COGECO COMMUNICATIONS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2019

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

		Three months ended November 30,	
	Notes	**2019**	2018
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue	*3*	**586,827**	576,673
Operating expenses	*5*	**299,332**	304,027
Management fees – Cogeco Inc.	*16*	**5,390**	4,795
Integration, restructuring and acquisition costs	*4*	**61**	5,713
Depreciation and amortization	*6*	**123,135**	119,737
Financial expense	*7*	**39,270**	46,559
Profit before income taxes		**119,639**	95,842
Income taxes	*8*	**29,931**	17,036
Profit for the period from continuing operations		**89,708**	78,806
Loss for the period from discontinued operations		**—**	(3,622)
Profit for the period		**89,708**	75,184
Profit for the period attributable to:			
Owners of the Corporation		**84,178**	70,170
Non-controlling interest		**5,530**	5,014
		89,708	75,184
Earnings (loss) per share			
Basic	*9*		
Profit for the period from continuing operations		**1.71**	1.50
Loss for the period from discontinued operations		**—**	(0.07)
Profit for the period		**1.71**	1.42
Diluted	*9*		
Profit for the period from continuing operations		**1.70**	1.49
Loss for the period from discontinued operations		**—**	(0.07)
Profit for the period		**1.70**	1.41

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

	Three months ended November 30,	
	2019	2018
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**89,708**	75,184
Other comprehensive income		
Items to be subsequently reclassified to profit or loss		
Cash flow hedging adjustments		
Net change in fair value of hedging derivative financial instruments	**15,129**	2,733
Related income taxes	**(3,985)**	(725)
	11,144	2,008
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**(669)**	32,083
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**234**	(17,271)
	(435)	14,812
	10,709	16,820
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability or asset	**3,473**	(1,082)
Related income taxes	**(920)**	287
	2,553	(795)
	13,262	16,025
Comprehensive income for the period	**102,970**	91,209
Comprehensive income for the period attributable to:		
Owners of the Corporation	**97,576**	79,726
Non-controlling interest	**5,394**	11,483
	102,970	91,209

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

	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)	$	$	$	$	$	$
	(Note 11)		*(Note 12)*			
Balance at August 31, 2018	1,017,172	15,260	113,774	850,963	336,442	2,333,611
Profit for the period	—	—	—	70,170	5,014	75,184
Other comprehensive income (loss) for the period	—	—	10,351	(795)	6,469	16,025
Comprehensive income for the period	—	—	10,351	69,375	11,483	91,209
Issuance of subordinate voting shares under the Stock Option Plan	544	—	—	—	—	544
Share-based payment (Note 11 D) and 16)	—	1,767	—	—	—	1,767
Share-based payment previously recorded in share-based payment reserve for options exercised	147	(147)	—	—	—	—
Dividends (Note 11 C))	—	—	—	(25,921)	—	(25,921)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,643	(3,327)	—	(316)	—	—
Total contributions by (distributions to) shareholders	4,334	(1,707)	—	(26,237)	—	(23,610)
Balance at November 30, 2018	1,021,506	13,553	124,125	894,101	347,925	2,401,210
Balance at August 31, 2019	**1,023,390**	**13,526**	**31,028**	**1,131,845**	**359,689**	**2,559,478**
Profit for the period	**—**	**—**	**—**	**84,178**	**5,530**	**89,708**
Other comprehensive income (loss) for the period	**—**	**—**	**10,845**	**2,553**	**(136)**	**13,262**
Comprehensive income for the period	**—**	**—**	**10,845**	**86,731**	**5,394**	**102,970**
Issuance of subordinate voting shares under the Stock Option Plan	**4,495**	**—**	**—**	**—**	**—**	**4,495**
Share-based payment (Note 11 D) and 16)	**—**	**1,422**	**—**	**—**	**—**	**1,422**
Share-based payment previously recorded in share-based payment reserve for options exercised	**701**	**(701)**	**—**	**—**	**—**	**—**
Dividends (Note 11 C))	**—**	**—**	**—**	**(28,521)**	**—**	**(28,521)**
Purchase and cancellation of subordinate voting shares	**(3,988)**	**—**	**—**	**(11,702)**	**—**	**(15,690)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,643)**	**—**	**—**	**—**	**—**	**(5,643)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**3,671**	**(2,958)**	**—**	**(713)**	**—**	**—**
Total contributions by (distributions to) shareholders	**(764)**	**(2,237)**	**—**	**(40,936)**	**—**	**(43,937)**
Balance at November 30, 2019	**1,022,626**	**11,289**	**41,873**	**1,177,640**	**365,083**	**2,618,511**

COGECO COMMUNICATIONS INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

	Notes	November 30, 2019	August 31, 2019
(In thousands of Canadian dollars)		$	$
Assets			
Current			
Cash and cash equivalents		540,419	556,504
Trade and other receivables		79,139	75,652
Income taxes receivable		18,867	17,706
Prepaid expenses and other		35,341	22,740
Derivative financial instrument		420	—
		674,186	672,602
Non-current			
Other assets		42,300	40,020
Property, plant and equipment		2,060,480	2,007,610
Intangible assets		2,835,633	2,850,844
Goodwill		1,372,822	1,373,439
Deferred tax assets		5,225	6,564
		6,990,646	6,951,079
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		11,172	—
Trade and other payables		194,397	260,481
Provisions		35,049	36,553
Income tax liabilities		13,080	16,693
Contract liabilities and other liabilities		43,198	43,395
Balance due on a business combination		1,280	4,520
Current portion of long-term debt	*10*	226,927	22,601
		525,103	384,243
Non-current			
Long-term debt	*10*	3,216,616	3,382,258
Derivative financial instruments		30,915	46,044
Contract liabilities and other liabilities		11,775	11,119
Pension plan liabilities and accrued employee benefits		12,095	14,355
Deferred tax liabilities		575,631	553,582
		4,372,135	4,391,601
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*11 B)*	1,022,626	1,023,390
Share-based payment reserve		11,289	13,526
Accumulated other comprehensive income	*12*	41,873	31,028
Retained earnings		1,177,640	1,131,845
		2,253,428	2,199,789
Equity attributable to non-controlling interest		365,083	359,689
		2,618,511	2,559,478
		6,990,646	6,951,079

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

		Three months ended November 30,	
	Notes	**2019**	2018
(In thousands of Canadian dollars)		**$**	$
Cash flow from operating activities			
Profit for the period from continuing operations		**89,708**	78,806
Adjustments for:			
Depreciation and amortization	*6*	**123,135**	119,737
Financial expense	*7*	**39,270**	46,559
Income taxes	*8*	**29,931**	17,036
Share-based payment		**2,142**	1,703
Loss on disposals and write-offs of property, plant and equipment		**994**	422
Defined benefit plans expense, net of contributions		**492**	250
		285,672	264,513
Changes in non-cash operating activities	*13*	**(81,213)**	(93,748)
Financial expense paid		**(39,115)**	(45,777)
Income taxes paid		**(16,152)**	(25,992)
		149,192	98,996
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(121,302)**	(100,557)
Business combination, net of cash and cash equivalents acquired		**—**	(38,876)
Proceeds on disposals of property, plant and equipment		**185**	363
		(121,117)	(139,070)
Cash flow from financing activities			
Increase in bank indebtedness		**11,172**	1,458
Net increase under the revolving facilities		**—**	114,162
Repayment of notes, debentures and credit facilities		**(5,648)**	(60,653)
Repayment of lease liabilities		**(1,196)**	—
Repayment of balance due on a business combination		**(3,228)**	—
Issuance of subordinate voting shares	*11 B)*	**4,495**	544
Purchase and cancellation of subordinate voting shares		**(15,690)**	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*11 B)*	**(5,643)**	—
Dividends paid on multiple voting shares	*11 C)*	**(9,101)**	(8,238)
Dividends paid on subordinate voting shares	*11 C)*	**(19,420)**	(17,683)
		(44,259)	29,590
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**99**	(176)
Net change in cash and cash equivalents from continuing operations		**(16,085)**	(10,660)
Net change in cash and cash equivalents from discontinued operations		**—**	(3,172)
Cash and cash equivalents, beginning of the period		**556,504**	84,725
Cash and cash equivalents, end of the period		**540,419**	70,893

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.

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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all the information required for annual financial statements. Certain information and footnote disclosure included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2019 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2019 annual consolidated financial statements, unless as mentioned in Note 2. Certain comparative figures have been restated to distinguish the impact of the discontinued operations from ongoing operations following the sale of Cogeco Peer 1. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that in the Canadian and American broadband services segments, the number of customers in the Internet and video services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the American broadband services segment, the Miami and New Hampshire/ Maine areas are also subject to seasonal fluctuations.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on January 14, 2020.

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

2. ACCOUNTING POLICY DEVELOPMENTS

ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

IFRS 16

Effective September 1, 2019, the Corporation adopted IFRS 16 *Leases* using the modified retrospective approach whereby the financial statements of prior periods presented are not restated and the cumulative effect of the initial application is adjusted to opening retained earnings. IFRS 16 replaces previous accounting standards for leases, including IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease,* and establishes a comprehensive model for the identification of lease arrangements, their recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead the recognition on the statement of financial position of a right-of-use asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make the lease payments) for all leases at lease commencement, with certain exceptions permitted through elections and practical expedients. The accounting treatment for lessors and for leases previously classified as finance leases remains largely the same as under IAS 17.

As a result of adopting IFRS 16, the Corporation has recognized an increase to both assets and liabilities on the consolidated statement of financial position, stemming from the recognition of the right-of-use ("ROU") assets and the corresponding lease liabilities. Lease liabilities at transition have been measured at the present value of remaining future lease payments discounted at the related incremental borrowing rate as at September 1, 2019. ROU assets at transition have been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued rent related to that lease. The ROU assets are presented within *Property, plant and equipment* and the lease liabilities within *Long-term debt.*

The total lease expenses over the lease term remain unchanged, however the timing of recognition of these expenses are effected. Relative to leases that have previously been accounted for as operating leases, the Corporation has recognized a decrease in *Operating expenses* (due to the removal of rent expense), an increase in *Depreciation and amortization* (due to the depreciation of the ROU asset) and an increase in *Financial expense* (due to the accretion of the lease liability), on the consolidated statement of profit or loss.

Although the actual cash flows relative to leases that have previously been accounted for as operating leases are uneffected, the Corporation has presented an increase in cash flows from operating activities and a decrease in cash flows from financing activities, on the consolidated statement of cash flows. This is the result of the presentation of the payment of the principal component of these leases as a cash flow use within the financing activities under the new standard, versus an operating activities cash flow use under IAS 17.

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 table below shows the impact of adopting IFRS 16 on the September 1, 2019 consolidated statement of financial position:

	August 31, 2019		**September 1, 2019**
	As reported	IFRS 16 impact	Upon adoption of IFRS 16
	$	$	$
Property, plant and equipment	2,007,610	41,981	2,049,591
Current portion of long-term debt	22,601	4,566	27,167
Long-term debt	3,382,258	39,877	3,422,135
Contract liabilities and other liabilities	11,119	(2,462)	8,657

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

The difference between operating lease commitments of $160 million at August 31, 2019 and lease liabilities of $44.4 million recognized upon adoption of IFRS 16 on September 1, 2019 was mainly the result of:

- the exclusion of approximately $89 million of lease payments related to agreements that do not meet the criteria set out in IFRS 16, most notably for rent of support structures;
- the exclusion of approximately $27 million of certain costs contractually committed under lease contracts, which do not qualify to be accounted for as lease liabilities, such as variable lease payments not tied to an index or rate;
- the diminishing effect of discounting the minimum lease payments, using the weighted average incremental borrowing rate of 3.57% at September 1, 2019, of approximately $12 million;
- the inclusion of approximately $20 million of lease payments related to reasonably certain renewal periods or extension options that had not been exercised at August 31, 2019;

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. The adoption of IFRIC 23 on September 1, 2019 had no impact on the consolidated financial statements.

3. REVENUE

						Three months ended November 30,
	Canadian broadband services		**American broadband services**			**Consolidated**
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Residential [(1)]	**286,754**	290,157	**227,314**	217,492	**514,068**	507,649
Commercial [(2)]	**33,963**	32,124	**32,000**	29,427	**65,963**	61,551
Other [(3)]	**90**	184	**6,706**	7,289	**6,796**	7,473
	320,807	322,465	**266,020**	254,208	**586,827**	576,673

(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.

4. 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, was discontinued due to the sale of the Cogeco Peer 1 subsidiary on April 30, 2019.

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.

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

				Three months ended November 30, 2019
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue	320,807	266,020	—	586,827
Operating expenses	149,845	144,370	5,117	299,332
Management fees – Cogeco Inc.	—	—	5,390	5,390
Segment profit (loss)	170,962	121,650	(10,507)	282,105
Integration, restructuring and acquisition costs (1)	—	61	—	61
Depreciation and amortization	64,374	58,713	48	123,135
Financial expense				39,270
Profit before income taxes				119,639
Income taxes				29,931
Profit for the period				89,708
Acquisition of property, plant and equipment	75,130	45,833	339	121,302

(1) Comprised of integration costs in the American broadband services segment.

				Three months ended November 30, 2018
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue	322,465	254,208	—	576,673
Operating expenses	159,326	136,932	7,769	304,027
Management fees – Cogeco Inc.	—	—	4,795	4,795
Segment profit (loss)	163,139	117,276	(12,564)	267,851
Integration, restructuring and acquisition costs (1)	5,443	270	—	5,713
Depreciation and amortization	62,897	56,812	28	119,737
Financial expense				46,559
Profit before income taxes				95,842
Income taxes				17,036
Profit for the period from continuing operations				78,806
Loss for the period from discontinued operations				(3,622)
Profit for the period				75,184
Acquisition of property, plant and equipment	58,458	42,099	—	100,557

(1) Comprised of restructuring costs within the Canadian broadband services segment and acquisition and integration costs in the American broadband services segment.

The following tables set out certain segmented and geographic market information at November 30, 2019 and August 31, 2019:

				At November 30, 2019
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Total
	$	$	$	$
Property, plant and equipment	1,159,460	898,246	2,774	2,060,480
Intangible assets	995,325	1,840,308	—	2,835,633
Goodwill	4,662	1,368,160	—	1,372,822

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

				At August 31, 2019
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Total
	$	$	$	$
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 November 30, 2019
	Canada	**United States**	**Total**
	$	**$**	**$**
Property, plant and equipment	**1,162,234**	**898,246**	**2,060,480**
Intangible assets	**995,325**	**1,840,308**	**2,835,633**
Goodwill	**4,662**	**1,368,160**	**1,372,822**

			At August 31, 2019
	Canada	United States	Total
	$	$	$
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

5. OPERATING EXPENSES

	Three months ended November 30,	
	2019	2018
	$	$
Salaries, employee benefits and outsourced services	**91,265**	86,085
Service delivery costs (1)	**162,495**	167,206
Customer related costs (2)	**22,007**	20,709
Other external purchases (3)	**23,565**	30,027
	299,332	304,027

(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.

6. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2019	2018
	$	$
Depreciation of property, plant and equipment (1)	**108,827**	105,773
Amortization of intangible assets	**14,308**	13,964
	123,135	119,737

(1) The depreciation of ROU assets amounted to $1,632 for the three-month period of fiscal 2020.

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

7. FINANCIAL EXPENSE

	Three months ended November 30,	
	2019	2018
	$	$
Interest on long-term debt, excluding interest on lease liabilities	**40,079**	45,383
Interest on lease liabilities	**381**	—
Net foreign exchange loss	**20**	223
Amortization of deferred transaction costs	**464**	441
Capitalized borrowing costs (1)	**(151)**	(120)
Other	**(1,523)**	632
	39,270	46,559

(1) For the three-month periods ended November 30, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

8. INCOME TAXES

	Three months ended November 30,	
	2019	2018
	$	$
Current	**23,597**	12,032
Deferred	**6,334**	5,004
	29,931	17,036

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

	Three months ended November 30,	
	2019	2018
	$	$
Profit before income taxes	**119,639**	95,842
Combined Canadian income tax rate	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**31,704**	25,398
Difference in operations' statutory income tax rates	**707**	815
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**23**	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(229)**	13
Tax impacts related to foreign operations	**(6,510)**	(6,761)
Other	**4,236**	(2,429)
Income taxes at effective income tax rate	**29,931**	17,036

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

9. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2019	2018
	$	$
Profit for the period from continuing operations attributable to owners of the Corporation	**84,178**	73,792
Loss for the period from discontinued operations attributable to owners of the Corporation	—	(3,622)
Profit for the period attributable to owners of the Corporation	**84,178**	70,170
Weighted average number of multiple and subordinate voting shares outstanding	**49,154,736**	49,340,673
Effect of dilutive stock options (1)	**282,446**	74,006
Effect of dilutive incentive share units	**71,990**	105,976
Effect of dilutive performance share units	**107,837**	135,626
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,617,009**	49,656,281
Earnings (loss) per share		
Basic		
Profit for the period from continuing operations	**1.71**	1.50
Loss for the period from discontinued operations	—	(0.07)
Profit for the period	**1.71**	1.42
Diluted		
Profit for the period from continuing operations	**1.70**	1.49
Loss for the period from discontinued operations	—	(0.07)
Profit for the period	**1.70**	1.41

(1) For the three-month period ended November 30, 2019, 205,150 stock options (561,160 in 2018) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

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

10. LONG-TERM DEBT

A) Notes, debentures and credit facilities

	Maturity	Interest rate		November 30, 2019	August 31, 2019
		%		$	$
Corporation (1)					
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		**33,144**	33,155
Series B - US$150 million	September 2026	4.29		**198,774**	198,845
Senior Secured Notes - US$215 million	June 2025	4.30		**284,900**	284,996
Senior Secured Debentures Series 2	November 2020	5.15		**199,796**	199,744
Senior Secured Debentures Series 3	February 2022	4.93		**199,511**	199,457
Senior Secured Debentures Series 4	May 2023	4.18		**298,779**	298,697
Subsidiaries					
First Lien Credit Facilities (2)					
Senior Secured Term Loan B Facility - US$1,674.5 million (US$1,678.8 million at August 31, 2019)	January 2025	3.95	(3) (4)	**2,185,167**	2,189,965
				3,400,071	3,404,859
Less current portion				**222,387**	22,601
				3,177,684	3,382,258

(1) On December 6, 2019, the Corporation reduced the Term Revolving Facility from $800 million to $750 million and extended its maturity date by an additional year until January 24, 2025.

(2) On December 6, 2019, the maturity date of the US$150 million Senior Secured Revolving Facility, benefiting two subsidiaries related to Atlantic Broadband, was extended by an additional 18 months until July 4, 2024.

(3) Interest rate on debt includes the applicable credit spread.

(4) 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 4.24%.

B) Lease liabilities

In the normal course of operations, the Corporation enters into leases for buildings, land, network infrastructure and equipment. Lease contracts are typically individually negotiated for a wide range of fixed periods, but may also include renewal or termination options.

The weighted average interest rate on lease liabilities was approximately 3.56% as at November 30, 2019.

	November 30, 2019
	$
Lease liabilities	**43,472**
Less current portion	**4,540**
	38,932

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

11. 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

	November 30, 2019	August 31, 2019
	$	$
15,691,100 multiple voting shares	98,346	98,346
33,639,268 subordinate voting shares (33,717,668 at August 31, 2019)	940,841	939,633
	1,039,187	1,037,979
77,441 subordinate voting shares held in trust under the Incentive Share Unit Plan (76,935 at August 31, 2019)	(6,385)	(5,409)
118,103 subordinate voting shares held in trust under the Performance Share Unit Plan (118,667 at August 31, 2019)	(10,176)	(9,180)
	1,022,626	1,023,390

During the first three months of fiscal 2020, subordinate voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2019	33,717,668	939,633
Shares issued for cash under the Stock Option Plan	64,700	4,495
Share-based payment previously recorded in share-based payment reserve for options exercised	—	701
Purchase and cancellation of subordinate voting shares (1)	(143,100)	(3,988)
Balance at November 30, 2019	33,639,268	940,841

(1) During the first three months of fiscal 2020, the Corporation purchased and cancelled 143,100 subordinate voting shares with an average stated value of $4 million, for consideration of $15.7 million. The excess of the purchase price over the average stated value of the shares totaled $11.7 million and was charged to retained earnings.

During the first three months of fiscal 2020, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2019	76,935	5,409
Subordinate voting shares acquired	21,290	2,437
Subordinate voting shares distributed to employees	(20,784)	(1,461)
Balance at November 30, 2019	77,441	6,385

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

During the first three months of fiscal 2020, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2019	118,667	9,180
Subordinate voting shares acquired	28,005	3,206
Subordinate voting shares distributed to employees	(28,569)	(2,210)
Balance at November 30, 2019	118,103	10,176

C) DIVIDENDS

For the three-month period ended November 30, 2019, a quarterly eligible dividend of $0.58 per share for a total of $28.5 million, was paid to the holders of multiple and subordinate voting shares, compared to a quarterly eligible dividend of $0.525 per share for a total of $25.9 million for the three-month period ended November 30, 2018.

	Three months ended November 30,	
	2019	2018
	$	$
Dividends on multiple voting shares	9,101	8,238
Dividends on subordinate voting shares	19,420	17,683
	28,521	25,921

At its January 14, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.58 per share for multiple and subordinate voting shares, payable on February 11, 2020 to shareholders of record on January 28, 2020.

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. A detailed description of these plans can be found in the 2019 annual consolidated financial statements of the Corporation.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at November 30, 2019:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2019	715,614	65.93
Granted (1)	205,150	114.30
Exercised (2)	(64,700)	69.47
Cancelled	(4,260)	70.48
Outstanding at November 30, 2019	851,804	77.29
Exercisable at November 30, 2019	330,984	59.04

(1) During the three-month period ended November 30, 2019, the Corporation granted 110,875 stock options to Cogeco's executive officers as executive officers of the Corporation.

(2) The weighted average share price for options exercised during the period was $113.83.

A compensation expense of $160,000 ($259,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

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

The weighted average fair value of stock options granted for the three-month period ended November 30, 2019 was $18.46 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:

	%
Expected dividend yield	**2.07**
Expected volatility	**20.51**
Risk-free interest rate	**1.53**
Expected life (in years)	**5.9**

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at November 30, 2019:

Outstanding at August 31, 2019	**71,825**
Granted	**26,975**
Distributed	**(20,784)**
Cancelled	**(2,725)**
Outstanding at November 30, 2019	**75,291**

A compensation expense of $321,000 ($554,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at November 30, 2019:

Outstanding at August 31, 2019	**107,551**
Granted (1)	**38,900**
Distributed	**(28,569)**
Cancelled	**(3,228)**
Dividend equivalents	**569**
Outstanding at November 30, 2019	**115,223**

(1) During the three-month period ended November 30, 2019, the Corporation granted 14,375 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $307,000 ($441,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at November 30, 2019:

Outstanding at August 31, 2019	**42,679**
Dividend equivalents	**212**
Outstanding at November 30, 2019	**42,891**

A compensation expense of $588,000 (compensation expense reduction of $324,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

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

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2018	25,818	87,956	113,774
Other comprehensive income	2,008	8,343	10,351
Balance at November 30, 2018	27,826	96,299	124,125
Balance at August 31, 2019	**(33,842)**	**64,870**	**31,028**
Other comprehensive income (loss)	**11,144**	**(299)**	**10,845**
Balance at November 30, 2019	**(22,698)**	**64,571**	**41,873**

13. ADDITIONAL CASH FLOW INFORMATION

CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2019	2018
	$	$
Trade and other receivables	**(3,131)**	7
Prepaid expenses and other	**(12,589)**	(10,972)
Other assets	**(2,756)**	(2,361)
Trade and other payables	**(63,835)**	(81,059)
Provisions	**(1,827)**	576
Contract liabilities and other liabilities	**2,925**	61
	(81,213)	(93,748)

14. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended November 30,	
	2019	2018
	$	$
Defined benefit plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**491**	405
Administrative expense	**50**	77
Recognized in financial expense (other)		
Net interest	**77**	3
Defined contribution and collective registered retirement saving plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,268**	2,016
	2,886	2,501

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

15. 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, foreign exchange and market risks which are described in the Corporation's annual consolidated financial statements.

Liquidity risk

At November 30, 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 $199.3 million (US$150 million), of which $3.2 million (US$2.4 million) was used at November 30, 2019 for a remaining availability of $196.1 million (US$147.6 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 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 Corporation's US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 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 $7.6 million based on the outstanding debt at November 30, 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 an increase of 10% in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $11.7 million based on the outstanding debt at November 30, 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 November 30, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,016 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the statement of financial position accounts at November 30, 2019 was $1.3289 ($1.3295 at August 31, 2019) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $83.2 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow 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 to economically hedge the market price appreciation risk of its subordinate voting shares. As at November 30, 2019 the fair value of the equity swap was $0.4 million and recognized as an asset. A 5% increase in the market price of the subordinate voting shares at November 30, 2019 would result in a gain of approximately $0.2 million due to the equity swap fair value appreciation, offset by a $0.2 million increase in the DSU plan expense.

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

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	November 30, 2019		August 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt, excluding lease liabilities	3,400,071	3,503,409	3,404,859	3,521,418

C) CAPITAL MANAGEMENT

At November 30, 2019 and August 31, 2019, 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 key ratios used to monitor and manage the Corporation's capital structure:

	November 30, 2019	August 31, 2019
Net indebtedness (1) / adjusted EBITDA (2)	2.6	2.6
Adjusted EBITDA (2) / financial expense (2)	6.7	6.3

(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) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended November 30, 2019 and for the year ended August 31, 2019.

16. 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"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. This cost-plus methodology became effective on May 1, 2019 and was introduced to avoid future variations of the management fee percentage due to the frequent changes to the Corporation's consolidated revenue pursuant to business acquisitions and divestitures. 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 three-month period ended November 30, 2019, management fees paid to Cogeco amounted to $5.4 million, compared to $4.8 million for the same period of fiscal 2019.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the three-month periods ended November 30, 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:

	Three months ended November 30,	
	2019	2018
Stock options	110,875	97,725
PSUs	14,375	14,625

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

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 granted to Board directors of Cogeco:

	Three months ended November 30,	
	2019	2018
	$	$
Stock options	**309**	298
ISUs	**13**	15
PSUs	**312**	200
DSUs	**132**	260
	766	773

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

17. SUBSEQUENT EVENT

On January 10, 2020, the Corporation announced that its subsidiary Atlantic Broadband had signed a definitive agreement to purchase Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for US$50 million. The transaction is subject to customary regulatory approvals and is expected to close within three months. Upon closing of the transaction, Atlantic Broadband will add approximately 10,000 customers to its operations.