



(formerly Cogeco Cable)

SHAREHOLDERS' REPORT

Three and six-month periods ended February 29, 2016

FINANCIAL HIGHLIGHTS

	Quarters ended			Six months ended		
	February 29, 2016	February 28, 2015	Change	February 29, 2016	February 28, 2015	Change
<i>(in thousands of dollars, except percentages and per share data)</i>						
	\$	\$	%	\$	\$	%
Operations						
Revenue	551,523	509,470	8.3	1,091,836	1,006,471	8.5
Adjusted EBITDA ⁽¹⁾	248,382	231,264	7.4	492,524	450,124	9.4
Operating margin ⁽¹⁾	45.0%	45.4%	—	45.1%	44.7%	—
Integration, restructuring and acquisition costs	4,320	1,339	—	6,350	1,339	—
Profit for the period	62,042	58,906	5.3	123,148	115,615	6.5
Cash flow						
Cash flow from operating activities	205,954	198,195	3.9	302,047	220,317	37.1
Acquisitions of property, plant and equipment, intangible and other assets	116,732	102,673	13.7	263,051	205,556	28.0
Free cash flow ⁽¹⁾	74,698	73,136	2.1	114,740	138,075	(16.9)
Financial condition⁽²⁾						
Property, plant and equipment	—	—	—	2,028,703	1,985,421	2.2
Total assets	—	—	—	5,903,564	6,014,038	(1.8)
Indebtedness ⁽³⁾	—	—	—	3,174,339	3,261,908	(2.7)
Shareholders' equity	—	—	—	1,852,669	1,758,972	5.3
Capital intensity⁽¹⁾	21.2%	20.2%	—	24.1%	20.4%	—
Per Share Data⁽⁴⁾						
Earnings per share						
Basic	1.27	1.21	5.0	2.52	2.37	6.3
Diluted	1.26	1.19	5.9	2.49	2.34	6.4

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

(2) At February 29, 2016 and August 31, 2015.

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

(4) Per multiple and subordinate voting share.



(formerly Cogeco Cable)

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

Three and six-month periods ended February 29, 2016

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco 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 2016 Financial Guidelines" sections of the Corporation's 2015 annual MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as technological changes, changes in markets and competition, increased cord-shaving or cord-cutting of our services, increased programming costs or support structure costs, the successful implementation of our business strategies, regulatory or policy developments, non-renewal of licences or franchises, a failure to renew a critical lease, a failure of supply of equipment or services, a failure in our network head-ends, the inability to enhance our information systems, security breaches, malicious or abusive Internet practices, disasters or other contingencies, general and economic conditions, fluctuations in foreign exchange rates, interest rates, capital markets and changes in tax policy, strikes or labor protests, loss of key executives and the Corporation's controlling shareholder having conflicting interests with shareholders and other stakeholders, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the Corporation's 2015 annual 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 condensed interim consolidated financial statements and the notes thereto for the three and six-month periods ended February 29, 2016, prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2015 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

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

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

The Corporation measures its performance, with regard to these objectives by monitoring adjusted EBITDA⁽¹⁾, operating margin⁽¹⁾, free cash flow⁽¹⁾ and capital intensity⁽¹⁾.

2.1 KEY PERFORMANCE INDICATORS

ADJUSTED EBITDA AND OPERATING MARGIN

For the six-month period ended February 29, 2016, adjusted EBITDA increased by 9.4% to reach \$492.5 million compared to \$450.1 million for the same period of fiscal 2015 essentially attributable to the acquisition in the fourth quarter of fiscal 2015 of MetroCast Communications of Connecticut, LLC (the "Connecticut system") and the organic growth in the American broadband services segment, the improvement in the Canadian broadband services segment as well as favorable foreign exchange rates benefiting our foreign operations compared to the same period of the prior year.

Cogeco Communications' operating margin increased from 44.7% to 45.1% essentially due to a higher margin in the Canadian broadband services segment and stable margins in the American broadband services and the Business ICT services segments.

FREE CASH FLOW

For the six-month period ended February 29, 2016, Cogeco Communications reported free cash flow of \$114.7 million, a decrease of \$23.3 million, or 16.9%, compared to \$138.1 million for the same period of the prior year. The decrease is mostly attributable to increases in the acquisitions of property, plant and equipment, intangible and other assets and in current income taxes, partly offset by the improvement of adjusted EBITDA.

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

During the six-month period ended February 29, 2016, the acquisitions of property, plant and equipment, intangible and other assets amounted to \$263.1 million and revenue to \$1.09 billion for a capital intensity ratio of 24.1% compared to 20.4% in the same period of the prior year. The capital intensity ratio increased partly resulting from the timing in acquisitions of property, plant and equipment, intangible and other assets explained as follows:

In the Canadian broadband services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to \$150.5 million compared to \$103.6 million for the same period of fiscal 2015. The increase, partly related to the timing of certain initiatives, resulted from the increase in acquisitions of customer premise equipment related to TiVo advanced digital services, the extension and improvement of network in some of the areas we served, additional support capital expenditures for the implementation of a new Customer Relations Management system and the appreciation of the US dollar over the Canadian dollar compared to the same period of the prior year.

In the American broadband services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to \$60.2 million compared to \$42.9 million for the same period of fiscal 2015 mainly due to additional acquisitions of customer premise equipment as a result of the launch of TiVo advanced digital services in eastern Connecticut in January 2016 as well as the customers' ongoing interest for this service. The increase is also attributable to the PSU growth related to the recent acquisition in Connecticut as well as higher foreign exchange rates compared to the same period of the prior year.

(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.

In the Business ICT services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to \$52.4 million compared to \$59.0 million for the same period of fiscal 2015 and is mainly due to the completion in fiscal 2015 of the remaining pods at the Barrie, Ontario data centre and pod 1 at the Montréal, Québec data centre, partly offset by the appreciation of the US dollar and British Pound against the Canadian dollar and the timing of certain initiatives.

For further details on the Corporation's capital expenditures please refer to the "Cash flow analysis" section.

3. BUSINESS DEVELOPMENTS AND OTHER

On January 13, 2016 at the Annual Shareholders' Meeting, the shareholders approved a special resolution to change the name of the Corporation from Cogeco Cable Inc. to Cogeco Communications Inc., a name which better reflects the extent of the activities of the Corporation which have expanded beyond its initial cable television focus to the current broader activities which include video, Internet, telephony and information and communications technology services. The ticker symbol of the Corporation remained CCA at the Toronto Stock Exchange.

As part of the process, the Corporation now boasts one master brand for all its subsidiaries in Canada, the United States and Western Europe, with the exception of its subsidiary, Atlantic Broadband. The Corporation's subsidiary Cogeco Cable Canada became Cogeco Connexion.

Other changes included the renaming of the Corporation's segments as follows:

- the Canadian cable services segment became the Canadian broadband services segment;
- the American cable services segment became the American broadband services segment; and
- the Enterprise data services segment became the Business information and communications technology ("Business ICT") services segment.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Quarters ended			Six months ended		
	February 29, 2016	February 28, 2015	Change	February 29, 2016	February 28, 2015	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Revenue	551,523	509,470	8.3	1,091,836	1,006,471	8.5
Operating expenses	298,428	278,206	7.3	590,011	546,470	8.0
Management fees – Cogeco Inc.	4,713	—	—	9,301	9,877	(5.8)
Adjusted EBITDA	248,382	231,264	7.4	492,524	450,124	9.4
Operating margin	45.0%	45.4%		45.1%	44.7%	

REVENUE

Fiscal 2016 second-quarter revenue amounted to \$551.5 million, an increase of \$42.1 million, or 8.3% compared to the same period of fiscal 2015, driven by growth of 36.9% in the American broadband services segment with essentially stable revenue in the Canadian broadband services segment, partly offset by a decrease of 3.3% in the Business ICT services segment. Revenue increased primarily as a result of the acquisition of the Connecticut system and organic growth in the American broadband services segment combined with favorable foreign exchange rates for our foreign operations compared to the comparable period of fiscal 2015, partly offset by lower revenue in the Business ICT services segment resulting from the decision to streamline our product offering in order to focus on services which generate higher margins as well as the competitive pricing pressure on the network connectivity services.

For the first six months of fiscal 2016, revenue amounted to \$1.09 billion, an increase of \$85.4 million, or 8.5%, compared to the same period of the prior year driven by growth of 38.5% in the American broadband services segment and stable revenue in the Canadian broadband services and the Business ICT services segments. Revenue increased mainly due to the acquisition of the Connecticut system and organic growth in the American broadband services segment combined with the favorable foreign exchange rates for our foreign operations compared to the comparable period of fiscal 2015.

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

OPERATING EXPENSES AND MANAGEMENT FEES

Fiscal 2016 second-quarter operating expenses amounted to \$298.4 million, an increase of \$20.2 million, or 7.3%, compared to the same period of fiscal 2015. For the first six months of fiscal 2016, operating expenses amounted to \$590.0 million, an increase of \$43.5 million, or 8.0%, compared to the same period of the prior year. For both periods, operating expenses increased for the American broadband services segment and have declined for the Canadian broadband services and Business ICT services segments. The appreciation of the US dollar and British Pound compared to the Canadian dollar have also contributed to the increase. For further details on the Corporation's operating expenses, please refer to the "Segmented operating results" section.

For the three and six-month periods ended February 29, 2016, management fees paid to Cogeco Inc. ("Cogeco") amounted to \$4.7 million and \$9.3 million, respectively, compared to none and \$9.9 million for the same periods of fiscal 2015. Under the Amended and Restated Management Services Agreement, the annual fee is now payable on a monthly basis. In the previous fiscal year, management fees were fully paid in the first quarter. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA AND OPERATING MARGIN

For the three and six-month periods ended February 29, 2016, adjusted EBITDA increased by \$17.1 million, or 7.4%, to reach \$248.4 million, and by \$42.4 million, or 9.4%, to reach \$492.5 million, respectively, mainly as a result of the improvement in the American and Canadian broadband services segments combined with favorable foreign exchange rates compared to the same periods of the prior year.

Fiscal 2016 second-quarter operating margin slightly decreased to 45.0% from 45.4% in the same period of fiscal 2015 mainly as a result of higher management fees paid to Cogeco combined with lower margin in the Business ICT services segment, partly offset by a higher margin in the Canadian broadband services segment and a stable margin in the American broadband services segment.

For the six-month period ended February 29, 2016, operating margin slightly increased from 44.7% to 45.1% compared to the same period of the prior year mainly from a higher margin in the Canadian broadband services segment and stable margins in the American broadband services and Business ICT services segments.

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

4.2 FIXED CHARGES

	Quarters ended			Six months ended		
	February 29, 2016	February 28, 2015	Change	February 29, 2016	February 28, 2015	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Depreciation and amortization	129,067	116,855	10.5	254,736	231,448	10.1
Financial expense	35,839	35,524	0.9	69,192	71,252	(2.9)

For the three and six-month periods ended February 29, 2016, depreciation and amortization expense increased by \$12.2 million, or 10.5%, to reach \$129.1 million and by \$23.3 million, or 10.1%, to reach \$254.7 million, respectively, compared to \$116.9 million and \$231.4 million for the same periods of the prior year. The increase for both periods resulted mainly from additional acquisitions of property, plant and equipment combined with the appreciation of the US dollar and British Pound compared to the Canadian dollar and the impact of the acquisition of the Connecticut system.

For the three-month period ended February 29, 2016, financial expense increased by \$0.3 million, or 0.9%, to reach \$35.8 million compared to \$35.5 million for same period of the prior year mainly due to the appreciation of the US dollar and British Pound compared to the Canadian dollar and the cost of financing related to the acquisition of the Connecticut system, partly offset by the repayment in October 2015 of the US\$190 million Senior Secured Notes Series A. For the six-month period ended February 29, 2016, financial expense decreased by \$2.1 million, or 2.9%, to reach \$69.2 million compared to \$71.3 million for same period of the prior year as a result of the repayment in October 2015 of the US\$190 million Senior Secured Notes Series A, partly offset by the appreciation of the US dollar and British Pound compared to the Canadian dollar and the cost of financing related to the acquisition of the Connecticut system.

4.3 INCOME TAXES

For the three-month period ended February 29, 2016, income taxes decreased by \$1.5 million, or 8.2%, to reach \$17.1 million compared to \$18.6 million for the same period of the prior year. The decrease is mostly attributable to the favorable impact of the tax structure implemented from the Connecticut system acquisition combined with the impact of the favorable foreign exchange rates on the existing tax structures, partly offset by the impact of a higher proportion on the consolidated operating results represented by Atlantic Broadband's profit which is taxed at a higher rate.

For the six-month period ended February 29, 2016, income taxes increased by \$8.6 million, or 28.3%, to reach \$39.1 million compared to \$30.5 million for the same period of the prior year. The increase is mostly attributable to the improvement of adjusted EBITDA, the impact of a higher proportion on the consolidated operating results represented by Atlantic Broadband's profit which is taxed at a higher rate, partly offset by increases in depreciation and amortization and the favorable impact of the tax structure implemented from the Connecticut system acquisition.

In addition, on July 8, 2015, the United Kingdom government announced corporate tax rate reductions from 20% to 19% on April 1, 2017 and to 18% on April 1, 2020. These rate reductions were substantially enacted on October 26, 2015 and have reduced the deferred tax asset and increased the deferred income taxes by approximately \$1.6 million during the first half of fiscal 2016.

4.4 PROFIT FOR THE PERIOD

Fiscal 2016 second-quarter profit for the period amounted to \$62.0 million, or \$1.27 per share compared to \$58.9 million, or \$1.21 per share in the comparable period of fiscal 2015, an increase of 5.3%. Profit progression for the period is mostly attributable to the improvement of adjusted EBITDA, partly offset by increases in depreciation and amortization and integration, restructuring and acquisition costs.

For the six-month period ended February 29, 2016, profit amounted to \$123.1 million, or \$2.52 per share compared to \$115.6 million, or \$2.37 per share in the same period of the prior year due to the improvement of adjusted EBITDA, partly offset by increases in depreciation and amortization, income taxes and integration, restructuring and acquisition costs.

4.5 CUSTOMER STATISTICS

	February 29, 2016			Net additions (losses)		Net additions (losses)	
	Consolidated	Canada	United States	Quarters ended		Six months ended	
				February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
PSU ⁽¹⁾	2,515,137	1,932,343	582,794	4,158	(2,116)	17,435	8,972
Video service customers	1,001,337	755,366	245,971	(7,761)	(10,148)	(13,324)	(18,613)
Internet service customers	967,156	724,379	242,777	14,022	10,819	32,686	29,354
Telephony service customers	546,644	452,598	94,046	(2,103)	(2,787)	(1,927)	(1,769)

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

VIDEO

For the three and six-month periods ended February 29, 2016, video service customers net losses stood at 7,761 and 13,324, respectively, compared to 10,148 and 18,613 for the comparable periods of fiscal 2015. The lower decrease for both periods is mainly due to the customer's ongoing interest for TiVo digital advanced video services in Canada and the United States, partly offset by service category maturity and competitive offers in the industry.

INTERNET

For the three and six-month periods ended February 29, 2016, Internet service customers grew by 14,022 and 32,686, respectively, compared to 10,819 and 29,354 for the same periods of fiscal 2015 as a result of the enhancement of the product offering, the positive impact of the bundle offers, customers' ongoing interest in TiVo's services which requires an Internet subscription and the growth in the business sector.

TELEPHONY

For the three and six-month periods ended February 29, 2016, telephony service customers net losses stood at 2,103 and 1,927, respectively, compared to 2,787 and 1,769 for the comparable periods of fiscal 2015 mainly attributable to the increasing mobile penetration rate in North America and various unlimited offers launched by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only.

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

5. 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.

On July 14, 2015, the Management Services Agreement pursuant to which Cogeco provides executive, administrative, financial and strategic planning services and other services (the "Management Services") to the Corporation was amended and restated (the "Amended and Restated Management Services Agreement"). Since September 1, 2015, the management fee is now payable on a monthly basis, representing 0.85% of the consolidated revenue of the Corporation, with no maximum level or inflation-based adjustment. Cogeco previously provided the Management Services for an annual fee equal to 2% of Cogeco Communications' gross revenue, subject to an inflation-adjusted maximum annual fee. In addition, the Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement. For more details on the Amended and Restated Management Services Agreement, refer to the "Related party transactions" section of the Corporation's 2015 annual MD&A.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first six months of fiscal 2016, the Corporation granted 69,750 (61,300 in 2015) stock options to these executive officers as executive officers of Cogeco Communications. During the three and six-month periods ended February 29, 2016, the Corporation charged Cogeco \$136,000 and \$280,000 (\$114,000 and \$227,000 in 2015) with regard to the Corporation's stock options granted to these executive officers.

No Incentive Share Units (“ISUs”) of the Corporation were granted to executive officers of Cogeco during the first six months of fiscal 2016 and 2015. During the three and six-month periods ended February 29, 2016, the Corporation charged Cogeco \$66,000 and \$179,000 (\$74,000 and \$160,000 in 2015) with regard to the ISUs previously granted by the Corporation to executive officers of Cogeco as executives officers of Cogeco Communications.

During the first six months of fiscal 2016, the Corporation granted 11,150 (11,050 in 2015) Performance Share Units (“PSUs”) to executive officers of Cogeco as executive officers of Cogeco Communications and charged Cogeco \$105,000 and \$229,000 (\$56,000 and \$73,000 in 2015) with regard to the Corporation’s PSUs granted to these executive officers. There were no other material related party transactions during the periods covered.

6. CASH FLOW ANALYSIS

	Quarters ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Cash flow from operating activities	205,954	198,195	302,047	220,317
Cash flow from investing activities	(115,798)	(102,542)	(261,818)	(205,292)
Cash flow from financing activities	(96,639)	(95,948)	(172,873)	(64,489)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(473)	1,918	196	3,548
Net change in cash and cash equivalents	(6,956)	1,623	(132,448)	(45,916)
Cash and cash equivalents, beginning of the period	37,674	16,292	163,166	63,831
Cash and cash equivalents, end of the period	30,718	17,915	30,718	17,915

6.1 OPERATING ACTIVITIES

Fiscal 2016 second-quarter cash flow from operating activities reached \$206.0 million, representing an increase of \$7.8 million, or 3.9%, compared to \$198.2 million for the second-quarter of the prior year mainly as a result of the following:

- the improvement of adjusted EBITDA of \$17.1 million; and
- the decrease of \$4.0 million in changes in non-cash operating activities primarily due to changes in working capital; partly offset by
- the increase of \$8.5 million in income taxes paid; and
- the increase of \$3.0 million in integration, restructuring and acquisition costs.

For the first six months of fiscal 2016, cash flow from operating activities reached \$302.0 million, representing an increase of \$81.7 million, or 37.1%, compared to \$220.3 million for the same period of the prior year mainly as a result of the following:

- the improvement of adjusted EBITDA of \$42.4 million; and
- the decrease of \$76.4 million in changes in non-cash operating activities primarily due to changes in working capital; partly offset by
- the increase of \$30.0 million in income taxes paid; and
- the increase of \$5.0 million in integration, restructuring and acquisition costs.

6.2 INVESTING ACTIVITIES

For the three and six-month periods ended February 29, 2016, investing activities increased by \$13.3 million, or 12.9%, to reach \$115.8 million and by \$56.5 million, or 27.5%, to reach \$261.8 million, respectively, compared to \$102.5 million and \$205.3 million, for the same periods of fiscal 2015 mainly due to the additional acquisitions of property, plant and equipment, intangible and other assets as explained below.

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

Investing activities, including acquisition of property, plant and equipment segmented according to the *National Cable Television Association* ("NCTA") standard reporting categories, are as follows:

	Quarters ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Customer premise equipment ⁽¹⁾	33,623	32,540	99,773	67,872
Scalable infrastructure ⁽²⁾	11,798	16,204	34,643	29,981
Line extensions	12,397	11,285	32,314	21,315
Upgrade / Rebuild	5,727	4,319	9,030	8,515
Support capital	16,410	4,602	27,241	12,048
Acquisition of property, plant and equipment - Canadian and American broadband services	79,955	68,950	203,001	139,731
Acquisition of property, plant and equipment - Business ICT services	30,618	29,858	48,976	58,493
Acquisition of property, plant and equipment - Head office	8	2	26	2
Acquisitions of property, plant and equipment	110,581	98,810	252,003	198,226
Acquisition of intangible and other assets - Canadian and American broadband services	3,712	3,559	7,654	6,797
Acquisition of intangible and other assets - Business ICT services	2,439	304	3,394	533
Acquisitions of intangible and other assets	6,151	3,863	11,048	7,330
	116,732	102,673	263,051	205,556

(1) Includes mainly home terminal devices as well as new and replacement drops.

(2) Includes mainly head-end equipment, digital video and telephony transport as well as Internet equipment.

For the three and six-month periods ended February 29, 2016, acquisitions of property, plant and equipment amounted to \$110.6 million and \$252.0 million, respectively, compared to \$98.8 million and \$198.2 million for the same periods of the prior year.

For the three and six-month periods ended February 29, 2016, acquisitions of intangible and other assets amounted to \$6.2 million and \$11.0 million, respectively, compared to \$3.9 million and \$7.3 million for the comparable periods of fiscal 2015.

The most significant variances are as follows:

CANADIAN BROADBAND SERVICES SEGMENT

- Fiscal 2016 second-quarter acquisitions of property, plant and equipment amounted to \$54.3 million, representing an increase of \$5.3 million, or 10.7%, compared to \$49.1 million for the same period of fiscal 2015. The increase resulted mainly from additional support capital expenditures related to the implementation of a Customer Relations Management system as well as the appreciation of the US dollar over the Canadian dollar compared to the same period of the prior year. For the first six-month period ended February 29, 2016, acquisitions of property, plant and equipment amounted to \$144.8 million, representing an increase of \$46.6 million, or 47.5%, compared to \$98.1 million for the same period of the prior year. The increase resulted mainly from a timing difference in the acquisitions of customer premise equipment ("CPE") related to TiVo advanced digital services, the extension and improvement of our network in some of the areas we serve, additional support capital expenditures related to the implementation of a new Customer Relations Management system as well as the appreciation of the US dollar over the Canadian dollar compared to the same period of the prior year;
- For the three and six-month periods ended February 29, 2016, acquisitions of intangible and other assets remained essentially the same at \$2.6 million and \$5.7 million, respectively, compared to \$2.8 million and \$5.5 million for the comparable periods of fiscal 2015; and
- For the first six months of fiscal 2016, capital intensity reached 23.9% compared to 16.5% for the same period of fiscal 2015 as a result of acquisitions of capital expenditures growth exceeding revenue growth.

AMERICAN BROADBAND SERVICES SEGMENT

- Fiscal 2016 second-quarter and first six months acquisitions of property, plant and equipment amounted to \$25.6 million and \$58.2 million, respectively, representing increases of \$5.7 million and \$16.6 million, or 28.9% and 40.0%, compared to \$19.9 million and \$41.6 million for the same periods of fiscal 2015. The increases for both periods are mainly due to additional support capital and CPE expenditures both as a result of the launch of TiVo advanced digital services in eastern Connecticut in January 2016 as well as the customers' ongoing interest for this service. The increase is also attributable to the PSU growth, the recent acquisition of the Connecticut system, as well as higher foreign exchange rates compared to the same periods of the prior year;
- Acquisitions of intangible and other assets amounted to \$1.2 million compared to \$0.7 million for the comparable period of fiscal 2015; and
- For the first six months of fiscal 2016, capital intensity reached 19.5% compared to 19.3% for the same period of the prior year as a result of capital expenditures growth exceeding revenue growth.

BUSINESS ICT SERVICES SEGMENT

- Fiscal 2016 second-quarter acquisitions of property, plant and equipment amounted to \$30.6 million compared to \$29.9 million for the same period of fiscal 2015. For the first six-month period ended February 29, 2016, acquisitions of property, plant and equipment amounted to \$49.0 million, representing a decrease of \$9.5 million, or 16.3%, compared to \$58.5 million for the comparable period of the prior year. The variation for both periods is due the completion in fiscal 2015 of the remaining pods at the Barrie, Ontario data centre and pod 1 at the Montréal, Québec data centre, partly offset by the appreciation of the US dollar and British Pound against the Canadian dollar and the timing of certain initiatives;
- For the three and six-month periods ended February 29, 2016, acquisitions of intangible and other assets amounted to \$2.4 million and \$3.4 million, respectively, compared to \$0.3 million and \$0.5 million for the same periods of fiscal 2015; and
- For the first six months of fiscal 2016, capital intensity reached 33.7% compared to 37.8% for the comparable period of the prior year mainly as a result of lower acquisitions of property, plant and equipment.

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Communications, completed the acquisition of substantially all of the net assets of the Connecticut system, which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US\$200 million, excluding post-closing net working capital adjustment of US\$1.3 million, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US\$90 million and US\$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Communications' footprint in the American market and provides for further growth potential.

During the first quarter of fiscal 2016, the Corporation finalized the purchase price allocation of the Connecticut system. The final purchase price allocation is as follows:

	Preliminary August 31, 2015	Final November 30, 2015
<i>(in thousands of Canadian dollars)</i>	\$	\$
Consideration paid		
Purchase price	261,600	261,600
Working capital adjustments	1,640	1,640
	263,240	263,240
Net assets acquired		
Trade and other receivables	616	616
Prepaid expenses and other	1,696	1,696
Property, plant and equipment	51,368	51,368
Intangible assets	108,564	115,104
Goodwill	101,685	95,145
Trade and other payables assumed	(689)	(689)
	263,240	263,240

6.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2016 second-quarter free cash flow amounted to \$74.7 million, an increase of \$1.6 million, or 2.1%, compared to \$73.1 million for the same period of the prior year mainly due to the following:

- the improvement of \$17.1 million in adjusted EBITDA; partly offset by
- the increase of \$14.1 million in acquisitions of property, plant and equipment, intangible and other assets.

For the first six months, free cash flow amounted to \$114.7 million, a decrease of \$23.3 million, or 16.9%, compared to \$138.1 million for the same period of the prior year mainly due to the following:

- the increase of \$57.5 million in acquisitions of property, plant and equipment, intangible and other assets, partly due to the timing of certain initiatives; and
- the increase of \$6.2 million in current income taxes; partly offset by
- the improvement of \$42.4 million in adjusted EBITDA.

FINANCING ACTIVITIES

During the second quarter of fiscal 2016, lower Indebtedness level provided for a cash decrease of \$80.9 million, mainly due to the following:

- the repayment of the revolving facilities of \$59.8 million;
- the repayments of long-term debt of \$6.4 million; and
- the decrease of \$14.7 million in bank indebtedness.

During the second quarter of fiscal 2015, lower Indebtedness provided for a cash decrease of \$83.1 million mainly due to the following:

- the repayments of the revolving facilities of \$75.6 million;
- the repayments of long-term debt of \$3.6 million; and
- the decrease of \$3.9 million in bank indebtedness.

During the first six months of fiscal 2016, lower Indebtedness level provided for a cash decrease of \$134.3 million, mainly due to the following:

- the repayments of long-term debt and the settlement of derivative financial instruments of \$231.3 million mainly related to the US \$190 million Senior Secured Notes Series A maturing in October 2015; partly offset by
- the increase of the revolving facilities of \$73.7 million; and
- the increase of \$23.3 million in bank indebtedness.

During the first six months of fiscal 2015, lower Indebtedness provided for a cash decrease of \$28.9 million mainly due to the following:

- the repayments of the revolving facilities of \$24.4 million; and
- the repayments of long-term debt of \$20.3 million; partly offset by
- the increase of \$15.8 million in bank indebtedness.

DIVIDENDS

During the second quarter of fiscal 2016, a quarterly eligible dividend of \$0.39 per share was paid to the holders of subordinate and multiple voting shares, for a total paid of \$19.1 million compared to a quarterly eligible dividend paid of \$0.35, or \$17.1 million in the second quarter of fiscal 2015. Dividend payments in the first six months totaled \$0.78, or \$38.2 million, compared to \$0.70 per share, or \$34.2 million the year before.

6.4 DIVIDEND DECLARATION

At its April 13, 2016 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of \$0.39 per share for multiple voting and subordinate voting shares, payable on May 11, 2016 to shareholders of record on April 27, 2016. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. FINANCIAL POSITION

7.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco Communications 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, unlike trade and other payables, which are usually paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

The variations are as follows:

	February 29, 2016	August 31, 2015	Change	Explanations
<i>(in thousands of dollars)</i>	\$	\$	\$	
Current assets				
Cash and cash equivalents	30,718	163,166	(132,448)	Repayment of the US\$190 million Senior Secured Notes Series A in October 2015, partly offset by excess cash flow generated from operations combined with the appreciation of the US dollar against the Canadian dollar.
Trade and other receivables	110,292	123,880	(13,588)	Receipt of the amount receivable from the settlement of a claim with a supplier, partly offset by the revenue growth and the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	19,877	10,747	9,130	Excess of income taxes paid combined with the appreciation of the US dollar currency against the Canadian dollar.
Prepaid expenses and other	24,412	16,416	7,996	Increase in prepayment of maintenance agreements.
Derivative financial instruments	—	49,834	(49,834)	Settlement of the cross-currency swaps related to the US\$190 million Senior Notes Series A.
	185,299	364,043	(178,744)	
Current liabilities				
Bank indebtedness	23,329	—	23,329	Timing of payments made to suppliers.
Trade and other payables	221,656	287,632	(65,976)	Timing of payments made to suppliers.
Provisions	25,558	23,780	1,778	Non significant.
Income tax liabilities	44,026	53,790	(9,764)	Payments of income taxes, partly offset by the increase in current income taxes.
Deferred and prepaid revenue	61,860	62,094	(234)	Non significant.
Derivative financial instruments	1,749	—	1,749	Non significant.
Current portion of long-term debt	42,050	297,629	(255,579)	Mostly related to the repayment of the US\$190 million Senior Secured Notes Series A in October 2015.
	420,228	724,925	(304,697)	
Working capital deficiency	(234,929)	(360,882)	125,953	

7.2 OTHER SIGNIFICANT CHANGES

	February 29, 2016	August 31, 2015	Change	Explanations
<i>(in thousands of dollars)</i>	\$	\$	\$	
Non-current assets				
Property, plant and equipment	2,028,703	1,985,421	43,282	Appreciation of the US dollar against the Canadian dollar and capital expenditures exceeding depreciation expense.
Intangible assets	2,135,423	2,131,483	3,940	Appreciation of the US dollar against the Canadian dollar, partly offset by the amortization expense exceeding the acquisition of intangible assets.
Goodwill	1,525,388	1,497,800	27,588	Appreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	3,081,906	2,982,395	99,511	Appreciation of the US dollar against the Canadian dollar and increased drawings under the Canadian Revolving Facility, partly offset by repayments on the First Lien Credit Facilities.

7.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at March 31, 2016 is presented in the table below. Additional details are provided in Note 10 of the consolidated financial statements.

<i>(in thousands of dollars, except number of shares/options)</i>	Number of shares/options	Amount \$
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	33,661,101	1,022,226
Options to purchase subordinate voting shares		
Outstanding options	688,966	
Exercisable options	236,389	

7.4 FINANCING

In the normal course of business, Cogeco Communications has incurred financial obligations, primarily in the form of long-term debt, operating and finance leases and guarantees. Cogeco Communications' obligations, as reported in the 2015 Annual Report, have not materially changed since August 31, 2015, except as mentioned below.

On December 8, 2015, the Corporation amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by an additional year and consequently, will mature on January 22, 2021.

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

At February 29, 2016, the Corporation had used \$308 million of its \$800 million amended and restated Term Revolving Facility for a remaining availability of \$492 million. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Revolving Facility of \$203 million (US \$150 million), of which \$130.9 million (US\$96.7 million) was used at February 29, 2016 for a remaining availability of \$72.1 million (US\$53.3 million).

7.5 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations have an effect on the repayment of these instruments. At February 29, 2016, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and First Lien Credit Facilities.

To mitigate such risk, the Corporation entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 29, 2016:

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

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the unhedged portion of these facilities is approximately \$8.7 million based on the outstanding debt at February 29, 2016.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. The Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rate applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. In order to mitigate this risk, on October 2, 2008, the Corporation entered into cross-currency swap agreements to set the liability for interest and principal payments on its Senior Secured Notes Series A. During the first quarter of fiscal 2016 the Corporation settled these cross-currency swaps with a notional amount of US\$190 million, following the repayment of its Senior Secured Notes Series A at maturity on October 1st 2015.

The Corporation is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximately \$8.3 million based on the outstanding debt at February 29, 2016.

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

The following table shows the investments in foreign operations outstanding at February 29, 2016:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US\$860.5 million	US\$1.1 billion	Net investments in foreign operations in US dollar
Net investment	£54.6 million	£56.7 million	Net investments in foreign operations in British pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at February 29, 2016 was \$1.3531 (\$1.3157 at August 31, 2015) per US dollar and \$1.8834 (\$2.0189 at August 31, 2015) per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately \$32.6 million.

For the three and six-month periods ended February 29, 2016, the average rates prevailing used to convert the operating results of the American broadband services and a portion of the Business ICT services segments were as follows:

	Quarters ended			Six months ended		
	February 29, 2016	February 28, 2015	Change	February 29, 2016	February 28, 2015	Change
	\$	\$	%	\$	\$	%
US dollar vs Canadian dollar	1.3908	1.2049	15.4	1.3557	1.1616	16.7
British Pound vs Canadian dollar	2.0236	1.8514	9.3	2.0213	1.8227	10.9

The following table highlights in Canadian dollars, the impact of a 10% increase in the US dollar and British Pound against the Canadian dollar on Cogeco Communications' segmented operating results for the three and six-month periods ended February 29, 2016:

	Canadian broadband services		American broadband services		Business ICT services	
	As reported	Exchange rate impact	As reported	Exchange rate impact	As reported	Exchange rate impact
Quarters ended February 29, 2016 (in thousands of dollars)	\$	\$	\$	\$	\$	\$
Revenue	316,112	—	158,831	15,883	77,538	4,692
Operating expenses	153,010	808	90,860	9,085	50,244	3,013
Adjusted EBITDA	163,102	(808)	67,971	6,798	27,294	1,679
Acquisitions of property, plant and equipment, intangible and other assets	56,906	1,713	26,761	2,677	33,057	1,798
Six months ended February 29, 2016 (in thousands of dollars)	\$	\$	\$	\$	\$	\$
Revenue	629,659	—	308,404	30,836	155,640	9,344
Operating expenses	304,133	1,523	175,062	17,500	102,102	6,216
Adjusted EBITDA	325,526	(1,523)	133,342	13,336	53,538	3,128
Acquisitions of property, plant and equipment, intangible and other assets	150,461	5,368	60,194	6,040	52,370	1,925

8. SEGMENTED OPERATING RESULTS

The Corporation reports its operating results in three operating segments: Canadian broadband services, American broadband services and Business ICT 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.

8.1 CANADIAN BROADBAND SERVICES

CUSTOMER STATISTICS

	February 29, 2016	Net additions (losses)				% of penetration ⁽¹⁾	
		Quarters ended		Six months ended		February 29, 2016	February 28, 2015
		February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015		
PSU	1,932,343	(1,184)	(7,659)	5,801	(2,364)		
Video service customers	755,366	(5,843)	(9,209)	(9,992)	(16,688)	44.6	46.4
Internet service customers	724,379	7,802	5,336	19,824	18,663	42.7	41.5
Telephony service customers	452,598	(3,143)	(3,786)	(4,031)	(4,339)	26.7	27.6

(1) As a percentage of homes passed.

VIDEO

For the three and six-month periods ended February 29, 2016, video service customers net losses stood at 5,843 and 9,992, respectively, compared to 9,209 and 16,688 for the comparable periods of the prior year. The lower decrease for both periods in video service customers is mainly due to the launch of TiVo's digital advanced video services in fiscal 2015, partly offset by competitive offers in the industry, the Internet Protocol Television ("IPTV") footprint growth from competitors and service category maturity.

INTERNET

For the three and six-month periods ended February 29, 2016, Internet service customers net additions stood at 7,802 and 19,824, respectively, compared to 5,336 and 18,663 for the comparable periods of the prior year as a result of the enhancement of the product offering, the positive impact of the bundle offers, the full impact of the launch of TiVo's digital advanced video services which requires an Internet subscription, promotional activities and growth in the business sector.

TELEPHONY

For the three and six-month periods ended February 29, 2016, telephony service customers net losses amounted to 3,143 and 4,031, respectively, compared to 3,786 and 4,339 for the same periods of fiscal 2015 a result of the increasing mobile penetration rate in North America and various unlimited offers launched by mobile operators causing fewer customers to subscribe to landline telephony services.

At February 29, 2016, 71% (70% in 2015) of the Canadian broadband services customers subscribed to two or more services. The distribution of customers by number of services for the Canadian broadband services were: 29% who subscribe to the single play (30% in 2015), 37% to the double-play (34% in 2015) and 34% to the triple-play (36% in 2015).

OPERATING RESULTS

	Quarters ended			Six months ended		
	February 29, 2016	February 28, 2015	Change	February 29, 2016	February 28, 2015	Change
	\$	\$	%	\$	\$	%
<i>(in thousands of dollars, except percentages)</i>						
Revenue	316,112	313,966	0.7	629,659	629,188	0.1
Operating expenses	153,010	154,931	(1.2)	304,133	310,322	(2.0)
Adjusted EBITDA	163,102	159,035	2.6	325,526	318,866	2.1
Operating margin	51.6%	50.7%		51.7%	50.7%	

REVENUE

Fiscal 2016 second-quarter and first six months revenue remained essentially stable at \$316.1 million and \$629.7 million, respectively, compared to \$314.0 million and \$629.2 million for the same periods of fiscal 2015 mainly due to rate increases and continued growth in the business sector, partly offset by a decrease in PSU at February 29, 2016 compared to February 28, 2015.

OPERATING EXPENSES

For the second quarter ended February 29, 2016, operating expenses amounted to \$153.0 million, a decrease of \$1.9 million, or 1.2%, compared to the comparable period of the prior year. For the first six months, operating expense amounted to \$304.1 million, a decrease of \$6.2 million, or 2.0%, compared to the same period of the prior year. The decrease for both periods is due to continuous operational efficiency improvement and lower marketing initiatives compared to the second quarter of fiscal 2015 during which higher marketing expense were incurred related to the launch of TiVo digital advanced video services in Ontario during the first quarter of fiscal 2015.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2016 second-quarter adjusted EBITDA amounted to \$163.1 million, an increase of \$4.1 million, or 2.6%, compared to the comparable period of the prior year. For the first six months of fiscal 2016, adjusted EBITDA amounted to \$325.5 million, an increase of \$6.7 million, or 2.1%, compared to the comparable period of the prior year. The increase for both periods is mainly due to a decrease in operating expenses and consequently, operating margin increased from 50.7% to 51.6% for the second-quarter of fiscal 2016 and from 50.7% to 51.7% for the first six months compared to the same periods of the prior year.

8.2 AMERICAN BROADBAND SERVICES

CUSTOMER STATISTICS

	February 29, 2016	Net additions (losses)				% of penetration ⁽¹⁾	
		Quarters ended		Six months ended			
		February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
PSU	582,794	5,342	5,543	11,634	11,336		
Video service customers	245,971	(1,918)	(939)	(3,332)	(1,925)	41.7	43.1
Internet service customers	242,777	6,220	5,483	12,862	10,691	41.1	38.6
Telephony service customers	94,046	1,040	999	2,104	2,570	15.9	16.0

(1) As a percentage of homes passed.

VIDEO

For the three and six-month periods ended February 29, 2016, video service customers net losses stood at 1,918 and 3,332, respectively, compared to 939 and 1,925 for the comparable periods of fiscal 2015 as a result of competitive offers in the industry, partly offset by the customers' ongoing interest in TiVo's digital advanced video services.

INTERNET

For the three and six-month periods ended February 29, 2016, Internet service customers net additions stood at 6,220 and 12,862, respectively, compared to 5,483 and 10,691 for the same periods of the prior year as a result of the continued growth of TiVo's digital video services which requires an Internet subscription, additional marketing initiatives which focused on bundle package offerings and growth in the business sector.

TELEPHONY

For the three and six-month periods ended February 29, 2016, telephony service customers net additions stood at 1,040 and 2,104, respectively, compared to 999 and 2,570 for the same periods of the prior year.

At February 29, 2016, 57% (59% in 2015) of the American broadband services customers subscribed to two or more services. The distribution of customers by number of services for the American broadband services were: 43% (41% in 2015) who subscribe to the single play, 36% (38% in 2015) to the double-play and 21% (21% in 2015) to the triple-play.

OPERATING RESULTS

	Quarters ended			Six months ended		
	February 29, 2016	February 28, 2015	Change	February 29, 2016	February 28, 2015	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Revenue	158,831	116,035	36.9	308,404	222,606	38.5
Operating expenses	90,860	66,116	37.4	175,062	125,850	39.1
Adjusted EBITDA	67,971	49,919	36.2	133,342	96,756	37.8
Operating margin	42.8%	43.0%		43.2%	43.5%	

REVENUE

For the second quarter and first six months of fiscal 2016, revenue increased by \$42.8 million, or 36.9%, to reach \$158.8 million and by \$85.8 million, or 38.5%, to reach \$308.4 million, respectively, compared to the same periods of the prior year. Revenue increased for both periods primarily as a result of the acquisition in the fourth quarter of fiscal 2015 of the Connecticut system, the organic growth through PSU progression and rate increases as well as favorable foreign exchange rates compared to the comparable periods of fiscal 2015.

For the second quarter and first six months of fiscal 2016, revenue in local currency amounted to US\$114.2 million and US\$227.5 million, respectively, compared to US\$96.3 million and US\$191.6 million for the same periods of fiscal 2015, representing increases of US\$17.9 million, or 18.6%, and US\$35.9 million, or 18.7%, including the Connecticut system's revenue.

OPERATING EXPENSES

For the second quarter and first six months of fiscal 2016, operating expenses increased by \$24.7 million, or 37.4%, to reach \$90.9 million, and by \$49.2 million, or 39.1%, to reach \$175.1 million, respectively compared to the same periods of the prior year. The increases for both periods is mainly due to the acquisition in the fourth quarter of fiscal 2015 of the Connecticut system, costs to serve additional PSU, additional marketing initiatives to improve PSU growth and higher foreign exchange rates compared to the same periods of fiscal 2015.

For the second quarter and first six months of fiscal 2016, operating expenses in local currency amounted to US\$65.3 million and US\$129.1 million, respectively, compared to US\$54.9 million and US\$108.3 million for the same periods of fiscal 2015, representing increases of US\$10.5 million, or 19.0%, and US\$20.8 million, or 19.2%, including the Connecticut system's operating expenses.

ADJUSTED EBITDA AND OPERATING MARGIN

For the second quarter and first six months of fiscal 2016, adjusted EBITDA increased by \$18.1 million, or 36.2%, to reach \$68.0 million and by \$36.6 million, or 37.8%, to reach \$133.3 million, respectively, compared to \$49.9 million and \$96.8 million in the same periods of fiscal 2015 mainly due to the appreciation of the US dollar over the Canadian dollar combined with higher revenue, partly offset by higher operating expenses. Operating margin remained essentially the same at 42.8% and 43.2%, respectively, compared to 43.0% and 43.5% for the comparable periods of the prior year.

For the second quarter and first six months of fiscal 2016, adjusted EBITDA in local currency amounted to US\$48.9 million and US\$98.4 million, respectively, compared to US\$41.4 million and US\$83.3 million for the same periods of the prior year, representing increases of US\$7.5 million, or 18.0%, and US\$15.1 million, or 18.1%, including the Connecticut system's adjusted EBITDA.

8.3 BUSINESS ICT SERVICES

OPERATING RESULTS

	Quarters ended			Six months ended		
	February 29, 2016	February 28, 2015	Change	February 29, 2016	February 28, 2015	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Revenue	77,538	80,152	(3.3)	155,640	156,112	(0.3)
Operating expenses	50,244	51,771	(2.9)	102,102	101,734	0.4
Adjusted EBITDA	27,294	28,381	(3.8)	53,538	54,378	(1.5)
Operating margin	35.2%	35.4%		34.4%	34.8%	

REVENUE

For the second quarter of fiscal 2016, revenue decreased by \$2.6 million, or 3.3%, to reach \$77.5 million compared to the second quarter of fiscal 2015. For the first six months, revenue decreased by \$0.5 million to reach \$155.6 million compared to the same period of fiscal 2015. The decline for both periods is primarily due to the decision to streamline our product offering in order to focus on services which generate higher margins as well as the competitive pricing pressure on the network connectivity services, partly offset by favorable foreign exchange rates.

OPERATING EXPENSES

For the second quarter and first six months of fiscal 2016, operating expenses decreased by \$1.5 million, or 2.9%, to reach \$50.2 million and increased by \$0.4 million, or 0.4%, to reach \$102.1 million, respectively, compared to the same periods of the prior year mainly as a result of cost reduction initiatives, partly offset by the appreciation of the US dollar and the British Pound against the Canadian dollar as well as additional costs related to the commissioning of the remaining pods at the Barrie data centre and pod 1 at the Montréal data centre.

ADJUSTED EBITDA AND OPERATING MARGIN

For the second quarter and first six months of fiscal 2016, adjusted EBITDA decreased by \$1.1 million, or 3.8%, to reach \$27.3 million and by \$0.8 million, or 1.5%, to reach \$53.5 million compared to the same periods of the prior year as a result of revenue decline. Consequently, operating margin decreased to 35.2% from 35.4% and to 34.4% from 34.8% compared to the same periods of fiscal 2015.

9. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. Cogeco 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 design of the Corporation's DC&P and ICFR at February 29, 2016, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and six-month periods ended February 29, 2016.

10. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2015 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2015 Annual Report, which are hereby incorporated by reference.

On April 9, 2015, in *Telecom Notice of Consultation 2015-134*, the Canadian Radio-television and Telecommunications Commission ("CRTC") initiated a proceeding to examine which telecommunications services are required by Canadians to participate meaningfully in the digital economy and the CRTC's role in ensuring the availability of affordable basic telecommunications services to all Canadians. Currently, the basic service objective essentially includes the local telephony service and only applies to the telephone companies. While broadband Internet services were not included in the definition of the basic telecommunications services during the last policy review, the CRTC did establish that Internet target speeds of 5 Mbps download/1 Mbps upload should be available to all Canadians by the end of 2015. In the Let's talk broadband proceeding, the CRTC is asking whether broadband Internet services should be defined as basic services; if so, it is asking if the contribution regime should be expanded to support the accessibility and affordability of broadband services across the country and what the new target speeds should be. The CRTC hearing started on April 11, 2016. It is too early at this time to determine if the future policy determination will have a financial impact on the Corporation's operating results.

On December 22, 2015, the Federal Court of Appeal granted Bell Canada and Bell Media leave to appeal Broadcasting Order CRTC 2015-439, Broadcasting Regulatory Policy CRTC 2015-438 and Broadcasting Information Bulletin CRTC 2015-440 relating to a revised Wholesale Code (the "Wholesale Code") to be implemented in 2016. The Wholesale Code imposes a number of requirements with respect to affiliation agreements between programming services and cable and satellite distributors in Canada, including dealing with dispute resolution. Bell Canada and Bell Media argue that the Wholesale Code wrongly interferes with their intellectual property rights in programs under the Copyright Act and that the CRTC lacks jurisdiction to issue the Wholesale Code under the Broadcasting Act. In prior regulatory proceedings before the CRTC, Cogeco Communications and other independent distributors advocated the adoption of a Wholesale Code so as to ensure that vertically integrated entities such as Bell Canada and Bell Media cannot abuse their market power and impose anticompetitive terms for the distribution of their programming services. Cogeco Communications is challenging Bell Canada and Bell Media's appeal. It is too early at this time to assess the impact on the Corporation.

11. ACCOUNTING POLICIES

11.1 NEW ACCOUNTING STANDARDS

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") that are mandatory but not yet effective for the three and six-month periods ended February 29, 2016 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under the "Future accounting developments in

11.2 CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Cogeco Communications' accounting policies, estimates and future accounting pronouncements since August 31, 2015. A description of the Corporation's policies and estimates can be found in the 2015 Annual Report, available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

12. 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”, “operating 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.

[illegible]

12.1 FREE CASH FLOW RECONCILIATION

	Quarters ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
<i>(in thousands of dollars)</i>				
Cash flow from operating activities	205,954	198,195	302,047	220,317
Amortization of deferred transaction costs and discounts on long-term debt	2,349	2,094	4,648	4,112
Changes in non-cash operating activities	99	4,086	57,673	134,027
Income taxes paid	22,912	14,371	64,725	34,721
Current income taxes	(21,990)	(22,666)	(46,107)	(39,910)
Financial expense paid	17,945	15,253	63,997	61,616
Financial expense	(35,839)	(35,524)	(69,192)	(71,252)
Acquisition of property, plant and equipment	(110,581)	(98,810)	(252,003)	(198,226)
Acquisition of intangible and other assets	(6,151)	(3,863)	(11,048)	(7,330)
Free cash flow	74,698	73,136	114,740	138,075

12.2 ADJUSTED EBITDA AND OPERATING MARGIN RECONCILIATION

	Quarters ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
<i>(in thousands of dollars, except percentages)</i>				
Profit for the period	62,042	58,906	123,148	115,615
Income taxes	17,114	18,640	39,098	30,470
Financial expense	35,839	35,524	69,192	71,252
Depreciation and amortization	129,067	116,855	254,736	231,448
Integration, restructuring and acquisition costs	4,320	1,339	6,350	1,339
Adjusted EBITDA	248,382	231,264	492,524	450,124
Revenue	551,523	509,470	1,091,836	1,006,471
Operating margin	45.0%	45.4%	45.1%	44.7%

12.3 CAPITAL INTENSITY RECONCILIATION

	Quarters ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
<i>(in thousands of dollars, except percentages)</i>				
Acquisition of property, plant and equipment	110,581	98,810	252,003	198,226
Acquisition of intangible and other assets	6,151	3,863	11,048	7,330
Total acquisitions of property, plant and equipment, intangible and other assets	116,732	102,673	263,051	205,556
Revenue	551,523	509,470	1,091,836	1,006,471
Capital intensity	21.2%	20.2%	24.1%	20.4%

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	February 29,	February 28,		November 30,		August 31,		May 31,
<i>(in thousands of dollars, except percentages and per share data)</i>	2016	2015	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	551,523	509,470	540,313	497,001	520,419	490,155	516,426	496,448
Adjusted EBITDA	248,382	231,264	244,142	218,860	240,592	230,830	239,763	229,389
Operating margin	45.0%	45.4%	45.2%	44.0%	46.2%	47.1%	46.4%	46.2%
Integration, restructuring and acquisition costs	4,320	1,339	2,030	—	6,942	956	5,669	3,186
Settlement of a claim with a supplier	—	—	—	—	(27,431)	—	—	—
Impairment of property, plant and equipment	—	—	—	—	—	3,296	—	32,197
Profit for the period	62,042	58,906	61,106	56,709	77,986	63,848	64,149	35,514
Cash flow from operating activities	205,954	198,195	96,093	22,122	271,328	329,195	197,279	184,435
Acquisitions of property, plant and equipment, intangible and other assets	116,732	102,673	143,319	102,883	129,946	165,125	103,718	84,452
Free cash flow	74,698	73,136	40,042	64,939	72,047	22,151	75,845	91,143
Capital intensity	21.2%	20.2%	27.1%	20.7%	25.0%	33.7%	20.1%	17.0%
Earnings per share ⁽¹⁾								
Basic	1.27	1.21	1.25	1.16	1.59	1.31	1.31	0.73
Diluted	1.26	1.19	1.24	1.15	1.58	1.30	1.30	0.72

(1) Per multiple and subordinate voting share.

13.1 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 video and Internet services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in the Pennsylvania region, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the American broadband services segment, Miami region is also subject to seasonal fluctuations due to the winter season residents returning home from late spring through the fall.

Effective on September 1, 2015, the Corporation's operating margin is no longer subject to fluctuations in management fees. Under the Amended and Restated Management Services Agreement, the annual management fees payable to Cogeco Inc. are payable on a monthly basis, representing 0.85% of the consolidated revenue of the Corporation with no maximum level or inflation-based adjustment. In fiscal 2015, the annual management fees were fully paid in the first quarter, thus resulting in higher operating margins in the second, third and fourth quarters.

14. ADDITIONAL INFORMATION

This MD&A was prepared on April 13, 2016. 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.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

/s/ Louis Audet
Louis Audet
President and Chief Executive Officer

Cogeco Communications Inc.
Montréal, Québec
April 13, 2016



(formerly Cogeco Cable)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month and six-month periods ended February 29, 2016

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

		Three months ended		Six months ended	
	Notes	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
<i>(In thousands of Canadian dollars, except per share data)</i>					
		\$	\$	\$	\$
Revenue		551,523	509,470	1,091,836	1,006,471
Operating expenses	4	298,428	278,206	590,011	546,470
Management fees – Cogeco Inc.		4,713	—	9,301	9,877
Integration, restructuring and acquisition costs		4,320	1,339	6,350	1,339
Depreciation and amortization	5	129,067	116,855	254,736	231,448
Financial expense	6	35,839	35,524	69,192	71,252
Income taxes	7	17,114	18,640	39,098	30,470
Profit for the period		62,042	58,906	123,148	115,615
Earnings per share					
Basic	8	1.27	1.21	2.52	2.37
Diluted	8	1.26	1.19	2.49	2.34

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
(In thousands of Canadian dollars)	\$	\$	\$	\$
Profit for the period	62,042	58,906	123,148	115,615
Other comprehensive income				
Items to be subsequently reclassified to profit or loss				
<i>Cash flow hedging adjustments</i>				
Net change in fair value of hedging derivative financial instruments	(2,432)	20,584	(50,601)	31,787
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	—	(20,197)	48,108	(30,970)
Related income taxes	533	(244)	600	(426)
	(1,899)	143	(1,893)	391
<i>Foreign currency translation adjustments</i>				
Net foreign currency translation differences on net investments in foreign operations	10,646	71,727	23,425	106,024
Net changes in unrealized adjustments on translation of long-term debt designated as hedges of net investments in foreign operations	(6,731)	(45,286)	(14,856)	(66,227)
	3,915	26,441	8,569	39,797
	2,016	26,584	6,676	40,188
Items not to be subsequently reclassified to profit or loss				
<i>Defined benefit plans actuarial adjustments</i>				
Remeasurement of net defined benefit liability	(2,681)	(1,981)	(2,130)	(3,381)
Related income taxes	721	533	573	909
	(1,960)	(1,448)	(1,557)	(2,472)
Other comprehensive income for the period	56	25,136	5,119	37,716
Comprehensive income for the period	62,098	84,042	128,267	153,331

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$
	(Note 10)		(Note 11)		
Balance at August 31, 2014	997,144	11,280	28,325	471,507	1,508,256
Profit for the period	—	—	—	115,615	115,615
Other comprehensive income (loss) for the period	—	—	40,188	(2,472)	37,716
Comprehensive income for the period	—	—	40,188	113,143	153,331
Issuance of subordinate voting shares under the Stock Option Plan	5,551	—	—	—	5,551
Share-based payment	—	3,375	—	—	3,375
Share-based payment previously recorded in share-based payment reserve for options exercised	1,387	(1,387)	—	—	—
Dividends on multiple voting shares (Note 10 C))	—	—	—	(10,984)	(10,984)
Dividends on subordinate voting shares (Note 10 C))	—	—	—	(23,208)	(23,208)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(6,425)	—	—	—	(6,425)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	2,851	(2,879)	—	28	—
Total contributions by (distributions to) shareholders	3,364	(891)	—	(34,164)	(31,691)
Balance at February 28, 2015	1,000,508	10,389	68,513	550,486	1,629,896
Balance at August 31, 2015	1,001,618	12,535	83,820	660,999	1,758,972
Profit for the period	—	—	—	123,148	123,148
Other comprehensive income (loss) for the period	—	—	6,676	(1,557)	5,119
Comprehensive income for the period	—	—	6,676	121,591	128,267
Issuance of subordinate voting shares under the Stock Option Plan	4,601	—	—	—	4,601
Share-based payment	—	3,599	—	—	3,599
Share-based payment previously recorded in share-based payment reserve for options exercised	1,129	(1,129)	—	—	—
Dividends on multiple voting shares (Note 10 C))	—	—	—	(12,239)	(12,239)
Dividends on subordinate voting shares (Note 10 C))	—	—	—	(25,956)	(25,956)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(4,575)	—	—	—	(4,575)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,363	(3,615)	—	(748)	—
Total contributions by (distributions to) shareholders	5,518	(1,145)	—	(38,943)	(34,570)
Balance at February 29, 2016	1,007,136	11,390	90,496	743,647	1,852,669

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

	Notes	February 29, 2016	August 31, 2015
<i>(In thousands of Canadian dollars)</i>		\$	\$
			<i>(restated, Note 3)</i>
Assets			
Current			
Cash and cash equivalents		30,718	163,166
Trade and other receivables		110,292	123,880
Income taxes receivable		19,877	10,747
Prepaid expenses and other		24,412	16,416
Derivative financial instruments		—	49,834
		185,299	364,043
Non-current			
Other assets		18,008	23,205
Property, plant and equipment		2,028,703	1,985,421
Intangible assets		2,135,423	2,131,483
Goodwill		1,525,388	1,497,800
Deferred tax assets		10,743	12,086
		5,903,564	6,014,038
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		23,329	—
Trade and other payables		221,656	287,632
Provisions		25,558	23,780
Income tax liabilities		44,026	53,790
Deferred and prepaid revenue		61,860	62,094
Derivative financial instruments		1,749	—
Current portion of long-term debt	9	42,050	297,629
		420,228	724,925
Non-current			
Long-term debt	9	3,081,906	2,982,395
Derivative financial instruments		767	—
Deferred and prepaid revenue and other liabilities		31,171	29,609
Pension plan liabilities and accrued employee benefits		3,816	3,943
Deferred tax liabilities		513,007	514,194
		4,050,895	4,255,066
Shareholders' equity			
Share capital	10 B)	1,007,136	1,001,618
Share-based payment reserve		11,390	12,535
Accumulated other comprehensive income	11	90,496	83,820
Retained earnings		743,647	660,999
		1,852,669	1,758,972
		5,903,564	6,014,038

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

		Three months ended		Six months ended	
	Notes	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
(In thousands of Canadian dollars)		\$	\$	\$	\$
Cash flow from operating activities					
Profit for the period		62,042	58,906	123,148	115,615
Adjustments for:					
Depreciation and amortization	5	129,067	116,855	254,736	231,448
Financial expense	6	35,839	35,524	69,192	71,252
Income taxes	7	17,114	18,640	39,098	30,470
Share-based payment	10 D)	1,700	1,573	3,603	3,300
Loss on disposals and write-offs of property, plant and equipment		661	760	958	1,413
Defined benefit plans contributions, net of expense		487	(353)	(2,293)	(2,817)
		246,910	231,905	488,442	450,681
Changes in non-cash operating activities	12	(99)	(4,086)	(57,673)	(134,027)
Financial expense paid		(17,945)	(15,253)	(63,997)	(61,616)
Income taxes paid		(22,912)	(14,371)	(64,725)	(34,721)
		205,954	198,195	302,047	220,317
Cash flow from investing activities					
Acquisition of property, plant and equipment		(110,581)	(98,810)	(252,003)	(198,226)
Acquisition of intangible and other assets		(6,151)	(3,863)	(11,048)	(7,330)
Other		934	131	1,233	264
		(115,798)	(102,542)	(261,818)	(205,292)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness		(14,657)	(3,894)	23,329	15,845
Net increases (decreases) under the revolving facilities		(59,848)	(75,570)	73,697	(24,442)
Repayments of long-term debt and settlement of derivative financial instruments		(6,425)	(3,614)	(231,290)	(20,346)
Increase in deferred transaction costs		(440)	(480)	(440)	(480)
Issuance of subordinate voting shares	10 B)	3,837	4,726	4,601	5,551
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	10 B)	—	—	(4,575)	(6,425)
Dividends paid on multiple voting shares	10 C)	(6,119)	(5,492)	(12,239)	(10,984)
Dividends paid on subordinate voting shares	10 C)	(12,987)	(11,624)	(25,956)	(23,208)
		(96,639)	(95,948)	(172,873)	(64,489)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		(473)	1,918	196	3,548
Net change in cash and cash equivalents		(6,956)	1,623	(132,448)	(45,916)
Cash and cash equivalents, beginning of the period		37,674	16,292	163,166	63,831
Cash and cash equivalents, end of the period		30,718	17,915	30,718	17,915

COGECO COMMUNICATIONS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

February 29, 2016

(unaudited)

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

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation" or the "Parent Corporation") (formerly Cogeco Cable Inc.) is a Canadian public communications corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA". On January 13, 2016 at the Annual Shareholders' Meeting, the shareholders approved a special resolution to rename the Corporation from Cogeco Cable Inc. to Cogeco Communications Inc.

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

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.

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 2015 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2015 annual consolidated financial statements. 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 video and Internet services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. 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 the Pennsylvania region, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in United States. In the American broadband services segment, the Miami region is also subject to seasonal fluctuations due to winter season residents returning home from late spring through the fall. Furthermore, the second, third and fourth quarters' operating margins of previous fiscal years were higher as very low or no management fees were paid to Cogeco, while the first quarter's operating margin was lower as it sustained the whole or mostly all of the annual fee. During fiscal 2015 the Corporation paid a fee equal to 2% of its total revenue, subject to a maximum amount. As the maximum amount was reached in the first quarter of fiscal 2015, the Corporation did not pay any management fees for the remainder of the year. On July 14, 2015, the Management Agreement was amended and restated in order to align the annual fees with the costs, time and resources committed by Cogeco. In fiscal 2016, under the Amended and Restated Agreement, management fees are no longer subject to a maximum amount and are payable monthly, consisting of an amount equal to 0.85% of the consolidated revenue of the Corporation, with no maximum level or inflation-based adjustment. Accordingly, management fees will be recognized and paid throughout the year resulting in more comparable operating margins from quarter to quarter.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on April 13, 2016.

COGECO COMMUNICATIONS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 29, 2016

(unaudited)

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

2. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in three operating segments: Canadian broadband services, American broadband services and Business information and communications technology ("Business ICT") 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 video, Internet and telephony services primarily to residential customers. The Canadian and American broadband services segments also provide business services to small and medium sized businesses 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 western Pennsylvania, southern Florida, Maryland/Delaware, South Carolina and eastern Connecticut.

The Business ICT services segment provides colocation, network connectivity, managed hosting, cloud services and a rich portfolio of managed IT services in Canada, the United States and Europe to small, medium and large enterprises around the globe. Cogeco Peer 1 provides these services in the following key vertical markets: online retail, financial services, technology business services, public sector, education, health care, business services, manufacturing, media and online gaming. Cogeco Peer 1 provides its services through data centres and points-of-presence in North America and Europe. The activities of the Business ICT services segment are carried out across Canada (British Columbia, Ontario, Québec), the United States (California, Texas, Virginia, Florida and Georgia) and Europe (London and Southampton, United Kingdom ("UK")).

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 and management fees to Cogeco Inc. The other expenses, except for financial expense and income taxes, are reported by segment solely for external reporting purposes. 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.

Three months ended February 29, 2016					
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	316,112	158,831	77,538	(958)	551,523
Operating expenses	153,010	90,860	50,244	4,314	298,428
Management fees – Cogeco Inc.	—	—	—	4,713	4,713
Segment profit (loss)	163,102	67,971	27,294	(9,985)	248,382
Integration, restructuring and acquisition costs ⁽²⁾	2,752	141	1,427	—	4,320
Depreciation and amortization	61,373	33,978	33,641	75	129,067
Financial expense					35,839
Income taxes					17,114
Profit for the period					62,042
Acquisition of property, plant and equipment	54,346	25,609	30,618	8	110,581
Acquisition of intangible and other assets	2,560	1,152	2,439	—	6,151

(1) Revenue by geographic market includes \$355,946 in Canada, \$185,328 in the United States and \$10,249 in Europe.

(2) Comprised of acquisition and integration costs in the American broadband services segment and restructuring costs in the Canadian broadband services and Business ICT services segments.

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Three months ended February 28, 2015					
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	313,966	116,035	80,152	(683)	509,470
Operating expenses	154,931	66,116	51,771	5,388	278,206
Segment profit (loss)	159,035	49,919	28,381	(6,071)	231,264
Integration, restructuring and acquisition costs ⁽²⁾	—	—	1,339	—	1,339
Depreciation and amortization	59,721	24,859	32,183	92	116,855
Financial expense					35,524
Income taxes					18,640
Profit for the period					58,906
Acquisition of property, plant and equipment	49,088	19,862	29,858	2	98,810
Acquisition of intangible and other assets	2,816	743	304	—	3,863

(1) Revenue by geographic market includes \$353,307 in Canada, \$145,427 in the United States and \$10,736 in Europe.

(2) Comprised of restructuring costs in the Business ICT services segment.

Six months ended February 29, 2016					
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	629,659	308,404	155,640	(1,867)	1,091,836
Operating expenses	304,133	175,062	102,102	8,714	590,011
Management fees – Cogeco Inc.	—	—	—	9,301	9,301
Segment profit (loss)	325,526	133,342	53,538	(19,882)	492,524
Integration, restructuring and acquisition costs ⁽²⁾	2,752	573	3,025	—	6,350
Depreciation and amortization	122,453	65,476	66,657	150	254,736
Financial expense					69,192
Income taxes					39,098
Profit for the period					123,148
Property, plant and equipment	1,143,454	452,956	431,388	905	2,028,703
Intangible assets	989,025	1,013,641	132,757	—	2,135,423
Goodwill	4,662	809,509	711,217	—	1,525,388
Acquisition of property, plant and equipment	144,756	58,245	48,976	26	252,003
Acquisition of intangible and other assets	5,705	1,949	3,394	—	11,048

(1) Revenue by geographic market includes \$709,710 in Canada, \$361,901 in the United States and \$20,225 in Europe.

(2) Comprised of acquisition and integration costs in the American broadband services segment and restructuring costs in the Canadian broadband services and Business ICT services segments.

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Six months ended February 28, 2015					
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
		(restated, Note 3)			(restated, Note 3)
Revenue ⁽¹⁾	629,188	222,606	156,112	(1,435)	1,006,471
Operating expenses	310,322	125,850	101,734	8,564	546,470
Management fees – Cogeco Inc.	—	—	—	9,877	9,877
Segment profit (loss)	318,866	96,756	54,378	(19,876)	450,124
Integration, restructuring and acquisition costs ⁽²⁾	—	—	1,339	—	1,339
Depreciation and amortization	119,284	47,694	64,242	228	231,448
Financial expense					71,252
Income taxes					30,470
Profit for the period					115,615
Property, plant and equipment ⁽³⁾	1,115,536	434,007	434,840	1,038	1,985,421
Intangible assets ⁽³⁾	989,428	997,647	144,408	—	2,131,483
Goodwill ⁽³⁾	4,662	787,133	706,005	—	1,497,800
Acquisition of property, plant and equipment	98,132	41,599	58,493	2	198,226
Acquisition of intangible and other assets	5,469	1,328	533	—	7,330

(1) Revenue by geographic market includes \$706,379 in Canada, \$279,993 in the United States and \$20,099 in Europe.

(2) Comprised of restructuring costs in the Business ICT services segment.

(3) At August 31, 2015.

The following tables set out certain geographic market information at February 29, 2016 and August 31, 2015:

At February 29, 2016				
	Canada	United States	Europe	Total
	\$	\$	\$	\$
Property, plant and equipment	1,467,318	515,925	45,460	2,028,703
Intangible assets	1,055,294	1,072,070	8,059	2,135,423
Goodwill	333,710	1,137,947	53,731	1,525,388

At August 31, 2015				
	Canada	United States	Europe	Total
	\$	\$	\$	\$
		(restated, Note 3)		(restated, Note 3)
Property, plant and equipment	1,429,517	504,073	51,831	1,985,421
Intangible assets	1,061,954	1,059,528	10,001	2,131,483
Goodwill	333,710	1,106,494	57,596	1,497,800

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3. BUSINESS COMBINATION

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Communications, completed the acquisition of substantially all of the net assets of MetroCast Communications of Connecticut, LLC (the "Connecticut system"), which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US\$200 million, excluding a post-closing net working capital adjustment of US\$1.3 million, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US\$90 million and US\$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Communications' footprint in the American market and provides for further growth potential.

During the first three months of fiscal 2016, the Corporation finalized the purchase price allocation of the Connecticut system. The final purchase price allocation is as follows:

	Preliminary August 31, 2015	Final November 30, 2015
(In thousands of Canadian dollars)	\$	\$
Consideration paid		
Purchase price	261,600	261,600
Working capital adjustments	1,640	1,640
	263,240	263,240
Net assets acquired		
Trade and other receivables	616	616
Prepaid expenses and other	1,696	1,696
Property, plant and equipment	51,368	51,368
Intangible assets	108,564	115,104
Goodwill	101,685	95,145
Trade and other payables assumed	(689)	(689)
	263,240	263,240

The finalization of the purchase price allocation had no significant impact on the statement of comprehensive income for the year ended August 31, 2015, while the impact on the statement of financial position at August 31, 2015 is as follows:

	As previously reported	Adjustments	As currently reported
	\$	\$	\$
Intangible assets	2,124,904	6,579	2,131,483
Goodwill	1,504,379	(6,579)	1,497,800

4. OPERATING EXPENSES

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Salaries, employee benefits and outsourced services	89,824	85,496	177,489	167,435
Service delivery costs ⁽¹⁾	165,792	149,083	323,741	290,196
Customer related costs ⁽²⁾	15,075	15,574	33,059	35,106
Other external purchases ⁽³⁾	27,737	28,053	55,722	53,733
	298,428	278,206	590,011	546,470

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

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

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees and other administrative expenses.

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5. DEPRECIATION AND AMORTIZATION

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Depreciation of property, plant and equipment	110,784	100,951	218,835	200,261
Amortization of intangible assets	18,283	15,904	35,901	31,187
	129,067	116,855	254,736	231,448

6. FINANCIAL EXPENSE

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Interest on long-term debt	34,109	32,884	67,717	64,781
Net foreign exchange losses (gains)	281	331	(1,389)	1,162
Amortization of deferred transaction costs	630	575	1,222	1,138
Capitalized borrowing costs ⁽¹⁾	(443)	(85)	(809)	(141)
Other	1,262	1,819	2,451	4,312
	35,839	35,524	69,192	71,252

(1) For the three and six-month periods ended February 29, 2016 and February 28, 2015, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

7. INCOME TAXES

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Current	21,990	22,666	46,107	39,910
Deferred	(4,876)	(4,026)	(7,009)	(9,440)
	17,114	18,640	39,098	30,470

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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		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Profit before income taxes	79,156	77,546	162,246	146,085
Combined Canadian income tax rate	26.69%	26.50%	26.67%	26.50%
Income taxes at combined Canadian income tax rate	21,129	20,553	43,274	38,706
Adjustment for losses or profit subject to lower or higher tax rates	1,978	1,399	3,955	2,835
Impact on deferred taxes as a result of changes in substantively enacted tax rates	(44)	—	1,637	—
Income taxes arising from non-deductible expenses	149	1,593	382	1,563
Tax impacts related to foreign operations	(5,827)	(4,394)	(11,193)	(8,774)
Other	(271)	(511)	1,043	(3,860)
Income taxes at effective income tax rate	17,114	18,640	39,098	30,470

8. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Profit for the period	62,042	58,906	123,148	115,615
Weighted average number of multiple and subordinate voting shares outstanding	48,969,487	48,841,828	48,959,652	48,831,605
Effect of dilutive stock options ⁽¹⁾	162,110	283,909	180,685	262,700
Effect of dilutive incentive share units	186,913	249,968	203,237	248,947
Effect of dilutive performance share units	87,023	53,447	75,280	35,343
Weighted average number of diluted multiple and subordinate voting shares outstanding	49,405,533	49,429,152	49,418,854	49,378,595
Earnings per share				
Basic	1.27	1.21	2.52	2.37
Diluted	1.26	1.19	2.49	2.34

(1) For the three and six-month periods ended February 29, 2016, 174,800 and 164,700 stock options (1,600 and 6,800 in 2015) 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.

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9. LONG-TERM DEBT

	Maturity	Interest rate %	February 29, 2016 \$	August 31, 2015 \$
Parent Corporation				
Term Revolving Facility ⁽¹⁾				
Canadian Revolving Facility				
Revolving loan – US\$137.2 million (US\$70.5 million at August 31, 2015)	January 2021	1.89 ⁽²⁾	185,645	92,757
Revolving loan – £54.6 million (£54 million at August 31, 2015)	January 2021	1.96 ⁽²⁾	102,834	109,021
Senior Secured Notes				
Series A – US\$25 million	September 2024	4.14	33,697	32,755
Series B – US\$150 million	September 2026	4.29	202,155	196,515
Senior Secured Notes				
Series A – US\$190 million ⁽³⁾	October 2015	—	—	249,953
Series B	October 2018	7.60	54,821	54,789
Senior Secured Notes – US\$215 million	June 2025	4.30	289,655	281,559
Senior Secured Debentures Series 2	November 2020	5.15	199,088	199,002
Senior Secured Debentures Series 3	February 2022	4.93	198,791	198,703
Senior Secured Debentures Series 4	May 2023	4.18	297,649	297,510
Senior Unsecured Debenture	March 2018	5.94	99,920	99,901
Senior Unsecured Notes – US\$400 million	May 2020	4.88	536,260	520,759
Subsidiaries				
First Lien Credit Facilities				
Term Loan A Facility – US\$131.8 million (US\$145 million at August 31, 2015)	November 2017	2.56 ⁽²⁾⁽⁴⁾	176,381	188,224
Term Loan A-2 Facility – US\$98.2 million (US\$100 million at August 31, 2015)	September 2019	2.56 ⁽²⁾⁽⁴⁾	130,884	129,391
Term Loan B Facility – US\$362.6 million (US\$369.4 million at August 31, 2015)	November 2019	3.25 ⁽²⁾	479,344	473,653
Revolving Facility – US\$95 million (US\$111 million at August 31, 2015)	November 2017	2.56 ⁽²⁾	128,545	146,043
Term Revolving Facility				
UK Revolving Facility – £4.4 million (£4.7 million at August 31, 2015)	January 2021	1.95 ⁽²⁾	8,287	9,489
			3,123,956	3,280,024
Less current portion			42,050	297,629
			3,081,906	2,982,395

(1) On December 8, 2015, the Corporation amended its Term Revolving Facility resulting in the extension of the maturity date by an additional year until January 22, 2021.

(2) Interest rate on debt includes applicable margin.

(3) On October 1, 2015, the Corporation repaid the matured Senior Secured Notes Series A and settled the related cross-currency swap agreements. These swap agreements had the effect of fixing the exchange rate applicable to the principal portion of the debt at \$1.0625 per US dollar and ensuring an effective interest rate of 7.24% on the Canadian dollar equivalent of the US denominated debt.

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

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10. 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

	February 29, 2016	August 31, 2015
	\$	\$
15,691,100 multiple voting shares	98,346	98,346
33,658,362 subordinate voting shares (33,533,342 at August 31, 2015)	923,787	918,057
	1,022,133	1,016,403
168,904 subordinate voting shares held in trust under the Incentive Share Unit Plan (223,852 at August 31, 2015)	(8,978)	(11,322)
90,898 subordinate voting shares held in trust under the Performance Share Unit Plan (54,133 at August 31, 2015)	(6,019)	(3,463)
	1,007,136	1,001,618

During the first six months of fiscal 2016, subordinate voting share transactions were as follows:

	Number of shares	Amount
		\$
Balance at August 31, 2015	33,533,342	918,057
Shares issued for cash under the Stock Option Plan	125,020	4,601
Share-based payment previously recorded in share-based payment reserve for options exercised	—	1,129
Balance at February 29, 2016	33,658,362	923,787

During the first six months of fiscal 2016, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	Amount
		\$
Balance at August 31, 2015	223,852	11,322
Subordinate voting shares acquired	27,927	1,933
Subordinate voting shares distributed to employees	(82,875)	(4,277)
Balance at February 29, 2016	168,904	8,978

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During the first six months of fiscal 2016, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

	Number of shares	Amount \$
Balance at August 31, 2015	54,133	3,463
Subordinate voting shares acquired	38,176	2,642
Subordinate voting shares distributed to employees	(1,411)	(86)
Balance at February 29, 2016	90,898	6,019

C) DIVIDENDS

For the six-month period ended February 29, 2016, quarterly eligible dividends of \$0.39 per share, for a total of \$0.78 per share, were paid to the holders of multiple and subordinate voting shares, totaling \$38.2 million, compared to quarterly eligible dividends of \$0.35 per share, for a total of \$0.70 per share or \$34.2 million for the six-month period ended February 28, 2015.

At its April 13, 2016 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of \$0.39 per share for multiple voting and subordinate voting shares, payable on May 11, 2016 to shareholders of record on April 27, 2016.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan 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") for executive officers and designated employees, a Performance Share Unit Plan ("PSU Plan") for executive officers 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 2015 annual consolidated financial statements of the Corporation.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at February 29, 2016:

	Options	Weighted average exercise price \$
Outstanding at August 31, 2015	721,973	47.24
Granted ⁽¹⁾	167,625	67.52
Exercised ⁽²⁾	(125,020)	36.81
Cancelled	(72,873)	52.07
Outstanding at February 29, 2016	691,705	53.53
Exercisable at February 29, 2016	239,128	44.73

(1) During the six-month period ended February 29, 2016, the Corporation granted 69,750 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 \$63.20.

During the three and six-month periods ended February 29, 2016, the Corporation charged Cogeco amounts of \$136,000 and \$280,000 (\$114,000 and \$227,000 in 2015) with respect to the Corporation's options granted to Cogeco's executive officers. As a result, a compensation expense of \$53,000 and \$259,000 (\$152,000 and \$389,000 in 2015) was recorded for the three and six-month periods ended February 29, 2016.

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The weighted average fair value of stock options granted for the six-month period ended February 29, 2016 was \$11.39 (\$11.78 in 2015) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	2016	2015
	%	%
Expected dividend yield	2.08	1.96
Expected volatility	22.36	22.88
Risk-free interest rate	0.97	1.62
Expected life in years	6.1	6.2

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at February 29, 2016:

Outstanding at August 31, 2015	217,779
Granted ⁽¹⁾	37,050
Distributed	(82,875)
Cancelled	(7,125)
Outstanding at February 29, 2016	164,829

(1) During the six-month period ended February 29, 2016, the Corporation did not grant ISUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of \$1,108,000 and \$2,125,000 (\$1,158,000 and \$2,178,000 in 2015) was recorded for the three and six-month periods ended February 29, 2016 related to this plan. During the three and six-month periods ended February 29, 2016, the Corporation charged Cogeco \$66,000 and \$179,000 (\$74,000 and \$160,000 in 2015) with respect to the Corporation's ISUs granted in previous years to Cogeco's executive officers.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at February 29, 2016:

Outstanding at August 31, 2015	49,862
Granted ⁽¹⁾	42,475
Distributed	(1,411)
Cancelled	(6,424)
Dividend equivalents	1,071
Outstanding at February 29, 2016	85,573

(1) During the six-month period ended February 29, 2016, the Corporation granted 11,150 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of \$273,000 and \$527,000 (\$265,000 and \$348,000 in 2015) was recorded for the three and six-month periods ended February 29, 2016 related to this plan. During the three and six-month periods ended February 29, 2016, the Corporation charged Cogeco \$105,000 and \$229,000 (\$56,000 and \$73,000 in 2015) with respect to the Corporation's PSUs granted to Cogeco's executive officers.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at February 29, 2016:

Outstanding at August 31, 2015	26,579
Issued	5,155
Dividend equivalents	358
Outstanding at February 29, 2016	32,092

A compensation expense reduction of \$41,000 and compensation expense of \$4,000 (compensation expense of \$392,000 and \$563,000 in 2015) were recorded for the three and six-month periods ended February 29, 2016 related to this plan.

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11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	\$	\$	\$
Balance at August 31, 2014	1,296	27,029	28,325
Other comprehensive income	391	39,797	40,188
Balance at February 28, 2015	1,687	66,826	68,513
Balance at August 31, 2015	1,330	82,490	83,820
Other comprehensive income (loss)	(1,893)	8,569	6,676
Balance at February 29, 2016	(563)	91,059	90,496

12. STATEMENTS OF CASH FLOWS

CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Trade and other receivables	1,492	(4,515)	15,921	(9,751)
Prepaid expenses and other	3,081	(1,045)	(3,577)	(6,191)
Trade and other payables	(2,962)	2,203	(71,148)	(119,460)
Provisions	295	(320)	499	(388)
Deferred and prepaid revenue and other liabilities	(2,005)	(409)	632	1,763
	(99)	(4,086)	(57,673)	(134,027)

13. EMPLOYEE BENEFITS

The Corporation and its subsidiaries offer their employees either contributory 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		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	\$	\$	\$	\$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	560	512	1,120	1,024
Administrative expense	49	42	98	84
Recognized in financial expense (other)				
Net interest	22	41	44	81
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	2,369	2,305	4,490	4,363
	3,000	2,900	5,752	5,552

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14. 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 which are described in the Corporation's annual consolidated financial statements.

Liquidity risk

At February 29, 2016, the Corporation had used \$308 million of its \$800 million amended and restated Term Revolving Facility for a remaining availability of \$492 million. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Revolving Facility of \$203 million (US\$150 million), of which \$130.9 million (US\$96.7 million) was used at February 29, 2016 for a remaining availability of \$72.1 million (US\$53.3 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations have an effect on the repayment of these instruments. At February 29, 2016, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and First Lien Credit Facilities.

To mitigate such risk, the Corporation enters into interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 29, 2016:

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

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the unhedged portion of these facilities is approximately \$8.7 million based on the outstanding debt at February 29, 2016.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. The Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rate applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. In order to mitigate this risk, on October 2, 2008, the Corporation entered into cross-currency swap agreements to set the liability for interest and principal payments on its Senior Secured Notes Series A (see note 9). During the first quarter of fiscal 2016 the Corporation settled these cross-currency swaps with a notional amount of US\$190 million, following the repayment of its Senior Secured Notes Series A at maturity on October 1st 2015.

The Corporation is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximately \$8.3 million based on the outstanding debt at February 29, 2016.

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

The following table shows the investments in foreign operations outstanding at February 29, 2016:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US\$860.5 million	US\$1.1 billion	Net investments in foreign operations in US dollar
Net investment	£54.6 million	£56.7 million	Net investments in foreign operations in British pound

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(unaudited)

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

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at February 29, 2016 was \$1.3531 (\$1.3157 at August 31, 2015) per US dollar and \$1.8834 (\$2.0189 at August 31, 2015) per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately \$32.6 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	February 29, 2016		August 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt	3,123,956	3,179,593	3,280,024	3,377,318

C) CAPITAL MANAGEMENT

At February 29, 2016 and August 31, 2015, 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:

	February 29, 2016	August 31, 2015
Net secured indebtedness ⁽¹⁾⁽²⁾ / adjusted EBITDA ⁽³⁾	2.2	2.1
Net indebtedness ⁽²⁾⁽⁴⁾ / adjusted EBITDA ⁽³⁾	3.0	3.0
Adjusted EBITDA ⁽³⁾ / financial expense ⁽³⁾	6.7	6.3

- (1) Net secured indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture and Senior Unsecured Notes.
- (2) Excluding Atlantic Broadband and other non-significant unrestricted subsidiaries' cash and cash equivalents and non-recourse First Lien Credit Facilities.
- (3) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended February 29, 2016 and August 31, 2015 excluding Atlantic Broadband and other non-significant unrestricted subsidiaries.
- (4) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

CUSTOMER STATISTICS

	February 29, 2016	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
CONSOLIDATED					
Primary service units	2,515,137	2,510,979	2,497,702	2,448,755	2,451,156
Video service customers	1,001,337	1,009,098	1,014,661	998,043	1,004,481
Internet service customers	967,156	953,134	934,470	905,057	898,807
Telephony service customers	546,644	548,747	548,571	545,655	547,868
CANADA					
Primary service units	1,932,343	1,933,527	1,926,542	1,936,923	1,943,658
Video service customers	755,366	761,209	765,358	774,977	780,477
Penetration as a percentage of homes passed	44.6%	45.0%	45.4%	46.7%	46.4%
Internet service customers	724,379	716,577	704,555	700,090	698,247
Penetration as a percentage of homes passed	42.7%	42.4%	41.8%	42.2%	41.5%
Telephony service customers	452,598	455,741	456,629	461,856	464,934
Penetration as a percentage of homes passed	26.7%	26.9%	27.1%	27.8%	27.6%
UNITED STATES					
Primary service units	582,794	577,452	571,160	511,832	507,498
Video service customers	245,971	247,889	249,303	223,066	224,004
Penetration as a percentage of homes passed	41.7%	42.0%	42.2%	42.9%	43.1%
Internet service customers	242,777	236,557	229,915	204,967	200,560
Penetration as a percentage of homes passed	41.1%	40.1%	38.9%	39.4%	38.6%
Telephony service customers	94,046	93,006	91,942	83,799	82,934
Penetration as a percentage of homes passed	15.9%	15.8%	15.5%	16.1%	16.0%