**	**12.1 to 15.4**
American broadband services	**0.4 to 10.9**	**0.6 to 43.8**

17. PROVISIONS

During fiscal 2019, provisions variations were as follows:

Year ended August 31, 2019	Withholding and stamp taxes (1)	Programming and content costs (2)	Other (3)	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Balance, beginning of the year	**7,232**	**6,596**	**12,059**	**25,887**
Provisions made during the year	**—**	**13,932**	**3,990**	**17,922**
Provisions used during the year	**—**	**(1,205)**	**(6)**	**(1,211)**
Provisions reversed during the year	**—**	**(5,748)**	**—**	**(5,748)**
Foreign currency translation adjustments	**(255)**	**10**	**13**	**(232)**
Discontinued operations	**—**	**—**	**(65)**	**(65)**
Balance, end of the year	**6,977**	**13,585**	**15,991**	**36,553**

(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 subsidiary by the Corporation.

(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.

18. CONTRACT LIABILITIES AND OTHER LIABILITIES

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Advance billings	36,085	52,372
Deferred customer connection fees	17,642	24,779
Customer deposits and prepayments	536	593
Contract liabilities	54,263	77,744
Other liabilities	251	2,037
	54,514	79,781

Contract liabilities represent future performance obligations to our customers with respect to services or goods for which consideration was received or is due from the customer. During fiscal 2019 and 2018, contract liabilities variations were as follows:

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	77,744	89,492
Revenue deferred in the previous period and recognized in the current period	(38,879)	(55,018)
Net additions arising from operations	40,044	43,951
Additions arising from business combinations	454	—
Foreign currency translation adjustments	584	968
Discontinued operations	(25,684)	(1,649)
Balance, end of the year	54,263	77,744

19. LONG-TERM DEBT

At August 31,	Maturity	Interest rate		2019	2018
(In thousands of Canadian dollars, except percentages)		%		$	$
Corporation					
Term Revolving Facility [a)]					
Canadian Revolving Facility					
Revolving loan – US$310 million in 2018	January 2024	—		—	404,705
Senior Secured Notes [b)]					
Series A – US$25 million	September 2024	4.14		33,155	32,540
Series B - US$150 million	September 2026	4.29		198,845	195,176
Senior Secured Notes Series B [c)]	—	—		—	54,994
Senior Secured Notes - US$215 million [d)]	June 2025	4.30		284,996	279,711
Senior Secured Debentures Series 2 [e)]	November 2020	5.15		199,744	199,544
Senior Secured Debentures Series 3 [f)]	February 2022	4.93		199,457	199,255
Senior Secured Debentures Series 4 [g)]	May 2023	4.18		298,697	298,381
Subsidiaries					
First Lien Credit Facilities [h)]					
Senior Secured Term Loan B Facility - US$1,678.8 million (US$1,695.8 million in 2018)	January 2025	4.36	(1) (2)	2,189,965	2,167,792
Senior Secured Revolving Facility - US$20 million in 2018	January 2023	—		—	26,110
				3,404,859	3,858,208
Less current portion				22,601	77,188
				3,382,258	3,781,020

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

(2) A US subsidiary of the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 2.017% to 2.262% for maturities between January 31, 2021 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.38%.

a) The Corporation has a Term Revolving Facility of $800 million with a syndicate of lenders. On December 4, 2018, the maturity was extended until January 24, 2024 and can be further extended annually. The amended and restated Term Revolving Facility 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 Term Revolving Facility provides access to a swingline with a limit of $30 million. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of the Corporation and its subsidiaries, except for the unrestricted 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 the Corporation and its subsidiaries, except for the unrestricted subsidiaries. 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 from continuing operations, adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA").

b) On August 27, 2014, the Corporation 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 the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

c) The Corporation reimbursed the Senior Secured Notes Series B at their maturity date, on October 1, 2018.

d) On June 27, 2013, the Corporation 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 Corporation's 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 the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

e) On November 16, 2010, the Corporation completed pursuant to a public debt offering, the issuance 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 the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

f) On February 14, 2012, the Corporation completed pursuant to a public debt offering, the issuance 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 the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

g) On May 27, 2013, the Corporation completed pursuant to a public debt offering, the issuance 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 the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

h) 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. 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 and such payments starting in fiscal 2020, if applicable.

   (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.

ABB's leverage ratio was below 4.6 to 1.0 as of August 31, 2019, therefore no excess cash flow prepayments are applicable in fiscal 2020. The First Lien Credit Facilities are non-recourse to the Corporation and most of its Canadian subsidiaries, 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.

20. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, could be issued in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

At August 31,	**2019**	2018
(In thousands of Canadian dollars, except number of shares)	**$**	$
15,691,100 multiple voting shares	**98,346**	98,346
33,717,668 subordinate voting shares (33,874,114 at August 31, 2018)	**939,633**	937,226
	1,037,979	1,035,572
76,935 subordinate voting shares held in trust under the Incentive Share Unit Plan (111,717 at August 31, 2018)	**(5,409)**	(7,569)
118,667 subordinate voting shares held in trust under the Performance Share Unit Plan (143,377 at August 31, 2018)	**(9,180)**	(10,831)
	1,023,390	1,017,172

During fiscal 2019 and 2018, subordinate voting share transactions were as follows:

Years ended August 31,		**2019**		2018
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**33,874,114**	**937,226**	33,813,777	933,149
Shares issued for cash under the Stock Option Plan	**170,754**	**9,780**	60,337	3,486
Share-based payment previously recorded in share-based payment reserve for options exercised	**—**	**1,717**	—	591
Purchase and cancellation of subordinate voting shares (1)	**(327,200)**	**(9,090)**	—	—
Balance, end of the year	**33,717,668**	**939,633**	33,874,114	937,226

(1) On May 1, 2019, the Corporation announced that the TSX accepted its notice of intention for a normal course issuer bid, enabling it to acquire for cancellation up to 1,869,000 subordinate voting shares from May 3, 2019 to May 2, 2020. During fiscal 2019, the Corporation purchased and cancelled 327,200 subordinate voting shares with an average stated value of $9.1 million, for consideration of $32.4 million. The excess of the purchase price over the average stated value of the shares totaled $23.3 million and was charged to retained earnings.

During fiscal 2019 and 2018, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		2019		2018
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	111,717	7,569	105,219	5,801
Subordinate voting shares acquired	9,688	864	42,390	3,790
Subordinate voting shares distributed to employees	(44,470)	(3,024)	(35,892)	(2,022)
Balance, end of the year	76,935	5,409	111,717	7,569

During fiscal 2019 and 2018, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Years ended August 31,		2019		2018
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	143,377	10,831	122,614	8,058
Subordinate voting shares acquired	18,609	1,640	62,204	5,562
Subordinate voting shares distributed to employees	(43,319)	(3,291)	(41,441)	(2,789)
Balance, end of the year	118,667	9,180	143,377	10,831

C) DIVIDENDS

For the year ended August 31, 2019, quarterly eligible dividends of $0.525 per share, for a total of $2.10 per share or $103.7 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.475 per share, for a total of $1.90 per share or $93.7 million for the year ended August 31, 2018.

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Dividends on multiple voting shares	32,951	29,813
Dividends on subordinate voting shares	70,757	63,886
	103,708	93,699

At its October 30, 2019 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.58 per share for multiple voting and subordinate voting shares, payable on November 27, 2019 to shareholders of record on November 13, 2019.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries and a Stock Option Plan to its executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors ("Board").

Stock purchase plan

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan, which is accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation contributes 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plan

A total of 3,432,500 subordinate voting shares are reserved for the purpose of the Stock Option Plan. 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 vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at August 31:

Years ended August 31,	2019		2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the year	819,393	65.27	652,385	56.61
Granted [1]	201,525	65.62	281,350	85.08
Exercised [2]	(170,754)	57.28	(60,337)	57.77
Cancelled	(134,550)	72.43	(54,005)	72.28
Outstanding, end of the year	715,614	65.93	819,393	65.27
Exercisable, end of the year	264,374	55.99	277,108	49.76

(1) For the year ended August 31, 2019, the Corporation granted 97,725 (126,425 in 2018) stock options to Cogeco's executive officers as executive officers of the Corporation.
(2) The weighted average share price for options exercised during the year was $92.43 ($83.46 in 2018).

At August 31, 2019, 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, 2019	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)	$		$
38.08 to 50.10	138,699	3.10	44.75	138,699	44.75
50.11 to 62.13	162,500	6.54	61.84	67,175	61.64
62.14 to 65.75	163,490	9.08	65.19	1,160	65.61
65.76 to 85.00	65,290	6.24	67.58	28,740	67.58
85.01 to 103.09	185,635	8.21	85.40	28,600	85.20
	715,614	6.86	65.93	264,374	55.99

The weighted average fair value of stock options granted for the period ended August 31, 2019 was $9.60 ($13.37 in 2018) 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,	2019	2018
	%	%
Expected dividend yield	3.18	2.24
Expected volatility [1]	20.37	20.12
Risk-free interest rate	2.42	1.65
Expected life (in years)	6.0	6.0

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

A compensation expense of $379,000 ($873,000 in 2018) was recorded for the year ended August 31, 2019 related to this plan.

ISU plan

The Corporation offers to its executive officers and designated employees an Incentive Share Unit ("ISU") Plan. According to this plan, executive officers and designated employees periodically receive a given number of ISUs which entitle the participants to receive subordinate voting shares of the Corporation 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. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is consolidated in the Corporation’s financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plan presented in reduction of share capital.

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	105,475	101,538
Granted	37,600	47,900
Distributed	(44,470)	(35,892)
Cancelled	(26,780)	(8,071)
Outstanding, end of the year	71,825	105,475

A compensation expense of $2,046,000 ($2,461,000 in 2018) was recorded for the year ended August 31, 2019 related to this plan.

PSU plan

The Corporation also offers a Performance Share Unit ("PSU") Plan for the benefit of its executive officers and designated employees. The objectives of the PSU Plan 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 an 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 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. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is consolidated in the Corporation’s financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plan presented in reduction of share capital.

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	133,181	115,207
Granted (1)	45,800	65,525
Performance-based additional units granted	200	2,639
Distributed	(43,319)	(41,441)
Cancelled	(31,889)	(12,184)
Dividend equivalents	3,578	3,435
Outstanding, end of the year	107,551	133,181

(1) For the year ended August 31, 2019, the Corporation granted 14,625 (19,025 in 2018) PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $1,400,000 ($2,198,000 in 2018) was recorded for the year ended August 31, 2019 related to this plan.

DSU plan

The Corporation also offers a Deferred Share Unit ("DSU") Plan for members of the Board to assist in the attraction and retention of qualified individuals to serve on the Board of the Corporation. 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, the following DSUs were issued by the Corporation and are outstanding at August 31:

Years ended August 31,	2019	2018
Outstanding, beginning of the year	42,607	40,446
Issued	11,328	6,662
Redeemed	(12,351)	(5,549)
Dividend equivalents	1,095	1,048
Outstanding, end of the year	42,679	42,607

A compensation expense of $1,792,000 (compensation expense reduction of $181,000 in 2018) was recorded for the year ended August 31, 2019 related to this plan.

21. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2019 and 2018, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2019 and 2018	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
		(restated, Note 3)	*(restated, Note 3)*
Balance at August 31, 2017	438	76,197	76,635
Other comprehensive income for the year	25,380	11,759	37,139
Balance at August 31, 2018	**25,818**	**87,956**	**113,774**
Other comprehensive loss for the year	**(59,660)**	**(23,086)**	**(82,746)**
Balance at August 31, 2019	**(33,842)**	**64,870**	**31,028**

22. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
		(restated, Note 3)
Trade and other receivables	**(1,734)**	(2,434)
Prepaid expenses and other	**(1,100)**	(4,168)
Other assets	**(8,665)**	(5,930)
Trade and other payables	**(24,143)**	(4,994)
Provisions	**10,103**	4,410
Contract liabilities and other liabilities	**431**	(10,787)
	(25,108)	(23,903)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Years ended August 31, 2019 and 2018	Bank indebtedness	Balance due on business combinations	Current and non-current portion of long-term debt	Total
(In thousands of Canadian dollars)	$	$	$	$
Balance at August 31, 2017	3,801	118	2,576,433	2,580,352
Increase in bank indebtedness	2,148	—	—	2,148
Net increase under the revolving facilities	—	—	384,568	384,568
Issuance of long-term debt, net of discounts and transaction costs	—	—	2,082,408	2,082,408
Repayment of long-term debt	—	—	(1,329,044)	(1,329,044)
Repayment of balance due on business combinations	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	2,148	(118)	1,137,932	1,139,962
Effect of changes in foreign exchange rates	—	—	126,789	126,789
Amortization of discounts and transaction costs	—	—	17,054	17,054
Total non-cash changes	—	—	143,843	143,843
Balance at August 31, 2018	**5,949**	**—**	**3,858,208**	**3,864,157**
Decrease in bank indebtedness	**(5,949)**	**—**	**—**	**(5,949)**
Net decrease under the revolving facilities	**—**	**—**	**(443,955)**	**(443,955)**
Repayment of long-term debt	**—**	**—**	**(77,639)**	**(77,639)**
Increase in deferred transaction costs	**—**	**—**	**(1,778)**	**(1,778)**
Balance due on business combinations	**—**	**5,005**	**—**	**5,005**
Repayment of balance due on business combinations	**—**	**(655)**	**—**	**(655)**
Total cash flows from (used in) financing activities excluding equity	**(5,949)**	**4,350**	**(523,372)**	**(524,971)**
Effect of changes in foreign exchange rates	**—**	**170**	**62,405**	**62,575**
Amortization of discounts and transaction costs	**—**	**—**	**7,618**	**7,618**
Total non-cash changes	**—**	**170**	**70,023**	**70,193**
Balance at August 31, 2019	**—**	**4,520**	**3,404,859**	**3,409,379**

23. 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 $8,026,000 ($7,858,000 in 2018) for the year ended August 31, 2019 and is 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 a defined benefit plan for the benefit of their employees and a separate defined benefit plan 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 a supplementary pension plan. 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, 2018 and the next required valuation is at August 31, 2019, which is expected to be completed in February 2020. 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,	2019	2018
(In thousands of Canadian dollars)	$	$
Defined benefit obligation [(1)]		
Defined benefit obligation, beginning of the year	**51,183**	48,501
Current service cost	**1,788**	1,820
Past service cost	**(131)**	—
Interest cost	**1,854**	1,754
Contributions by plan participants	**280**	285
Benefits paid	**(1,635)**	(1,450)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	**(513)**	1,434
Changes in financial assumptions	**6,541**	(1,161)
Defined benefit obligation reallocated to Cogeco's pension plans [(2)]	**(1,681)**	—
Defined benefit obligation, end of the year	**57,686**	51,183
Plan assets at fair value		
Plan assets at fair value, beginning of the year	**51,777**	47,644
Interest income	**1,848**	1,695
Return on plan assets, except amounts included in interest income	**(3,713)**	1,903
Administrative expense	**(303)**	(250)
Contributions by plan participants	**280**	285
Employer contributions	**1,038**	1,950
Benefits paid	**(1,635)**	(1,450)
Plan assets reallocated to Cogeco's pension plans [(2)]	**(1,642)**	—
Plan assets at fair value, end of the year	**47,650**	51,777
Funded status		
Plan assets at fair value	**47,650**	51,777
Defined benefit obligation	**57,686**	51,183
Net defined benefit asset (liability)	**(10,036)**	594

(1) The weighted average duration of the defined benefit obligation at August 31, 2019 and 2018 is 14 years.

(2) Arose following the transfer of Cogeco Communications' employees to Cogeco.

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.

Pension plan liabilities and accrued employee benefits

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Pension plan liabilities	10,036	—
Accrued employee benefits	4,319	2,784
	14,355	2,784

Defined benefit costs recognized in profit or loss

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	1,788	1,820
Past service cost	(131)	—
Administrative expense	303	250
Recognized in financial expense (other)		
Net interest	6	59
	1,966	2,129

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Actuarial losses (gains) arising from:		
Experience adjustments	(513)	1,434
Change in financial assumptions	6,541	(1,161)
Return on plan assets, except amounts included in interest income	3,713	(1,903)
	9,741	(1,630)

The expected employer contributions to the Corporation's defined benefit plans should be approximately $2,730,000 in 2020.

Plan assets consist of:

At August 31,	2019	2018
	%	%
Equity securities [1]	58	58
Debt securities [1]	19	20
Deposits in trust [2]	17	15
Other	6	7
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,	2019	2018
	%	%
Defined benefit obligation		
Discount rate	2.85	3.65
Rate of compensation increase	2.75	2.75
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	3.00	3.75
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 K). The actual results of items subject to estimates may differ.

At August 31, 2019	Change in assumption	Increase in the defined benefit obligation
(In thousands of Canadian dollars)	%	$
Discount rate decrease	0.10	862
Expected rate of compensation increase	0.25	149

24. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

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 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 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, 2019, 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 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 lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) are examined. 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 and the United States, 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,	2019	2018
(In thousands of Canadian dollars)	$	$
Trade accounts receivable	**74,021**	95,541
Allowance for doubtful accounts	**(6,759)**	(6,497)
	67,262	89,044
Other accounts receivable	**8,390**	8,250
	75,652	97,294

Trade accounts receivable past due is defined as the 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, 2019 and 2018:

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Less than 60 days past due	**18,645**	32,857
60 to 90 days past due	**899**	3,022
More than 90 days past due	**3,074**	4,923
	22,618	40,802

The following table shows changes in the allowance for doubtful accounts for the years ended August 31, 2019 and 2018:

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	**6,497**	3,820
Provision for impaired receivables	**24,059**	18,921
Net use	**(23,176)**	(15,161)
Foreign currency translation adjustments	**21**	38
Discontinued operations	**(642)**	(1,121)
Balance, end of the year	**6,759**	6,497

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, 2019, the Corporation had used $0.6 million of its $800 million amended and restated Term Revolving Facility for a remaining availability of $799.4 million. Management believes that the committed Term Revolving Facility will, until its maturity in 2024, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Senior Secured Revolving Facility of $199.4 million (US$150 million), of which $3.2 million (US$2.4 million) was used at August 31, 2019 for a remaining availability of $196.2 million (US$147.6 million).

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2019:

		Contractual cash flows						
	Carrying amount	2020	2021	2022	2023	2024	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Trade and other payables [(1)]	**245,236**	**245,236**	**—**	**—**	**—**	**—**	**—**	**245,236**
Balance due on business combinations	**4,520**	**4,520**	**—**	**—**	**—**	**—**	**—**	**4,520**
Long-term debt	**3,404,859**	**22,601**	**222,601**	**222,601**	**322,601**	**22,601**	**2,637,398**	**3,450,403**
	3,654,615	**272,357**	**222,601**	**222,601**	**322,601**	**22,601**	**2,637,398**	**3,700,159**

(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, 2019 and their respective maturities:

	2020	2021	2022	2023	2024	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on long-term debt	**151,883**	**145,747**	**134,687**	**128,776**	**115,265**	**72,837**	**749,195**
Interest receipts on derivative financial instruments	**(30,887)**	**(25,482)**	**(21,621)**	**(17,854)**	**(10,412)**	**(1,755)**	**(108,011)**
Interest payments on derivative financial instruments	**31,263**	**25,760**	**21,830**	**18,016**	**10,410**	**1,731**	**109,010**
	152,259	**146,025**	**134,896**	**128,938**	**115,263**	**72,813**	**750,194**

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2019, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, the Corporations' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2019:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US Libor base rate	2.017% - 2.262%	January 2021 - November 2024	Senior Secured Term Loan B

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.7 million based on the outstanding debt at August 31, 2019.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $12 million based on the outstanding debt at August 31, 2019.

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,			**2019**			2018
	US	**Euro**	**British Pounds**	US	Euro	British Pounds
(In thousands of Canadian dollars)	**$**	**$**	**$**	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**10,160**	**455**	**42**	17,987	961	93
Trade and other receivables	**—**	**—**	**—**	3,625	191	—
Trade and other payables and provisions	**(10,615)**	**(6,977)**	**—**	(21,825)	(7,232)	—
	(455)	**(6,522)**	**42**	(213)	(6,080)	93

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, the Corporation's net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, notably changes in the value of the Canadian dollar versus the US dollar. The risk related to the US dollar aggregate investments is mitigated since a portion was borrowed in US dollars.

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at August 31, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,000 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2019 was $1.3295 ($1.3055 in 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $81.1 million.

Market risk

The Corporation uses derivative instruments to manage the exposure to the risk of changes in the price of its subordinate voting shares under the DSU plan. As such, the Corporation uses equity swap agreements on its subordinate voting shares to economically hedge the cash flow exposure. A 5% variation in the market price of its subordinate voting shares at August 31, 2019 would result in a variation, net of the hedge, of approximately $0.1 million in operating expenses for 2019.

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, 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 Corporation's Term Revolving Facility and First Lien Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds 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 B and Senior Secured Notes are based upon current trading values for similar financial instruments;

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

At August 31,	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
(In thousands of Canadian dollars)	$	$	$	$
Long-term debt	3,404,859	3,521,418	3,858,208	3,941,543

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, bank indebtedness, long-term debt and assets or liabilities related to derivative financial instruments.

The provisions of financing agreements provide for restrictions on the activities of the Corporation. 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, 2019 and 2018 the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

Years ended August 31,	2019	2018 [3]
Net indebtedness [1] / adjusted EBITDA [2]	**2.6**	3.8
Adjusted EBITDA [2] / financial expense [2]	**6.3**	5.4

(1) Net indebtedness is defined as the total of bank indebtedness, balance due on business combinations and principal on long-term debt, less cash and cash equivalents.

(2) Adjusted EBITDA and financial expense for the year ended August 31, 2018 include eight months of MetroCast operations.

(3) Ratios for 2018 include indebtedness related to the Cogeco Peer 1 subsidiary, which was reimbursed following its disposal in fiscal 2019.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Financial assets		
Financial assets measured and classified at amortized cost	**632,156**	182,019
Derivative financial instruments in designated hedge relationships	—	35,126
	632,156	217,145
Financial liabilities		
Financial liabilities measured and classified at amortized cost	**3,669,860**	4,166,963
Derivative financial instruments in designated hedge relationships	**46,044**	—
	3,715,904	4,166,963

25. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which holds 31.8% of the Corporation's equity shares, representing 82.3% of the Corporation's voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to the Corporation under a Management Services Agreement (the "Agreement"). On May 1, 2019, the Corporation and Cogeco agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by the Corporation to Cogeco, which was based on a percentage of the consolidated revenue of the Corporation, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This cost-plus methodology was adopted to avoid future variations of the management fee percentage due to the frequent changes of the Corporation's consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of the Corporation (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For fiscal 2019 management fees paid to Cogeco amounted to $19.9 million, compared to $19.0 million for fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during fiscal 2019 and 2018, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

Years ended August 31,	2019	2018
Stock options	**97,725**	126,425
PSUs	**14,625**	19,025

The following table shows the amounts that the Corporation charged Cogeco with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers, as well as DSUs issued to Board directors of Cogeco:

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Stock options	**1,046**	915
ISUs	**61**	1
PSUs	**981**	990
DSUs	**631**	—

B) 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, which excludes the compensation to executive officers of Cogeco paid under the Management Services Agreement, is as follows:

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Salaries and other short-term employee benefits	2,729	2,959
Post-employment benefits	152	515
Share-based payments	1,756	3,283
	4,637	6,757

26. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2019, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2020	2021	2022	2023	2024	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Operating lease agreements (1)	22,728	22,105	20,851	21,087	20,012	53,412
Acquisitions of property, plant and equipment and intangible assets (2)	15,201	14,625	22,355	18,613	21,272	—
Other long-term contracts (3)	25,603	15,174	6,178	5,899	5,666	20,113
	63,532	51,904	49,384	45,599	46,950	73,525

(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.

B) CONTINGENCIES

On August 15, 2019, the CRTC issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, the Corporation, along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the impact of the new reduced rates in the 2019 financial statements.

The Corporation and its subsidiaries are involved in matters involving litigations or potential claims from customers and 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. At August 31, 2019 and 2018, no liability has been recorded with respect to these litigations and potential claims, except for those disclosed in Note 17.

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, 2019 and 2018, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 17.

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 has 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 the Senior Secured Notes, the Corporation has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

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.

INVESTOR INFORMATION

CREDIT RATINGS

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

At August 31, 2019	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	BBB-	BBB (low)	NR
Atlantic Broadband			
First Liens Credit Facilities	BB-	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, 2019		Registrar / Transfer agent
Number of multiple voting shares (10 votes per share) outstanding	15,691,100	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	33,717,668	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CCA	

DIVIDENDS

DIVIDEND DECLARATION

At its October 30, 2019 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.58 per share for multiple voting and subordinate voting shares, payable on November 27, 2019 to shareholders of record on November 13, 2019. 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	2019 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	69.51	82.82	93.63	107.34	
Low	61.68	62.78	82.29	90.84	
Close	64.60	82.29	92.70	104.64	
Volume (subordinate voting shares)	4,895,169	5,098,057	5,196,782	6,448,128	21,638,136

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2018 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	95.21	92.37	76.89	72.26	
Low	83.92	70.56	66.04	63.60	
Close	92.06	72.32	68.05	64.77	
Volume (subordinate voting shares)	6,089,635	5,082,407	4,334,547	4,948,934	20,455,523

CUSTOMER STATISTICS

	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018
CONSOLIDATED					
Primary service units	**2,711,812**	**2,707,227**	**2,703,223**	**2,711,932**	2,751,383
Internet service customers	**1,234,380**	**1,229,399**	**1,214,566**	**1,204,602**	1,207,225
Video service customers	**962,138**	**965,008**	**976,377**	**988,398**	1,006,020
Telephony service customers	**515,294**	**512,820**	**512,280**	**518,932**	538,138
CANADA					
Primary service units	**1,810,366**	**1,813,212**	**1,825,011**	**1,831,628**	1,866,918
Internet service customers	**788,243**	**785,703**	**785,004**	**778,996**	782,277
Penetration as a percentage of homes passed	**44.7%**	**44.6%**	**44.7%**	**44.4%**	44.7%
Video service customers	**649,583**	**657,747**	**668,771**	**675,699**	688,768
Penetration as a percentage of homes passed	**36.8%**	**37.4%**	**38.1%**	**38.5%**	39.3%
Telephony service customers	**372,540**	**369,762**	**371,236**	**376,933**	395,873
Penetration as a percentage of homes passed	**21.1%**	**21.0%**	**21.1%**	**21.5%**	22.6%
UNITED STATES					
Primary service units	**901,446**	**894,015**	**878,212**	**880,304**	884,465
Internet service customers	**446,137**	**443,696**	**429,562**	**425,606**	424,948
Penetration as a percentage of homes passed(1)	**50.8%**	**50.7%**	**49.6%**	**49.2%**	49.7%
Video service customers	**312,555**	**307,261**	**307,606**	**312,699**	317,252
Penetration as a percentage of homes passed(1)	**35.6%**	**35.1%**	**35.5%**	**36.2%**	37.1%
Telephony service customers	**142,754**	**143,058**	**141,044**	**141,999**	142,265
Penetration as a percentage of homes passed(1)	**16.2%**	**16.3%**	**16.3%**	**16.4%**	16.6%

(1) In the first quarter of fiscal 2019, the number of homes passed in the American broadband services segment have been adjusted upwards in order to reflect the number of non-served multi-dwelling unit passings within the footprint and consequently, the penetration as a percentage of homes passed for fiscal 2018 have also been adjusted.

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

✪ **LOUIS AUDET**, Eng., MBA, C.M., **Executive Chairman of the Board**
Westmount (Québec)

✪■ **JAMES C. CHERRY**, B.Com, FCPA, FCA, **Lead Director**
Elizabethtown (Ontario)
Corporate Director

●■ **COLLEEN ABDOULAH**, MBA, APR
Denver (Colorado)
Corporate director

●■★ **PATRICIA CURADEAU-GROU**, B. Com., Finance, ICD.D
Montréal (Québec)
Corporate director

♦ **PIPPA DUNN**, LLB
London (UK)
Founder and partner of Broody (an incubator for startups and accelerator to more established businesses)

●★ **JOANNE FERSTMAN**, CPA, CA, B.Com
Toronto (Ontario)
Corporate Director

★ **PHILIPPE JETTÉ**, Eng.
Dollard-des-Ormeaux (Québec)
President and Chief Executive Officer of Cogeco and Cogeco Communications

●♦ **LIB GIBSON**, M.Sc., B.Sc., ICD.D
Toronto (Ontario)
Corporate Director

■♦★ **DAVID MCAUSLAND**, B.C.L., LL.B.
Baie-D'Urfé (Québec)
Partner at McCarthy Tétrault (Major law firm in Canada)

■♦ **CAROLE J. SALOMON,** B.A., MBA
Toronto (Ontario)
President and Chief Executive Officer of Cardavan Corporation (Management consultancy)

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

CORPORATE HEAD OFFICE

5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
corpo.cogeco.com

CORPORATE MANAGEMENT

LOUIS AUDET

Executive Chairman of the Board

PHILIPPE JETTÉ

President and Chief Executive Officer

ELIZABETH ALVES

Vice President, Enterprise Strategy and Social Responsibility

PHILIPPE BONIN

Vice President, Corporate Development

NATHALIE DORVAL

Vice President, Regulatory Affairs and Copyright

CHANTAL FRAPPIER

Vice President, Internal Audit

MARTIN GRENIER

Vice President, Procurement

CHRISTIAN JOLIVET

Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary

MARIE-HÉLÈNE LABRIE

Senior Vice President, Chief Public Affairs and Communications Officer

STÉPHANE LACOMBE

Vice President, Information Technology

MARIE GINETTE LEPAGE

Vice President, Wireless Solutions and Innovation

PIERRE MAHEUX

Vice President, Corporate Controller

LUC NOISEUX

Senior Vice President and Chief Technology and Strategy Officer

DIANE NYISZTOR

Senior Vice President, Chief Human Resources Officer

PATRICE OUIMET

Senior Vice President and Chief Financial Officer

ANDRÉE PINARD

Vice President and Treasurer

JÉRÔME PRAT

Vice President, Total Compensation and HR Systems

LIETTE VIGNEAULT

Vice President, Talent and Employee Experience

OPERATIONS INFORMATION

CANADIAN BROADBAND SERVICES

COGECO CONNEXION

KEN SMITHARD
President

5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
www.cogeco.ca

AMERICAN BROADBAND SERVICES

ATLANTIC BROADBAND

FRANK VAN DER POST
President

2 Batterymarch Park
Suite 205
Quincy, MA 02169
www.atlanticbb.com

CORPORATE INFORMATION

ANNUAL MEETING
The Annual Meeting of Shareholders will be held at 11:45 a.m. on Wednesday, January 15, 2020, 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 VOTING 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

The Corporation's parent company, Cogeco Inc., makes available an anonymous and confidential Ethics Line for its employees and the employees of all of 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/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**

Web site of ClearView Connects: www.clearviewconnects.com

corpo.cogeco.com

COGECO COMMUNICATIONS