SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2020

FINANCIAL HIGHLIGHTS

	Three months ended					Nine months ended				
	May 31, 2020	May 31, 2019	Change	Change in constant currency[1]	Foreign exchange impact[1]	**May 31, 2020**	May 31, 2019	Change	Change in constant currency[1]	Foreign exchange impact[1]
(in thousands of dollars, except percentages and per share data)	**$**	$	%	%	$	**$**	$	%	%	$
Operations										
Revenue	**605,821**	587,345	3.1	1.1	12,064	**1,779,115**	1,748,147	1.8	1.1	12,263
Adjusted EBITDA	**294,717**	283,927	3.8	1.9	5,260	**854,194**	832,330	2.6	2.0	5,330
Adjusted EBITDA margin	**48.6 %**	48.3 %				**48.0 %**	47.6 %			
Integration, restructuring and acquisition costs[2]	**12**	1,003	(98.8)			**5,531**	10,438	(47.0)		
Profit for the period from continuing operations	**96,724**	99,571	(2.9)			**300,443**	264,505	13.6		
Profit for the period from discontinued operations	**—**	82,451	(100.0)			**—**	73,460	(100.0)		
Profit for the period	**96,724**	182,022	(46.9)			**300,443**	337,965	(11.1)		
Profit for the period from continuing operations attributable to owners of the Corporation	**90,771**	96,613	(6.0)			**284,340**	252,123	12.8		
Profit for the period attributable to owners of the Corporation	**90,771**	179,064	(49.3)			**284,340**	325,583	(12.7)		
Cash flow										
Cash flow from operating activities	**282,229**	265,551	6.3			**663,074**	564,009	17.6		
Acquisitions of property, plant and equipment[3]	**123,653**	96,116	28.6	24.8	3,663	**355,795**	289,446	22.9	21.6	3,841
Free cash flow	**116,158**	136,999	(15.2)	(15.4)	318	**344,064**	369,809	(7.0)	(7.0)	171
Capital intensity	**20.4 %**	16.4 %				**20.0 %**	16.6 %			
Financial condition[4]										
Cash and cash equivalents						**493,794**	556,504	(11.3)		
Total assets						**7,157,104**	6,951,079	3.0		
Indebtedness[5]						**3,532,411**	3,454,923	2.2		
Equity attributable to owners of the Corporation						**2,272,495**	2,199,789	3.3		
Per Share Data[6]										
Earnings per share										
Basic										
From continuing operations	**1.89**	1.96	(3.6)			**5.84**	5.11	14.3		
From discontinued operations	**—**	1.67	(100.0)			**—**	1.49	(100.0)		
From continuing and discontinued operations	**1.89**	3.62	(47.8)			**5.84**	6.59	(11.4)		
Diluted										
From continuing operations	**1.87**	1.94	(3.6)			**5.78**	5.07	14.0		
From discontinued operations	**—**	1.65	(100.0)			**—**	1.48	(100.0)		
From continuing and discontinued operations	**1.87**	3.59	(47.9)			**5.78**	6.54	(11.6)		
Dividends	**0.58**	0.525	10.5			**1.74**	1.575	10.5		

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. For the three and nine-month periods ended May 31, 2019, the average foreign exchange rates used for translation were 1.3402 USD/CDN and 1.3266 USD/CDN, respectively.

(2) For the nine-month period ended May 31, 2020, integration, restructuring and acquisition costs resulted mostly from organizational changes and costs related to the acquisition of Thames Valley Communications. For the third-quarter and first nine months of fiscal 2019, integration, restructuring and acquisition costs were mostly due to an operational optimization program.

(3) For the three and nine-month periods ended May 31, 2020, acquisitions of property, plant and equipment in constant currency amounted to $119.9 million and $352.0 million, respectively.

(4) At May 31, 2020 and August 31, 2019.

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

(6) Per multiple and subordinate voting share.

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

Three and nine-month periods ended May 31, 2020

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2020 Financial Guidelines" sections of the Corporation's 2019 annual MD&A and the "Fiscal 2020 Outlook and Financial Guidelines" section of this MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as competitive risks, business risks (including potential disruption to our supply chain), regulatory risks, public health crisis and emergencies such as the current COVID-19 pandemic, technology risks, financial risks (including variations in currency and interest rates), economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the Corporation's 2019 annual MD&A and the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco 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.

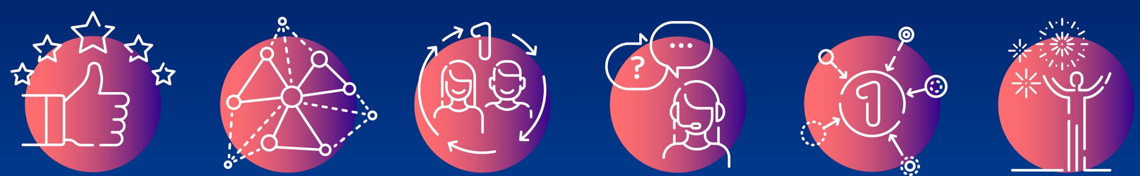
All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three and nine-month periods ended May 31, 2020 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A in the Corporation's 2019 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

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

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

STRATEGIC PRIORITIES



- Deliver an exceptional customer experience through continuous innovation of our service offering
- Grow our footprint and obtain our fair share of market in current segments
- Optimize our cost structure and operational effectiveness by exploiting group synergies facilitated through a highly collaborative culture
- Leverage our leadership and digital technologies in client relationship management
- Continue building a strong brand
- Deliver an exceptional employee experience

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

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

The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA(1), free cash flow(1) and capital intensity(1) on a constant currency basis(1).

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

2.1 UPDATE ON THE IMPACT OF THE COVID-19 PANDEMIC ON OPERATIONS AND RESULTS

Since the beginning of the COVID-19 pandemic, our efforts have focussed on providing our usual high level of service to customers while providing a safe working environment for our employees. Although we can now say that we have successfully taken on this challenge, the situation had various impacts on our business during the last quarter. Following is a list of the most significant impacts that this unprecedented situation had on our operations:

- Incremental demand for our high speed Internet product (more customers and upgrades in packages);
- More stable customer base for our video and telephony products (fewer connections and disconnections) and increased video-on-demand and phone long-distance usage;
- Lower residential video revenue at our Canadian broadband subsidiary due to credits given to customers on certain sports packages;
- Lower revenue related to the delay in price increases that were planned during the quarter at our Canadian broadband subsidiary;
- Lower revenue related to the temporary discontinuation of data overage fees at our Canadian broadband subsidiary and the waiving of late charges at our American broadband subsidiary;
- Lower commercial revenue, mostly related to the video and telephony products and for specific verticals such as hotels and restaurants;
- Lower advertising revenue, including a reduction in political advertising at our American broadband subsidiary;
- Lower customer service expenses due to more self-installations of new customers, offset by temporary COVID-specific cost increases;
- Increase in the number of customers who delayed payments, which resulted in a higher bad debt expense and related provision for primary service units;
- Lower expenses related to the closure of all of our retail stores during the confinement period; and
- Increase in capital expenditures related to acceleration of certain projects due to increased user data demand on our networks and to avoid potential supply chain disruptions during the early part of the pandemic, partly offset by a lower level of construction activity in some areas.

These COVID-19 related impacts did not have a material effect on our results.

2.2 OUTLOOK AND FINANCIAL GUIDELINES

Based on the experience gained while operating during the pandemic and the fact that there is one quarter left to the fiscal year, the Corporation is providing the following financial guidelines for the current fiscal year ending on August 31, 2020 as compared to the prior fiscal year, on a constant currency and consolidated basis:

- Revenue: low-single digit percentage growth;
- Adjusted EBITDA: low-single digit percentage growth; and
- Free cash flow: mid-single digit percentage growth.

We are not providing an outlook on the financial periods beyond the fourth quarter of the current fiscal year at this time, as the uncertainty related to the duration, future developments and potential outcomes of the COVID-19 pandemic does not allow us to predict its overall impact on operations, business and financial results.

3. BUSINESS DEVELOPMENTS

On June 19, 2020, the Corporation announced that it will proceed with an early redemption of its $200 million Senior Secured Debentures Series 2 due November 16, 2020. The redemption date will be July 20, 2020.

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licenses, for $16 million.

On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a net consideration of US$50 million.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**605,821**	587,345	3.1	1.1	12,064
Operating expenses	**304,921**	298,444	2.2	(0.1)	6,804
Management fees – Cogeco Inc.	**6,183**	4,974	24.3	24.3	—
Adjusted EBITDA	**294,717**	283,927	3.8	1.9	5,260
Adjusted EBITDA margin	**48.6 %**	48.3%			

(1) For the three-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3994 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

	Nine months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**1,779,115**	1,748,147	1.8	1.1	12,263
Operating expenses	**907,694**	901,147	0.7	—	6,933
Management fees – Cogeco Inc.	**17,227**	14,670	17.4	17.4	—
Adjusted EBITDA	**854,194**	832,330	2.6	2.0	5,330
Adjusted EBITDA margin	**48.0 %**	47.6%			

(1) For the nine-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3466 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

REVENUE

	Three months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**320,547**	325,808	(1.6)	(1.6)	—
American broadband services	**285,274**	261,537	9.1	4.5	12,064
	605,821	587,345	3.1	1.1	12,064

(1) For the three-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3994 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

(in thousands of dollars, except percentages)	Nine months ended May 31, 2020 (1) $	May 31, 2019 $	Change %	Change in constant currency (2) %	Foreign exchange impact (2) $
Canadian broadband services	**963,575**	975,032	(1.2)	(1.2)	—
American broadband services	**815,540**	773,115	5.5	3.9	12,263
	1,779,115	1,748,147	1.8	1.1	12,263

(1) For the nine-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3466 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

For the third-quarter and first nine months of fiscal 2020, revenue increased by 3.1% and 1.8%, respectively, (1.1% for both periods in constant currency) resulting from organic growth combined with the impact of the Thames Valley Communications acquisition completed on March 10, 2020 in the American broadband services, partly offset by a decrease in the Canadian broadband services.

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

OPERATING EXPENSES

(in thousands of dollars, except percentages)	Three months ended May 31, 2020 (1) $	May 31, 2019 $	Change %	Change in constant currency (2) %	Foreign exchange impact (2) $
Canadian broadband services	**143,809**	147,054	(2.2)	(2.4)	214
American broadband services	**155,843**	145,836	6.9	2.3	6,590
Inter-segment eliminations and other	**5,269**	5,554	(5.1)	(5.1)	—
	304,921	298,444	2.2	(0.1)	6,804

(1) For the three-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3994 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

(in thousands of dollars, except percentages)	Nine months ended May 31, 2020 (1) $	May 31, 2019 $	Change %	Change in constant currency (2) %	Foreign exchange impact (2) $
Canadian broadband services	**445,510**	458,471	(2.8)	(2.9)	253
American broadband services	**445,243**	422,993	5.3	3.7	6,679
Inter-segment eliminations and other	**16,941**	19,683	(13.9)	(13.9)	1
	907,694	901,147	0.7	—	6,933

(1) For the nine-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3466 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

For the third-quarter and first nine months of fiscal 2020, operating expenses increased by 2.2% and 0.7%, respectively, (decrease of 0.1% and nil in constant currency) resulting from higher operating expenses in the American broadband services segment, partly offset by lower operating expenses in the Canadian broadband services segment combined with lower costs in Inter-segment eliminations and other resulting from lower corporate project costs.

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

MANAGEMENT FEES

For the third-quarter and first nine months of fiscal 2020, management fees paid to Cogeco Inc. ("Cogeco") reached $6.2 million and $17.2 million, respectively, compared to $5.0 million and $14.7 million for the same periods of fiscal 2019 as a result of higher corporate costs in Cogeco. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

	Three months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**176,738**	178,754	(1.1)	(1.0)	(214)
American broadband services	**129,431**	115,701	11.9	7.1	5,474
Inter-segment eliminations and other	**(11,452)**	(10,528)	8.8	8.8	—
	294,717	283,927	3.8	1.9	5,260

(1) For the three-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3994 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

	Nine months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**518,065**	516,561	0.3	0.3	(253)
American broadband services	**370,297**	350,122	5.8	4.2	5,584
Inter-segment eliminations and other	**(34,168)**	(34,353)	(0.5)	(0.5)	(1)
	854,194	832,330	2.6	2.0	5,330

(1) For the nine-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3466 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

Fiscal 2020 third-quarter adjusted EBITDA increased by 3.8% (1.9% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of organic revenue growth and the impact of the Thames Valley Communications acquisition; partly offset by
- a decrease in the Canadian broadband services segment resulting from a decline in revenue; and
- an increase in operating expenses related to the Inter-segment eliminations and other.

For the first nine months of fiscal 2020, adjusted EBITDA increased by 2.6% (2.0% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of organic revenue growth and the impact of the Thames Valley Communications acquisition; and
- an increase in the Canadian broadband services segment mainly from a decline in operating expenses.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

For the first nine months of fiscal 2020, integration, restructuring and acquisition costs amounted to $5.5 million resulting from organizational changes and costs related to the acquisition of Thames Valley Communications.

For the third-quarter and first nine months of fiscal 2019, integration, restructuring and acquisition costs amounted to $1.0 million and $10.4 million, respectively, mostly due to an operational optimization program that included a voluntary departure program.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended			Nine months ended		
	May 31, 2020	May 31, 2019	Change	**May 31, 2020**	May 31, 2019	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation of property, plant and equipment(1)	**113,952**	104,861	8.7	**330,750**	316,734	4.4
Amortization of intangible assets	**15,089**	14,280	5.7	**43,663**	42,435	2.9
	129,041	119,141	8.3	**374,413**	359,169	4.2

(1) The depreciation of right-of-use assets amounted to $1.8 million and $5.1 million, respectively, for the three and nine-month periods ended May 31, 2020.

For the third-quarter and first nine months of fiscal 2020, depreciation and amortization expense increased by 8.3% and 4.2%, respectively, due to additional depreciation as a result of higher capital expenditures combined with the appreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year and the impact of IFRS 16 adoption.

4.4 FINANCIAL EXPENSE

	Three months ended			Nine months ended		
	May 31, 2020	May 31, 2019	Change	**May 31, 2020**	May 31, 2019	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**39,484**	43,988	(10.2)	**118,531**	135,491	(12.5)
Interest on lease liabilities	**391**	—	—	**1,150**	—	—
Gain on debt modification	**—**	—	—	**(22,898)**	—	—
Net foreign exchange loss (gain)	**348**	(2,085)	—	**379**	(2,341)	—
Amortization of deferred transaction costs	**218**	466	(53.2)	**893**	1,372	(34.9)
Capitalized borrowing costs	**(169)**	(224)	(24.6)	**(462)**	(522)	(11.5)
Other	**84**	(52)	—	**(5,802)**	1,065	—
	40,356	42,093	(4.1)	**91,791**	135,065	(32.0)

For the third-quarter and first nine months of fiscal 2020, financial expense decreased by 4.1% and 32.0%, respectively, mainly due to:

- lower debt outstanding and interest rates on the First Lien Credit Facilities; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

Moreover, the decrease for the first nine months was also due to a non-cash gain on debt modification related to the amendment made to the Senior Secured Term Loan B Facility on February 3, 2020 resulting in the reduction of the interest rate by 0.25% combined with interest revenue resulting from investments of excess cash.

4.5 INCOME TAXES

	Three months ended			Nine months ended		
	May 31, 2020	May 31, 2019	Change	**May 31, 2020**	May 31, 2019	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Current	**15,845**	12,156	30.3	**43,919**	41,758	5.2
Deferred	**12,739**	9,963	27.9	**38,097**	21,395	78.1
	28,584	22,119	29.2	**82,016**	63,153	29.9

	Three months ended			Nine months ended		
	May 31, 2020	May 31, 2019	Change	**May 31, 2020**	May 31, 2019	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Profit before income taxes	**125,308**	121,690	3.0	**382,459**	327,658	16.7
Combined Canadian income tax rate	**26.5 %**	26.5 %	—	**26.5 %**	26.5 %	—
Income taxes at combined Canadian income tax rate	**33,207**	32,247	3.0	**101,352**	86,829	16.7
Difference in operations' statutory income tax rates	**626**	(960)	—	**1,633**	62	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**(24)**	(287)	(91.6)	**4**	—	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**385**	(1,606)	—	**(760)**	(785)	(3.2)
Tax impacts related to foreign operations	**(5,610)**	(7,255)	(22.7)	**(18,223)**	(21,116)	(13.7)
Other	**—**	(20)	(100.0)	**(1,990)**	(1,837)	8.3
	28,584	22,119	29.2	**82,016**	63,153	29.9

For the third-quarter and first nine months of fiscal 2020, income taxes expense increased by 29.2% and 29.9%, respectively, mainly due to:

- the increase in profit before income taxes; and
- the effect of a non-recurring reduction in income tax in 2019 related to the disposal of Cogeco Peer 1.

4.6 PROFIT FOR THE PERIOD

	Three months ended			Nine months ended		
	May 31, 2020	May 31, 2019	Change	**May 31, 2020**	May 31, 2019	Change
(in thousands of dollars, except percentages and earnings per share)	**$**	$	%	**$**	$	%
Profit for the period from continuing operations	**96,724**	99,571	(2.9)	**300,443**	264,505	13.6
Profit for the period	**96,724**	182,022	(46.9)	**300,443**	337,965	(11.1)
Profit for the period from continuing operations attributable to owners of the Corporation	**90,771**	96,613	(6.0)	**284,340**	252,123	12.8
Profit for the period attributable to owners of the Corporation	**90,771**	179,064	(49.3)	**284,340**	325,583	(12.7)
Profit for the period from continuing operations attributable to non-controlling interest(1)	**5,953**	2,958	—	**16,103**	12,382	30.1
Basic earnings per share from continuing operations	**1.89**	1.96	(3.6)	**5.84**	5.11	14.3
Basic earnings per share	**1.89**	3.62	(47.8)	**5.84**	6.59	(11.4)

(1) The non-controlling interest relates to the 21% ownership of Caisse de dépôt et placement du Québec ("CDPQ") in Atlantic Broadband.

Fiscal 2020 third-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation decreased by 2.9% and 6.0%, respectively, as a result of:

- the increase in depreciation and amortization; and
- the increase in income taxes; partly offset by
- higher adjusted EBITDA.

Fiscal 2020 third-quarter profit for the period and profit for the period attributable to owners of the Corporation also decreased by 46.9% and 49.3%, respectively, mainly due to discontinued operations which generated a profit of $82.5 million resulting from the sale of Cogeco Peer 1 for the comparable period of the prior year in addition to the elements mentioned above.

For the first nine months of fiscal 2020, profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 13.6% and 12.8%, respectively, as a result of:

- higher adjusted EBITDA; and
- the decrease in financial expense mainly due to the $22.9 million non-cash gain on debt modification resulting from the reduction of the interest rate by 0.25% in the second quarter of fiscal 2020; partly offset by
- the increase in income taxes; and
- the increase in depreciation and amortization.

For the first nine months of fiscal 2020, profit for the period and profit for the period attributable to owners of the Corporation decreased by 11.1% and 12.7%, respectively, mainly due to discontinued operations which generated a profit of $73.5 million resulting from the sale of Cogeco Peer 1 for the comparable period of the prior year in addition to the elements mentioned above.

5. RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of Cogeco, which holds 32.6% of the Corporation's equity shares, representing 82.9% of the votes attached to the Corporation's voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the third-quarter and first nine months of fiscal 2020, management fees paid to Cogeco reached $6.2 million and $17.2 million, respectively, compared to $5.0 million and $14.7 million for the same periods of fiscal 2019.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first nine months of fiscal 2020 and 2019, the Corporation granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications and issued deferred share units ("DSUs") to Board of directors of Cogeco, as shown in the following table:

	Nine months ended	
(in number of units)	**May 31, 2020**	May 31, 2019
Stock options	**110,875**	97,725
PSUs	**14,375**	14,625
DSUs	**1,847**	2,469

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

	Three months ended		Nine months ended	
	May 31, 2020	May 31, 2019	**May 31, 2020**	May 31, 2019
(in thousands of dollars)	**$**	$	**$**	$
Stock options	**331**	256	**901**	749
ISUs	**8**	15	**30**	45
PSUs	**351**	304	**1,048**	806
DSUs	**6**	69	**149**	393
	696	644	**2,128**	1,993

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

6. CASH FLOW ANALYSIS

	Three months ended			Nine months ended		
	May 31, 2020	May 31, 2019	Change	**May 31, 2020**	May 31, 2019	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Cash flow from operating activities	**282,229**	265,551	6.3	**663,074**	564,009	17.6
Cash flow from investing activities	**(200,113)**	(95,735)	—	**(430,376)**	(326,746)	31.7
Cash flow from financing activities	**(93,204)**	(517,581)	(82.0)	**(300,685)**	(609,024)	(50.6)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**2,987**	1,710	74.7	**5,277**	966	—
Net change in cash and cash equivalents from continuing operations	**(8,101)**	(346,055)	(97.7)	**(62,710)**	(370,795)	(83.1)
Net change in cash and cash equivalent from discontinued operations	**—**	734,405	(100.0)	**—**	733,807	(100.0)
Cash and cash equivalents, beginning of the period	**501,895**	59,387	—	**556,504**	84,725	—
Cash and cash equivalents, end of the period	**493,794**	447,737	10.3	**493,794**	447,737	10.3

6.1 OPERATING ACTIVITIES

Fiscal 2020 third-quarter cash flow from operating activities increased by 6.3% mainly from:

- higher adjusted EBITDA; and
- the increase in changes in non-cash operating activities primarily due to changes in working capital.

For the first nine months of fiscal 2020, cash flow from operating activities increased by 17.6% mainly from:

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

6.2 INVESTING ACTIVITIES

For the third-quarter and first nine months of fiscal 2020, investing activities doubled and increased by 31.7% mainly due to:

- the acquisitions of Thames Valley Communications and iTéract during the third quarter of fiscal 2020; and
- the increase in acquisitions of property, plant and equipment in both the Canadian and American broadband services segments.

Moreover, investing activities for the first nine months of fiscal 2019 included the acquisition, on October 3, 2018, of a fibre network and corresponding assets in south Florida previously owned by FiberLight, LLC (the "FiberLight acquisition").

BUSINESS COMBINATIONS IN FISCAL 2020

Acquisition of Thames Valley Communications

On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a net consideration of US$50 million.

Acquisition of iTéract

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licenses, for $16 million.

These acquisitions were accounted for using the purchase method and are subject to post closing adjustments. The preliminary allocation of the purchase price of these acquisitions is as follows:

			At May 31, 2020
	Thames Valley Communications	**iTéract**	**TOTAL**
	Preliminary	Preliminary	
	$	$	$
Purchase price			
Consideration paid at closing	70,982	14,399	85,381
Balance due on a business combination	—	1,600	1,600
	70,982	15,999	86,981
Net assets acquired			
Cash and cash equivalents	3,631	5	3,636
Trade and other receivables	1,152	12	1,164
Income taxes receivable	177	—	177
Prepaid expenses and other	171	1	172
Other assets	—	5	5
Property, plant and equipment (1)	19,401	2,936	22,337
Intangible assets	6,391	12,468	18,859
Goodwill	44,747	4,171	48,918
Trade and other payables	(1,982)	(238)	(2,220)
Contract liabilities and other liabilities	(718)	—	(718)
Long-term debt (2)	(245)	—	(245)
Deferred tax liabilities	(1,743)	(3,361)	(5,104)
	70,982	15,999	86,981

(1) Includes $0.2 million of right-of-use assets.

(2) Includes solely lease liabilities.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

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

	Three months ended			
	May 31, 2020	May 31, 2019	Change	Change in constant currency (1)
(in thousands of dollars, except percentages)	$	$	%	%
Canadian broadband services	**61,217**	49,729	23.1	20.9
Capital intensity	**19.1 %**	15.3 %		
American broadband services	**61,184**	46,387	31.9	26.3
Capital intensity	**21.4 %**	17.7 %		
Inter-segment eliminations and other	**1,252**	—	—	—
Consolidated	**123,653**	96,116	28.6	24.8
Capital intensity	**20.4 %**	16.4 %		

(1) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

	Nine months ended			
	May 31, 2020	May 31, 2019	Change	Change in constant currency (1)
(in thousands of dollars, except percentages)	$	$	%	%
Canadian broadband services	**202,108**	162,808	24.1	23.4
Capital intensity	**21.0 %**	16.7 %		
American broadband services	**151,965**	126,638	20.0	17.9
Capital intensity	**18.6 %**	16.4 %		
Inter-segment eliminations and other	**1,722**	—	—	—
Consolidated	**355,795**	289,446	22.9	21.6
Capital intensity	**20.0 %**	16.6 %		

(1) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

For the third-quarter and first nine months of fiscal 2020, acquisitions of property, plant and equipment increased by 28.6% and 22.9%, respectively, (24.8% and 21.6% in constant currency) mainly due to higher capital expenditures in both the Canadian and American broadband services segments resulting from the timing of certain initiatives.

For the first nine months of fiscal 2020, capital intensity reached 20.0% compared to 16.6% for the same period of the prior year mainly as a result of capital expenditures growth in both the Canadian and American broadband services segments. Acquisitions of property, plant and equipment for first nine months of fiscal 2019 were lower due to the timing of certain initiatives.

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

6.3 FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

For the third-quarter and first nine months of fiscal 2020, changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

	Three months ended		Nine months ended		
	May 31, 2020	May 31, 2019	**May 31, 2020**	May 31, 2019	Explanations
(in thousands of dollars)	**$**	$	**$**	$	
Decrease in bank indebtedness	**—**	(31,493)	**—**	(1,128)	Related to the timing of payments made to suppliers.
Net decrease under the revolving facilities	**—**	(440,034)	**—**	(443,955)	Repayment of the revolving facilities in fiscal 2019 as a result of the sale of Cogeco Peer 1 combined with free cash flow generated.
Repayment of notes, debentures and credit facilities	**(5,859)**	(5,749)	**(63,603)**	(71,989)	Repayment of US$35 million during the second quarter of fiscal 2020 combined with quarterly repayments on the Senior Secured Term Loan B Facility.
Repayment of lease liabilities	**(1,352)**	—	**(3,762)**	—	Related to the adoption of IFRS 16.
Repayment of balance due on business combinations	**—**	—	**(3,228)**	(655)	Partial repayment of the balance related to the FiberLight acquisition in the first quarter of fiscal 2020.
	(7,211)	(477,276)	**(70,593)**	(517,727)	

DIVIDENDS

During the third quarter of fiscal 2020, a quarterly eligible dividend of $0.58 per share was paid to the holders of multiple and subordinate voting shares, totalling $27.8 million, compared to a quarterly eligible dividend of $0.525 per share, or $25.9 million in the third quarter of fiscal 2019. Dividend payment in the first nine months totaled $1.74 per share, or $84.6 million, compared to $1.575 per share, or $77.8 million, in the prior year.

NORMAL COURSE ISSUER BID ("NCIB")

During the third quarter and first nine months of fiscal 2020, Cogeco Communications purchased and cancelled 601,900 and 1,397,400 subordinate voting shares, respectively, with a weighted average price per share repurchased of $98.73 and $104.41 for a total consideration of $59.4 million and $145.9 million. In the comparable periods of fiscal 2019, as the NCIB program started during the third quarter, Cogeco Communications purchased and cancelled 157,400 subordinate voting shares with a weighted average price of $91.87 for consideration of $14.5 million.

On April 30, 2020, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 1,809,000 subordinate voting shares from May 4, 2020 to May 3, 2021.

The Corporation has also entered into an automatic share purchase plan (the "ASPP") with a designated broker to allow for the purchase of subordinate voting shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Such purchases are executed by the broker on parameters established by the Corporation prior to the pre-established ASPP period under the ASPP.

6.4 FREE CASH FLOW

	Three months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA(3)	**294,717**	283,927	3.8	1.9	5,260
Amortization of deferred transaction costs and discounts on long-term debt	**2,383**	2,193	8.7	12.6	86
Share-based payment	**1,864**	923	—	—	—
(Gain) loss on disposals and write-offs of property, plant and equipment	**(1,593)**	941	—	—	—
Defined benefit plans expense, net of contributions	**5**	383	(98.7)	(98.7)	—
Integration, restructuring and acquisition costs	**(12)**	(1,003)	(98.8)	(98.6)	(2)
Financial expense	**(40,356)**	(42,093)	(4.1)	(1.0)	(1,319)
Current income taxes	**(15,845)**	(12,156)	30.3	30.4	(3)
Acquisition of property, plant and equipment	**(123,653)**	(96,116)	28.6	24.8	(3,663)
Repayment of lease liabilities	**(1,352)**	—	—	—	(41)
Free cash flow(3)	**116,158**	136,999	(15.2)	(15.4)	318

(1) For the three-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3994 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

(3) 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.

	Nine months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA(4)	**854,194**	832,330	2.6	2.0	5,330
Amortization of deferred transaction costs and discounts on long-term debt	**7,159**	6,514	9.9	11.3	89
Share-based payment	**5,821**	5,053	15.2	15.2	—
(Gain) loss on disposals and write-offs of property, plant and equipment	**(338)**	1,651	—	—	—
Defined benefit plans expense, net of contributions	**924**	968	(4.5)	(4.5)	—
Integration, restructuring and acquisition costs	**(5,531)**	(10,438)	(47.0)	(46.8)	(17)
Financial expense(3)	**(114,689)**	(135,065)	(15.1)	(14.1)	(1,334)
Current income taxes	**(43,919)**	(41,758)	5.2	5.2	(13)
Acquisition of property, plant and equipment	**(355,795)**	(289,446)	22.9	21.6	(3,842)
Repayment of lease liabilities	**(3,762)**	—	—	—	(42)
Free cash flow(4)	**344,064**	369,809	(7.0)	(7.0)	171

(1) For the nine-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3466 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

(3) Excludes the $22.9 million non-cash gain on debt modification recognized in the second quarter of fiscal 2020.

(4) 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.

Fiscal 2020 third-quarter free cash flow decreased by 15.2% (15.4% in constant currency) mainly due to the following:

- the increase in acquisitions of property, plant and equipment in both the Canadian and American broadband services segments due to the timing of certain initiatives; partly offset by
- higher adjusted EBITDA.

For the first nine months of fiscal 2020, free cash flow decreased by 7.0% as reported and in constant currency mainly due to the following:

- the increase in acquisitions of property, plant and equipment in both the Canadian and American broadband services segments due to the timing of certain initiatives; partly offset by
- higher adjusted EBITDA; and
- the decrease in financial expense, excluding the $22.9 million non-cash gain on debt modification resulting from the reduction of the interest rate by 0.25% in the second quarter of fiscal 2020.

6.5 DIVIDEND DECLARATION

At its July 15, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.58 per share for multiple voting and subordinate voting shares, payable on August 12, 2020 to shareholders of record on July 29, 2020. 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. SEGMENTED OPERATING AND FINANCIAL RESULTS

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

7.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**320,547**	325,808	(1.6)	(1.6)	—
Operating expenses	**143,809**	147,054	(2.2)	(2.4)	214
Adjusted EBITDA	**176,738**	178,754	(1.1)	(1.0)	(214)
Adjusted EBITDA margin	**55.1 %**	54.9 %			
Acquisitions of property, plant and equipment	**61,217**	49,729	23.1	20.9	1,077
Capital intensity	**19.1 %**	15.3 %			

(1) For the three-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3994 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

	Nine months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**963,575**	975,032	(1.2)	(1.2)	—
Operating expenses	**445,510**	458,471	(2.8)	(2.9)	253
Adjusted EBITDA	**518,065**	516,561	0.3	0.3	(253)
Adjusted EBITDA margin	**53.8 %**	53.0 %			
Acquisitions of property, plant and equipment	**202,108**	162,808	24.1	23.4	1,122
Capital intensity	**21.0 %**	16.7 %			

(1) For the nine-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3466 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

REVENUE

For the third-quarter and the first nine months of fiscal 2020, revenue decreased by 1.6% and 1.2%, respectively, as reported and in constant currency mainly as a result of:

- a decline in video service customers; and
- lower net pricing from consumer sales primarily as a result of the carry-over effect of product bundles being promoted more actively from the fourth quarter of fiscal 2019 to the second quarter of fiscal 2020; partly offset by
- rate increases implemented during the first quarter of fiscal 2020;
- customers' transition to higher value offerings; and
- continued growth in Internet service customers.

Moreover, the decrease in revenue for the first nine months of fiscal 2020 was partly offset by a growth in commercial revenue.

OPERATING EXPENSES

Fiscal 2020 third-quarter operating expenses decreased by 2.2% (2.4% in constant currency) mainly attributable to:

- lower programming costs resulting from lower video service customers;
- lower marketing initiatives and lower installation costs due to the effects of the COVID-19 pandemic, with more self installations and remote repairs; and
- the impact of IFRS 16 adoption; partly offset by
- additional expenses related to certain initiatives; and
- higher bad debt expenses resulting from the effects of the COVID-19 pandemic.

For the first nine months of fiscal 2020, operating expenses decreased by 2.8% (2.9% in constant currency) due to:

- lower programming costs resulting from lower video service customers;
- lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019;
- the impact of IFRS 16 adoption;
- additional costs of $4.5 million incurred in the first quarter of fiscal 2019 to support the stabilization phase of the new customer management system implemented in the third quarter of fiscal 2018; and
- retroactive costs of $3.2 million incurred in the first quarter of fiscal 2019 related to higher than expected rates established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period from 2014 to 2018; partly offset by
- higher marketing initiatives; and
- additional expenses related to certain initiatives.

ADJUSTED EBITDA

Fiscal 2020 third-quarter adjusted EBITDA decreased by 1.1% (1.0% in constant currency) mainly from a decline in revenue.

For the first nine months of fiscal 2020, adjusted EBITDA increased by 0.3% as reported and in constant currency mainly from a decline in operating expenses.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

For the third-quarter and first nine months of fiscal 2020, acquisitions of property, plant and equipment increased by 23.1% and 24.1%, respectively, (20.9% and 23.4% in constant currency) resulting from:

- higher costs related to the maintenance, growth and expansion of our network infrastructure; and
- higher purchases of customer premise equipment due to the timing of certain initiatives.

For the first nine months of fiscal 2020, capital intensity reached 21.0% compared to 16.7% for the same period of fiscal 2019 mainly as a result of an increase in capital expenditures due to timing of certain initiatives combined with lower revenue.

CUSTOMER STATISTICS

	May 31, 2020 (1)	Net additions (losses) Three months ended May 31, 2020 (2)	May 31, 2019	Net additions (losses) Nine months ended May 31, 2020 (2)	May 31, 2019 (3)	% of penetration[4] May 31, 2020	May 31, 2019
Primary service units	**1,802,631**	**(11,736)**	(11,799)	**(9,962)**	(53,706)		
Internet service customers	**803,073**	**5,252**	699	**12,959**	3,426	**45.3**	44.6
Video service customers	**627,608**	**(11,406)**	(11,024)	**(22,156)**	(31,021)	**35.4**	37.4
Telephony service customers	**371,950**	**(5,582)**	(1,474)	**(765)**	(26,111)	**21.0**	21.0

(1) Net of a provision related to non-paying customers who have not been disconnected.

(2) Excludes 2,227 primary service units (1,871 Internet services, 181 video services and 175 telephony services) from the acquisition of iTéract Inc. completed in the third quarter of fiscal 2020.

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

(4) As a percentage of homes passed.

INTERNET

For the third-quarter and first nine months of fiscal 2020, Internet service customers net additions amounted to 5,252 and 12,959, respectively, compared to 699 and 3,426 for the same periods of the prior year. The variations were due to:

- the ongoing interest in high speed offerings especially as more customers are working from home;
- the sustained interest in bundle offers; and
- the continued demand from Internet resellers; partly offset by
- competitive offers in the industry.

VIDEO

For the third-quarter and first nine months of fiscal 2020, video service customers net losses amounted to 11,406 and 22,156, respectively, compared to 11,024 and 31,021 for the same periods of the prior year. The variations were due to:

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

TELEPHONY

For the third-quarter and first nine months of fiscal 2020, telephony service customers net losses to 5,582 and 765, respectively, compared to 1,474 and 26,111 for the same periods of the prior year. The variations were due to:

- increasing wireless penetration in Canada and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only; partly offset by
- more telephony bundles being marketed during the first half of fiscal 2020.

DISTRIBUTION OF CUSTOMERS

At May 31, 2020, 69% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

7.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**285,274**	261,537	9.1	4.5	12,064
Operating expenses	**155,843**	145,836	6.9	2.3	6,590
Adjusted EBITDA	**129,431**	115,701	11.9	7.1	5,474
Adjusted EBITDA margin	**45.4 %**	44.2 %			
Acquisitions of property, plant and equipment	**61,184**	46,387	31.9	26.3	2,586
Capital intensity	**21.4 %**	17.7 %			

(1) For the three-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3994 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3402 USD/CDN.

	Nine months ended				
	May 31, 2020 (1)	May 31, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**815,540**	773,115	5.5	3.9	12,263
Operating expenses	**445,243**	422,993	5.3	3.7	6,679
Adjusted EBITDA	**370,297**	350,122	5.8	4.2	5,584
Adjusted EBITDA margin	**45.4 %**	45.3 %			
Acquisitions of property, plant and equipment	**151,965**	126,638	20.0	17.9	2,719
Capital intensity	**18.6 %**	16.4 %			

(1) For the nine-month period ended May 31, 2020, the average foreign exchange rate used for translation was 1.3466 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3266 USD/CDN.

REVENUE

For the third-quarter and first nine months of fiscal 2020, revenue increased by 9.1% and 5.5%, respectively, (4.5% and 3.9% in constant currency). In local currency, revenue amounted to US$203.9 million and US$605.5 million, respectively, compared to US$195.2 million and US$582.8 million for the same periods of fiscal 2019. The increase resulted mainly from:

- growth in both residential and business Internet service customers;
- rate increases mostly implemented during the fourth quarter of fiscal 2019; and;
- the impact of the Thames Valley Communications acquisition completed on March 10, 2020; partly offset by
- a decrease in video service customers.

Moreover, the increase in revenue for the third-quarter of fiscal 2020 was partly offset by the suspension of late fees charged to customers until June 30, 2020 combined with lower political advertising sales in the context of the COVID-19 pandemic.

Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 3.1% and 3.5%, respectively, for the third-quarter and first nine months of fiscal 2020.

OPERATING EXPENSES

For the third-quarter and first nine months of fiscal 2020, operating expenses increased by 6.9% and 5.3%, respectively, (2.3% and 3.7% in constant currency) mainly as a result of:

- higher compensation expenses and costs related to additional headcount to support growth; and
- additional costs related to the development and implementation of a new financial and human capital management system;
- additional operating expenses resulting from the impact of the Thames Valley Communications acquisition; partly offset by
- a non-recurring gain on disposal of property, plant and equipment amounting to US$1.7 million; and
- the impact of IFRS 16 adoption.

Moreover, the increase in operating expense for the third-quarter of fiscal 2020 was also due to higher bad debt expense related to the effects of the COVID-19 pandemic, partly offset by lower marketing expenses.

ADJUSTED EBITDA

For the third-quarter and first nine months of fiscal 2020, adjusted EBITDA increased by 11.9% and 5.8%, respectively, (7.1% and 4.2% in constant currency). In local currency, adjusted EBITDA amounted to US$92.5 million and US$274.9 million, respectively, compared to US $86.3 million and US$264.0 million for the same periods of fiscal 2019, mainly due to organic revenue growth and the impact of the Thames Valley Communications acquisition.

Excluding adjusted EBITDA from Thames Valley Communications and the non-recurring gain on disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 4.1% and 3.2%, respectively, for the third-quarter and first nine months of fiscal 2020.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

For the third-quarter and first nine months of fiscal 2020, acquisitions of property, plant and equipment increased by 31.9% and 20.0%, respectively, (26.3% and 17.9% in constant currency) resulting mainly from:

- higher purchases of customer premise equipments resulting from equipment upgrades;
- additional investments to improve and expand the network infrastructure in Florida;
- additional purchases of equipments due to the timing of certain initiatives; and
- costs related to the development and implementation of a new financial and human capital management system.

For the first nine months of fiscal 2020, capital intensity reached 18.6% compared to 16.4% for the same period fiscal 2019 mainly as a result of capital expenditures growth resulting from the timing of certain initiatives exceeding revenue growth.

CUSTOMER STATISTICS

		Net additions (losses) Three months ended		Net additions (losses) Nine months ended		% of penetration(3)	
	May 31, 2020 (1)	**May 31, 2020** (2)	May 31, 2019	**May 31, 2020** (2)	May 31, 2019	**May 31, 2020**	May 31, 2019
Primary service units	**937,272**	**14,088**	15,803	**19,849**	9,550		
Internet service customers	**478,689**	**12,379**	14,134	**23,475**	18,748	**52.2**	50.7
Video service customers	**311,845**	**482**	(345)	**(5,821)**	(9,991)	**34.0**	35.1
Telephony service customers	**146,738**	**1,227**	2,014	**2,195**	793	**16.0**	16.3

(1) Net of a provision related to non-paying customers who have not been disconnected.

(2) Excludes 15,977 primary service units (9,077 Internet services, 5,111 video services and 1,789 telephony services) from the acquisition of Thames Valley Communications completed in the third quarter of fiscal 2020.

(3) As a percentage of homes passed.

INTERNET

For the third-quarter and first nine months of fiscal 2020, Internet service customers net additions amounted to 12,379 and 23,475, respectively, compared to 14,134 and 18,748 for the same periods of the prior year. The variations were due to:

- growth in the residential and business sectors; and
- seasonal reconnects from the Maine and New Hampshire areas during the third quarter of fiscal 2020.

VIDEO

For the third-quarter and first nine months of fiscal 2020, video service customers net additions and net losses amounted to 482 and 5,821, respectively, compared to net losses of 345 and 9,991 for the same periods of the prior year. The variations were due to:

- seasonal reconnects from the Maine and New Hampshire areas during the third quarter of fiscal 2020; and
- our customers' ongoing interest in TiVo's digital advanced video services; partly offset by
- a changing video consumption environment; and
- competitive offers in the industry.

TELEPHONY

For the third-quarter and first nine months of fiscal 2020, telephony service customers net additions amounted to 1,227 and 2,195, respectively, compared to 2,014 and 793 for the same periods of the prior year. The variations were due to

- growth in the residential and business sectors; partly offset by
- increasing wireless penetration in the United States and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only.

DISTRIBUTION OF CUSTOMERS

At May 31, 2020, 50% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco Communications generally maintains a working capital deficiency due to a low level of trade and other receivables since a large proportion of the Corporation's customers pay before their services are rendered, while trade and other payables are usually paid after products are delivered or services are rendered, enabling the Corporation to use the resulting cash and cash equivalents to reduce Indebtedness. However, the Corporation had a working capital surplus at August 31, 2019 and May 31, 2020 due to the increase in cash and cash equivalents resulting from the sale of Cogeco Peer 1 in the third quarter of fiscal 2019.

The variations are as follows:

(in thousands of dollars)	May 31, 2020 $	August 31, 2019 $	Change $	Explanations
Current assets				
Cash and cash equivalents	493,794	556,504	(62,710)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	76,578	75,652	926	Not significant.
Income taxes receivable	13,959	17,706	(3,747)	Not significant.
Prepaid expenses and other	28,341	22,740	5,601	Increase in prepayments related to annual maintenance agreements.
Derivative financial instrument	13	—	13	Not significant.
	612,685	672,602	(59,917)	
Current liabilities				
Trade and other payables	214,230	260,481	(46,251)	Timing of payments made to suppliers.
Provisions	33,096	36,553	(3,457)	Not significant.
Income tax liabilities	29,383	16,693	12,690	Deferral of income tax installments until August 2020 pursuant to governments allowing delays in the context of the COVID-19 pandemic.
Contract liabilities and other liabilities	47,641	43,395	4,246	Not significant.
Balance due on business combinations	2,928	4,520	(1,592)	Not significant.
Derivative financial instruments	6,071	—	6,071	Related to two derivative financial instruments maturing in January 2021.
Current portion of long-term debt	228,651	22,601	206,050	Related to the Senior Secured Debentures Series 2 to be redeemed on July 20, 2020 combined with the recognition of the current portion of lease liabilities following the adoption of IFRS 16.
	562,000	384,243	177,757	
Working capital surplus	50,685	288,359	(237,674)	

8.2 OTHER SIGNIFICANT CHANGES

	May 31, 2020	August 31, 2019	Change	Explanations
(in thousands of dollars)	$	$	$	
Non-current assets				
Property, plant and equipment	**2,124,782**	2,007,610	117,172	Related to the acquisition of Thames Valley Communications in the third quarter of fiscal 2020, the acquisitions of property, plant and equipment during the first nine months of fiscal 2020, the recognition of right-of-use assets following the adoption of IFRS 16 as well as the appreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,893,794**	2,850,844	42,950	Related to the acquisition of iTéract which included spectrum licenses and the acquisition of Thames Valley Communications in the third quarter of fiscal 2020 combined with the appreciation of the US dollar against the Canadian dollar.
Goodwill	**1,473,632**	1,373,439	100,193	Related to the Thames Valley Communications and iTéract acquisitions in the third quarter of fiscal 2020 combined with the appreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	**3,237,053**	3,382,258	(145,205)	Related to the Senior Secured Debentures Series 2 to be redeemed on July 20, 2020 which are presented in the the current portion of long-term debt and the repayment of US$35 million combined with the quarterly repayment on the Senior Secured Term Loan B Facility, partly offset by the recognition of the long-term portion of lease liabilities following the adoption of IFRS 16 and the appreciation of the US dollar against the Canadian dollar.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications’ share data at June 30, 2020 is presented in the table below. Additional details are provided in note 13 of the condensed interim consolidated financial statements.

(in thousands of dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	**15,691,100**	**98,346**
Subordinate voting shares	**32,388,333**	**907,291**
Options to purchase subordinate voting shares		
Outstanding options	**786,799**	
Exercisable options	**290,879**	

8.4 FINANCING

In the normal course of business, Cogeco Communications has incurred financial obligations, primarily in the form of long-term debt, lease contracts and guarantees. Cogeco Communications' obligations, as reported in the 2019 Annual Report, have not materially changed since August 31, 2019 except as follows.

On February 3, 2020, the Corporation amended its Senior Secured Term Loan B Facility, whereby the most significant change consisted in the reduction of the interest rate by 0.25%. Consequently, the Corporation recognized, during the second quarter of fiscal 2020, a $22.9 million non-cash gain on debt modification. As a result, the interest expense on the Senior Secured Term Loan B Facility will be higher than the interest paid until its maturity date in January 2025 as the Corporation's will continue to record the interest expense at the effective interest rate in place prior to the amendment.

On December 6, 2019, the Corporation's Term Revolving Facility was decreased by $50 million to $750 million and the maturity date was extended by an additional year until January 24, 2025. Moreover, on the same date, the maturity date of the US$150 million Senior Secured Revolving Facility, benefiting two subsidiaries related to Atlantic Broadband, was extended by an additional 18 months until July 4, 2024.

At May 31, 2020, the Corporation had used $0.02 million of its $750 million Term Revolving Facility for a remaining availability of $749.98 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $206.8 million (US$150 million), of which $3.3 million (US$2.4 million) was used at May 31, 2020 for a remaining availability of $203.5 million (US$147.6 million).

8.5 CREDIT RATINGS

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

At May 31, 2020	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	**BBB-**	**BBB (low)**	**NR**
Atlantic Broadband			
First Liens Credit Facilities	**BB**	**NR**	**B1**

NR : Not rated

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

On January 28, 2020, S&P raised the credit rating of Atlantic Broadband's First Liens Credit Facilities by one notch from BB- to BB given that its strategic importance to the Corporation has increased over time.

8.6 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2020, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2020:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.3 million based on the outstanding debt and swap agreements at May 31, 2020.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $10.2 million based on the outstanding debt and swap agreements at May 31, 2020.

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

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at May 31, 2020:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,061 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at May 31, 2020 was $1.3787 ($1.3295 at August 31, 2019) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $92.5 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow exposure to the risk of changes in the price of its subordinate voting shares under the deferred share unit ("DSU") plan. As such, the Corporation uses equity swap agreements to economically hedge the market price appreciation risk of its subordinate voting shares.

The following table shows the equity derivatives contracts outstanding at May 31, 2020:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	48,000 units	January 2021	$102.61	Equity price exposure

As at May 31, 2020 the fair value of the equity swap was $0.01 million and recognized as an asset. A 10% increase in the market price of the subordinate voting shares at May 31, 2020 would result in a gain of approximately $0.5 million due to the equity swap fair value appreciation, offset by a $0.5 million increase in the DSU plan expense.

8.7 FOREIGN CURRENCY

For the three and nine-month periods ended May 31, 2020, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

	Three months ended				Nine months ended			
	May 31, 2020	May 31, 2019	Change	Change	**May 31, 2020**	May 31, 2019	Change	Change
	$	$	$	%	**$**	$	$	%
US dollar vs Canadian dollar	**1.3994**	1.3402	0.06	4.4	**1.3466**	1.3266	0.02	1.5

The following table highlights in Canadian dollars, the impact of a 10% depreciation, or $0.13, of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the nine-month period ended May 31, 2020:

	Canadian broadband services	**American broadband services**	**Consolidated** (1)
Nine months ended May 31, 2020	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of dollars)	**$**	**$**	**$**
Revenue	**—**	**81,555**	**81,555**
Operating expenses	**2,015**	**44,525**	**46,553**
Management fees - Cogeco Inc.			**—**
Adjusted EBITDA	**(2,015)**	**37,030**	**35,002**
Acquisitions of property, plant and equipment	**9,504**	**15,196**	**24,700**
Free cash flow			**887**

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

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 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 May 31, 2020, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and nine-month periods ended May 31, 2020.

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 2019 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 2019 Annual Report, which are hereby incorporated by reference.

REGULATORY RISKS

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a costing decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers (the "Cable Carriers"), jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. On November 22, 2019, the FCA granted leave to appeal the CRTC decision and stayed the order pending final judgement, with the result that operators do not have at the moment to implement the new rates nor to make the retroactive payments. The case has been heard on June 25 and June 26, 2020 but no decision has been rendered yet.

In addition to the FCA appeal, on November 13, 2019, the Cable Carriers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Cabinet petition was gazetted on December 13, 2019. Interested parties filed comments on February 14, 2020 and a decision is expected in August 2020. Furthermore, on December 13, 2019, the Cable Carriers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the order. Comments were filed by interested parties and the Cable Carriers filed their reply on March 13, 2020.

The Corporation has therefore not recorded the impact of the new reduced rates in the financial statements for the three and nine-month periods ended May 31, 2020.

PUBLIC HEALTH CRISIS AND EMERGENCIES SUCH AS AN EPIDEMIC OR A PANDEMIC

The economic uncertainty created by the COVID-19 pandemic and its repercussions on the business, operating results and financial condition of the Corporation remain unknown. Although it had many impacts on our business during the last quarter (please refer to the "Update on the impact of the COVID-19 pandemic on operations and results" section), none of them taken individually had a material effect on our results. However, management cannot predict how the pandemic will evolve, its range of outcomes and how it will directly or indirectly, materially and adversely affect our operations in the future as this will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the spread of the disease, the duration of the outbreak, its impact on consumer and business spending and on our supply chain, and the effectiveness of the actions taken to manage it by the authorities in Canada and the United States.

11. ACCOUNTING POLICIES

11.1 ADOPTION OF NEW ACCOUNTING STANDARD AND INTERPRETATION

IFRS 16

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

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

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

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

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

As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

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

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

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

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

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

The adoption of IFRS 16 had no significant impact on the Corporation's adjusted EBITDA.

IFRIC 23

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The adoption of IFRIC 23 on September 1, 2019 had no impact on the consolidated financial statements.

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", "adjusted EBITDA margin" and "capital intensity" and the most comparable IFRS financial measures are also provided. These financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

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

Non-IFRS measure	Application	Calculation	Most comparable IFRS measures
Adjusted EBITDA and adjusted EBITDA margin	Adjusted EBITDA and adjusted EBITDA margin are key measures commonly reported and used in the telecommunications industry, as they allow comparisons between companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco Communications' business units is equal to the segment profit (loss) reported in note 4 of the condensed interim consolidated financial statements.	Adjusted EBITDA: - Profit for the period from continuing operations add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period from continuing operations
		Adjusted EBITDA margin: - Adjusted EBITDA divided by: - Revenue	No comparable IFRS measure
Free cash flow(1)	Management and investors use free cash flow to measure Cogeco Communications' ability to repay debt, distribute capital to its shareholders and finance its growth.	Free cash flow(1): - Adjusted EBITDA add: - Amortization of deferred transaction costs and discounts on long-term debt; - Share-based payment; - Loss on disposals and write-offs of property, plant and equipment; - Defined benefit plans expense, net of contributions; deduct: - Integration, restructuring and acquisition costs; - Financial expense(2); - Current income taxes; - Acquisition of property, plant and equipment(3); and - Repayment of lease liabilities.	Cash flow from operating activities
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisitions of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. The average foreign exchange rate during the three and nine-month periods ended May 31, 2019 were 1.3402 USD/CDN and 1.3266 USD/CDN, respectively.	No comparable IFRS measure
Capital intensity	Capital intensity is used by Cogeco Communications' management and investors to assess the Corporation's investment in capital expenditures in order to support a certain level of revenue.	Capital intensity: - Acquisition of property, plant and equipment(2) divided by: - Revenue	No comparable IFRS measure

(1) During the second quarter of fiscal 2020, the Corporation modified the calculation method of its free cash flow in order to reflect how the Corporation analyzed and makes projections of its free cash flow. This modification has no impact on the result under the current and former calculation, and therefore free cash flow for the comparable periods were not affected by this change.

(2) Excludes the non-cash gain on debt modification.

(3) Excludes the acquisition of right-of-use assets and the purchases of spectrum licenses.

12.1 FREE CASH FLOW RECONCILIATION

The reconciliation of free cash flow to the most comparable IFRS measure is as follows:

	Three months ended		Nine months ended	
	May 31, 2020	May 31, 2019	**May 31, 2020**	May 31, 2019
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**282,229**	265,551	**663,074**	564,009
Amortization of deferred transaction costs and discounts on long-term debt	**2,383**	2,193	**7,159**	6,514
Changes in non-cash operating activities	**(19,512)**	(13,343)	**56,310**	98,382
Income taxes paid (received)	**(6,552)**	(9,769)	**27,414**	36,533
Current income taxes	**(15,845)**	(12,156)	**(43,919)**	(41,758)
Financial expense paid	**38,816**	42,732	**108,272**	130,640
Financial expense(1)	**(40,356)**	(42,093)	**(114,689)**	(135,065)
Acquisition of property, plant and equipment	**(123,653)**	(96,116)	**(355,795)**	(289,446)
Repayment of lease liabilities	**(1,352)**	—	**(3,762)**	—
Free cash flow	**116,158**	136,999	**344,064**	369,809

(1) Excludes the non-cash gain on debt modification recognized in the second quarter of fiscal 2020.

12.2 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

The reconciliation of adjusted EBITDA to the most comparable IFRS measure and the calculation of adjusted EBITDA margin are as follows:

	Three months ended		Nine months ended	
	May 31, 2020	May 31, 2019	**May 31, 2020**	May 31, 2019
(in thousands of dollars, except percentages)	**$**	$	**$**	$
Profit for the period from continuing operations	**96,724**	99,571	**300,443**	264,505
Income taxes	**28,584**	22,119	**82,016**	63,153
Financial expense	**40,356**	42,093	**91,791**	135,065
Depreciation and amortization	**129,041**	119,141	**374,413**	359,169
Integration, restructuring and acquisition costs	**12**	1,003	**5,531**	10,438
Adjusted EBITDA	**294,717**	283,927	**854,194**	832,330
Revenue	**605,821**	587,345	**1,779,115**	1,748,147
Adjusted EBITDA margin	**48.6 %**	48.3 %	**48.0 %**	47.6 %

12.3 CAPITAL INTENSITY RECONCILIATION

The calculation of capital intensity is as follows:

	Three months ended		Nine months ended	
	May 31, 2020	May 31, 2019	**May 31, 2020**	May 31, 2019
(in thousands of dollars, except percentages)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**123,653**	96,116	**355,795**	289,446
Revenue	**605,821**	587,345	**1,779,115**	1,748,147
Capital intensity	**20.4 %**	16.4 %	**20.0 %**	16.6 %

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	May 31,		February 29,	February 28,	November 30,		August 31,	
	2020	2019	**2020**	2019	**2019**	2018	2019	2018
(in thousands of dollars, except percentages and per share data)	**$**	$	**$**	$	**$**	$	$	$
Operations								
Revenue	**605,821**	587,345	**586,467**	584,129	**586,827**	576,673	583,673	566,184
Adjusted EBITDA	**294,717**	283,927	**277,372**	280,552	**282,105**	267,851	275,610	263,411
Adjusted EBITDA margin	**48.6 %**	48.3 %	**47.3 %**	48.0 %	**48.1 %**	46.4 %	47.2 %	46.5 %
Integration, restructuring and acquisition costs	**12**	1,003	**5,458**	3,722	**61**	5,713	712	1,677
Profit for the period from continuing operations	**96,724**	99,571	**114,011**	86,128	**89,708**	78,806	92,403	75,870
Profit (loss) for the period from discontinued operations	**—**	82,451	**—**	(5,369)	**—**	(3,622)	1,920	(1,052)
Profit for the period	**96,724**	182,022	**114,011**	80,759	**89,708**	75,184	94,323	74,818
Profit for the period from continuing operations attributable to owners of the Corporation	**90,771**	96,613	**109,391**	81,718	**84,178**	73,792	87,850	72,753
Profit for the period attributable to owners of the Corporation	**90,771**	179,064	**109,391**	76,349	**84,178**	70,170	89,770	71,701
Cash flow								
Cash flow from operating activities	**282,229**	265,551	**231,653**	199,462	**149,192**	98,996	304,702	255,438
Acquisitions of property, plant and equipment	**123,653**	96,116	**110,840**	92,773	**121,302**	100,557	145,099	162,319
Free cash flow[1]	**116,158**	136,999	**125,062**	125,307	**102,844**	107,503	84,250	47,739
Capital intensity	**20.4 %**	16.4 %	**18.9 %**	15.9 %	**20.7 %**	17.4 %	24.9 %	28.7 %
Earnings (loss) per share[2]								
Basic								
From continuing operations	**1.89**	1.96	**2.24**	1.65	**1.71**	1.50	1.78	1.48
From discontinued operations	**—**	1.67	**—**	(0.11)	**—**	(0.07)	0.04	(0.02)
From continuing and discontinued operations	**1.89**	3.62	**2.24**	1.55	**1.71**	1.42	1.82	1.45
Diluted								
From continuing operations	**1.87**	1.94	**2.22**	1.64	**1.70**	1.49	1.77	1.47
From discontinued operations	**—**	1.65	**—**	(0.11)	**—**	(0.07)	0.04	(0.02)
From continuing and discontinued operations	**1.87**	3.59	**2.22**	1.53	**1.70**	1.41	1.80	1.44
Dividends per share	**0.58**	0.525	**0.58**	0.525	**0.58**	0.525	0.525	0.475

(1) Excludes the non-cash gain on debt modification recognized in the second quarter of fiscal 2020.

(2) 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 Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several towns with education institutions. In the American broadband services segment, certain areas are also subject to seasonal fluctuations due to the winter and summer seasons.

14. ADDITIONAL INFORMATION

This MD&A was prepared on July 15, 2020. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

/s/ Louis Audet	/s/ Philippe Jetté
Louis Audet	Philippe Jetté
Executive Chairman of the Board	President and Chief Executive Officer

Cogeco Communications Inc.
Montréal, Québec
July 15, 2020

cogeco
COMMUNICATIONS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2020

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2020**	2019	**2020**	2019
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*3*	**605,821**	587,345	**1,779,115**	1,748,147
Operating expenses	*6*	**304,921**	298,444	**907,694**	901,147
Management fees – Cogeco Inc.	*17*	**6,183**	4,974	**17,227**	14,670
Integration, restructuring and acquisition costs	*4*	**12**	1,003	**5,531**	10,438
Depreciation and amortization	*7*	**129,041**	119,141	**374,413**	359,169
Financial expense	*8*	**40,356**	42,093	**91,791**	135,065
Profit before income taxes		**125,308**	121,690	**382,459**	327,658
Income taxes	*9*	**28,584**	22,119	**82,016**	63,153
Profit for the period from continuing operations		**96,724**	99,571	**300,443**	264,505
Profit for the period from discontinued operations		**—**	82,451	**—**	73,460
Profit for the period		**96,724**	182,022	**300,443**	337,965
Profit for the period attributable to:					
Owners of the Corporation		**90,771**	179,064	**284,340**	325,583
Non-controlling interest		**5,953**	2,958	**16,103**	12,382
		96,724	182,022	**300,443**	337,965
Earnings per share					
Basic	*10*				
Profit for the period from continuing operations		**1.89**	1.96	**5.84**	5.11
Profit for the period from discontinued operations		**—**	1.67	**—**	1.49
Profit for the period		**1.89**	3.62	**5.84**	6.59
Diluted	*10*				
Profit for the period from continuing operations		**1.87**	1.94	**5.78**	5.07
Profit for the period from discontinued operations		**—**	1.65	**—**	1.48
Profit for the period		**1.87**	3.59	**5.78**	6.54

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**96,724**	182,022	**300,443**	337,965
Other comprehensive income				
Items to be subsequently reclassified to profit or loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**(24,260)**	(35,624)	**(34,089)**	(53,912)
Related income taxes	**6,429**	9,440	**9,033**	14,287
	(17,831)	(26,184)	**(25,056)**	(39,625)
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**49,181**	46,865	**68,050**	62,189
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(13,964)**	(21,820)	**(19,188)**	(29,802)
Realized foreign currency translation adjustments on disposal of a subsidiary	**—**	(29,809)	**—**	(29,809)
Related income taxes	**(176)**	—	**(244)**	—
	35,041	(4,764)	**48,618**	2,578
	17,210	(30,948)	**23,562**	(37,047)
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**3,871**	(5,266)	**3,839**	(8,155)
Related income taxes	**(1,025)**	1,469	**(1,017)**	2,235
	2,846	(3,797)	**2,822**	(5,920)
	20,056	(34,745)	**26,384**	(42,967)
Comprehensive income for the period	**116,780**	147,277	**326,827**	294,998
Comprehensive income for the period attributable to:				
Owners of the Corporation	**100,882**	134,731	**296,960**	270,087
Non-controlling interest	**15,898**	12,546	**29,867**	24,911
	116,780	147,277	**326,827**	294,998

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 12)		*(Note 13)*			
Balance at August 31, 2018	1,017,172	15,260	113,774	850,963	336,442	2,333,611
Profit for the period	—	—	—	325,583	12,382	337,965
Other comprehensive income (loss) for the period	—	—	(49,576)	(5,920)	12,529	(42,967)
Comprehensive income (loss) for the period	—	—	(49,576)	319,663	24,911	294,998
Issuance of subordinate voting shares under the Stock Option Plan	3,894	—	—	—	—	3,894
Share-based payment (Note 12 D) and 17)	—	4,542	—	—	—	4,542
Share-based payment previously recorded in share-based payment reserve for options exercised	735	(735)	—	—	—	—
Dividends (Note 12 C))	—	—	—	(77,795)	—	(77,795)
Purchase and cancellation of subordinate voting shares	(4,363)	—	—	(10,097)	—	(14,460)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,504)	—	—	—	—	(2,504)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,868	(4,566)	—	(302)	—	—
Total contributions by (distributions to) shareholders	2,630	(759)	—	(88,194)	—	(86,323)
Balance at May 31, 2019	1,019,802	14,501	64,198	1,082,432	361,353	2,542,286
Balance at August 31, 2019	**1,023,390**	**13,526**	**31,028**	**1,131,845**	**359,689**	**2,559,478**
Profit for the period	**—**	**—**	**—**	**284,340**	**16,103**	**300,443**
Other comprehensive income for the period	**—**	**—**	**9,798**	**2,822**	**13,764**	**26,384**
Comprehensive income for the period	**—**	**—**	**9,798**	**287,162**	**29,867**	**326,827**
Issuance of subordinate voting shares under the Stock Option Plan	**6,670**	**—**	**—**	**—**	**—**	**6,670**
Share-based payment (Note 12 D) and 17)	**—**	**5,218**	**—**	**—**	**—**	**5,218**
Share-based payment previously recorded in share-based payment reserve for options exercised	**1,129**	**(1,129)**	**—**	**—**	**—**	**—**
Dividends (Note 12 C))	**—**	**—**	**—**	**(84,597)**	**—**	**(84,597)**
Purchase and cancellation of subordinate voting shares	**(39,085)**	**—**	**—**	**(106,817)**	**—**	**(145,902)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,643)**	**—**	**—**	**—**	**—**	**(5,643)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**3,859**	**(3,126)**	**—**	**(733)**	**—**	**—**
Total contributions by (distributions to) shareholders	**(33,070)**	**963**	**—**	**(192,147)**	**—**	**(224,254)**
Balance at May 31, 2020	**990,320**	**14,489**	**40,826**	**1,226,860**	**389,556**	**2,662,051**

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

(In thousands of Canadian dollars)	*Notes*	**May 31, 2020** $	August 31, 2019 $
Assets			
Current			
Cash and cash equivalents	*14 B)*	**493,794**	556,504
Trade and other receivables		**76,578**	75,652
Income taxes receivable		**13,959**	17,706
Prepaid expenses and other		**28,341**	22,740
Derivative financial instrument		**13**	—
		612,685	672,602
Non-current			
Other assets		**46,237**	40,020
Property, plant and equipment		**2,124,782**	2,007,610
Intangible assets		**2,893,794**	2,850,844
Goodwill		**1,473,632**	1,373,439
Deferred tax assets		**5,974**	6,564
		7,157,104	6,951,079
Liabilities and Shareholders' equity			
Liabilities			
Current			
Trade and other payables		**214,230**	260,481
Provisions		**33,096**	36,553
Income tax liabilities		**29,383**	16,693
Contract liabilities and other liabilities		**47,641**	43,395
Balance due on business combinations		**2,928**	4,520
Derivative financial instruments		**6,071**	—
Current portion of long-term debt	*11*	**228,651**	22,601
		562,000	384,243
Non-current			
Long-term debt	*11*	**3,237,053**	3,382,258
Derivative financial instruments		**74,062**	46,044
Contract liabilities and other liabilities		**11,245**	11,119
Pension plan liabilities and accrued employee benefits		**12,044**	14,355
Deferred tax liabilities		**598,649**	553,582
		4,495,053	4,391,601
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*12 B)*	**990,320**	1,023,390
Share-based payment reserve		**14,489**	13,526
Accumulated other comprehensive income	*13*	**40,826**	31,028
Retained earnings		**1,226,860**	1,131,845
		2,272,495	2,199,789
Equity attributable to non-controlling interest		**389,556**	359,689
		2,662,051	2,559,478
		7,157,104	6,951,079

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Notes	Three months ended May 31, 2020	Three months ended May 31, 2019	Nine months ended May 31, 2020	Nine months ended May 31, 2019
(In thousands of Canadian dollars)		$	$	$	$
Cash flow from operating activities					
Profit for the period from continuing operations		96,724	99,571	300,443	264,505
Adjustments for:					
Depreciation and amortization	7	129,041	119,141	374,413	359,169
Financial expense	8	40,356	42,093	91,791	135,065
Income taxes	9	28,584	22,119	82,016	63,153
Share-based payment		1,864	923	5,821	5,053
(Gain) loss on disposals and write-offs of property, plant and equipment		(1,593)	941	(338)	1,651
Defined benefit plans expense, net of contributions		5	383	924	968
		294,981	285,171	855,070	829,564
Changes in non-cash operating activities	14 A)	19,512	13,343	(56,310)	(98,382)
Financial expense paid		(38,816)	(42,732)	(108,272)	(130,640)
Income taxes (paid) received		6,552	9,769	(27,414)	(36,533)
		282,229	265,551	663,074	564,009
Cash flow from investing activities					
Acquisition of property, plant and equipment		(123,653)	(96,116)	(355,795)	(289,446)
Business combinations, net of cash and cash equivalents acquired	5	(81,745)	—	(81,745)	(38,876)
Proceeds on disposals of property, plant and equipment		5,285	381	7,164	1,576
		(200,113)	(95,735)	(430,376)	(326,746)
Cash flow from financing activities					
Decrease in bank indebtedness		—	(31,493)	—	(1,128)
Net decrease under the revolving facilities		—	(440,034)	—	(443,955)
Repayment of notes, debentures and credit facilities		(5,859)	(5,749)	(63,603)	(71,989)
Repayment of lease liabilities		(1,352)	—	(3,762)	—
Repayment of balance due on a business combination		—	—	(3,228)	(655)
Increase in deferred transaction costs		(98)	—	(620)	(432)
Issuance of subordinate voting shares	12 B)	1,326	2,605	6,670	3,894
Purchase and cancellation of subordinate voting shares	12 B)	(59,425)	(14,460)	(145,902)	(14,460)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	12 B)	—	(2,504)	(5,643)	(2,504)
Dividends paid on multiple voting shares	12 C)	(9,101)	(8,237)	(27,303)	(24,713)
Dividends paid on subordinate voting shares	12 C)	(18,695)	(17,709)	(57,294)	(53,082)
		(93,204)	(517,581)	(300,685)	(609,024)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		2,987	1,710	5,277	966
Net change in cash and cash equivalents from continuing operations		(8,101)	(346,055)	(62,710)	(370,795)
Net change in cash and cash equivalents from discontinued operations		—	734,405	—	733,807
Cash and cash equivalents, beginning of the period		501,895	59,387	556,504	84,725
Cash and cash equivalents, end of the period		493,794	447,737	493,794	447,737

NATURE OF OPERATIONS

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

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 32.6% of the Corporation's equity shares, representing 82.9% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

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

1. BASIS OF PRESENTATION

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

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2019 annual consolidated financial statements, unless as mentioned in Note 2. 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 the number of customers in the Internet and video services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the American broadband services segment, the Miami and New Hampshire/Maine areas are also subject to seasonal fluctuations.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on July 15, 2020.

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

2. ACCOUNTING POLICY DEVELOPMENTS

ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

IFRS 16

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

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

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

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

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

As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

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

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

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

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

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

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

IFRIC 23

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The adoption of IFRIC 23 on September 1, 2019 had no impact on the consolidated financial statements.

3. REVENUE

						Three months ended May 31,
	Canadian broadband services		**American broadband services**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019
	$	$	**$**	$	**$**	$
Residential (1)	**287,547**	292,109	**245,361**	223,298	**532,908**	515,407
Commercial (2)	**32,802**	33,451	**34,517**	31,452	**67,319**	64,903
Other (3)	**198**	248	**5,396**	6,787	**5,594**	7,035
	320,547	325,808	**285,274**	261,537	**605,821**	587,345

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

						Nine months ended May 31,
	Canadian broadband services		**American broadband services**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019
	$	$	**$**	$	**$**	$
Residential (1)	**862,639**	876,825	**697,364**	660,204	**1,560,003**	1,537,029
Commercial (2)	**100,199**	97,429	**98,739**	91,624	**198,938**	189,053
Other (3)	**737**	778	**19,437**	21,287	**20,174**	22,065
	963,575	975,032	**815,540**	773,115	**1,779,115**	1,748,147

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

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

4. OPERATING SEGMENTS

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

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

The previously reported Business ICT services segment, comprised of the Cogeco Peer 1 operations, was discontinued due to the sale of the Cogeco Peer 1 subsidiary on April 30, 2019.

The Corporation and its chief operating decision maker assess the performance of each operating segment based on its segment profit (loss), which is equal to revenue less operating expenses. The Inter-segment eliminations and other, include head office activities and eliminate any intercompany transactions included in each segment's operating results. Transactions between operating segments are measured at the amounts agreed to between the parties.

	Three months ended May 31, 2020			
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue	320,547	285,274	—	605,821
Operating expenses	143,809	155,843	5,269	304,921
Management fees – Cogeco Inc.	—	—	6,183	6,183
Segment profit (loss)	176,738	129,431	(11,452)	294,717
Integration, restructuring and acquisition costs (1)				12
Depreciation and amortization				129,041
Financial expense				40,356
Profit before income taxes				125,308
Income taxes				28,584
Profit for the period				96,724
Acquisition of property, plant and equipment	61,217	61,184	1,252	123,653

(1) Related to the acquisitions of Thames Valley Communications and iTéract.

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

				Three months ended May 31, 2019
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue	325,808	261,537	—	587,345
Operating expenses	147,054	145,836	5,554	298,444
Management fees – Cogeco Inc.	—	—	4,974	4,974
Segment profit (loss)	178,754	115,701	(10,528)	283,927
Integration, restructuring and acquisition costs (1)				1,003
Depreciation and amortization				119,141
Financial expense				42,093
Profit before income taxes				121,690
Income taxes				22,119
Profit for the period from continuing operations				99,571
Profit for the period from discontinued operations				82,451
Profit for the period				182,022
Acquisition of property, plant and equipment	49,729	46,387	—	96,116

(1) Resulted primarily from an operational optimization program that included a voluntary departure program.

				Nine months ended May 31, 2020
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	**$**	**$**	**$**
Revenue	**963,575**	**815,540**	**—**	**1,779,115**
Operating expenses	**445,510**	**445,243**	**16,941**	**907,694**
Management fees – Cogeco Inc.	**—**	**—**	**17,227**	**17,227**
Segment profit (loss)	**518,065**	**370,297**	**(34,168)**	**854,194**
Integration, restructuring and acquisition costs (1)				**5,531**
Depreciation and amortization				**374,413**
Financial expense				**91,791**
Profit before income taxes				**382,459**
Income taxes				**82,016**
Profit for the period				**300,443**
Acquisition of property, plant and equipment	**202,108**	**151,965**	**1,722**	**355,795**

(1) Resulted from organizational changes and costs related to the acquisitions of Thames Valley Communications and iTéract.

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

Nine months ended May 31, 2019	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue	975,032	773,115	—	1,748,147
Operating expenses	458,471	422,993	19,683	901,147
Management fees – Cogeco Inc.	—	—	14,670	14,670
Segment profit (loss)	516,561	350,122	(34,353)	832,330
Integration, restructuring and acquisition costs (1)				10,438
Depreciation and amortization				359,169
Financial expense				135,065
Profit before income taxes				327,658
Income taxes				63,153
Profit for the period from continuing operations				264,505
Profit for the period from discontinued operations				73,460
Profit for the period				337,965
Acquisition of property, plant and equipment	162,808	126,638	—	289,446

(1) Resulted primarily from an operational optimization program that included a voluntary departure program.

The following tables set out certain segmented and geographic market information at May 31, 2020 and August 31, 2019:

At May 31, 2020	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Total
	$	**$**	**$**	**$**
Property, plant and equipment	**1,160,194**	**960,528**	**4,060**	**2,124,782**
Intangible assets	**1,005,854**	**1,887,940**	**—**	**2,893,794**
Goodwill	**8,833**	**1,464,799**	**—**	**1,473,632**

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

At May 31, 2020	Canada	United States	Total
	$	**$**	**$**
Property, plant and equipment	**1,164,254**	**960,528**	**2,124,782**
Intangible assets	**1,005,854**	**1,887,940**	**2,893,794**
Goodwill	**8,833**	**1,464,799**	**1,473,632**

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

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

5. BUSINESS COMBINATIONS

Acquisition of Thames Valley Communications

On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a net consideration of US$50 million.

Acquisition of iTéract

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licenses, for $16 million.

These acquisitions were accounted for using the purchase method and are subject to post closing adjustments. The preliminary allocation of the purchase price of these acquisitions is as follows:

			At May 31, 2020
	Thames Valley Communications	**iTéract**	**TOTAL**
	Preliminary	Preliminary	
	$	$	$
Purchase price			
Consideration paid at closing	**70,982**	**14,399**	**85,381**
Balance due on a business combination	**—**	**1,600**	**1,600**
	70,982	**15,999**	**86,981**
Net assets acquired			
Cash and cash equivalents	**3,631**	**5**	**3,636**
Trade and other receivables	**1,152**	**12**	**1,164**
Income taxes receivable	**177**	**—**	**177**
Prepaid expenses and other	**171**	**1**	**172**
Other assets	**—**	**5**	**5**
Property, plant and equipment (1)	**19,401**	**2,936**	**22,337**
Intangible assets	**6,391**	**12,468**	**18,859**
Goodwill	**44,747**	**4,171**	**48,918**
Trade and other payables	**(1,982)**	**(238)**	**(2,220)**
Contract liabilities and other liabilities	**(718)**	**—**	**(718)**
Long-term debt (2)	**(245)**	**—**	**(245)**
Deferred tax liabilities	**(1,743)**	**(3,361)**	**(5,104)**
	70,982	**15,999**	**86,981**

(1) Includes $245 of right-of-use assets.

(2) Includes solely lease liabilities.

The goodwill recorded on these acquisitions is mainly attributable to the expected growth in both residential and business services, and to the strength of the assembled workforce. The financial information of these acquisitions is not material to the Corporation's consolidated financial results, and therefore has not been disclosed.

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

6. OPERATING EXPENSES

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Salaries, employee benefits and outsourced services	**93,308**	85,416	**277,050**	256,721
Service delivery costs (1)	**170,313**	165,639	**496,326**	500,502
Customer related costs (2)	**20,459**	20,181	**65,097**	59,555
Other external purchases (3)	**20,841**	27,208	**69,221**	84,369
	304,921	298,444	**907,694**	901,147

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, franchise fees and network costs.
(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.
(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals and write-offs of property, plant and equipment, and other administrative expenses.

7. DEPRECIATION AND AMORTIZATION

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Depreciation of property, plant and equipment (1)	**113,952**	104,861	**330,750**	316,734
Amortization of intangible assets	**15,089**	14,280	**43,663**	42,435
	129,041	119,141	**374,413**	359,169

(1) The depreciation of right-of-use assets amounted to $1,824 and $5,095 for the three and nine-month periods of fiscal 2020.

8. FINANCIAL EXPENSE

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Interest on long-term debt, excluding interest on lease liabilities	**39,484**	43,988	**118,531**	135,491
Interest on lease liabilities	**391**	—	**1,150**	—
Gain on debt modification (1)	**—**	—	**(22,898)**	—
Net foreign exchange loss (gain)	**348**	(2,085)	**379**	(2,341)
Amortization of deferred transaction costs	**218**	466	**893**	1,372
Capitalized borrowing costs (2)	**(169)**	(224)	**(462)**	(522)
Other	**84**	(52)	**(5,802)**	1,065
	40,356	42,093	**91,791**	135,065

(1) On February 3, 2020, the Senior Secured Term Loan B Facility was amended and the most significant change consisted in the reduction of the interest rate by 0.25%. As a result, the Corporation recognized a gain on debt modification of $22.9 million.

(2) For the three and nine-month periods ended May 31, 2020 and 2019, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

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

9. INCOME TAXES

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Current	**15,845**	12,156	**43,919**	41,758
Deferred	**12,739**	9,963	**38,097**	21,395
	28,584	22,119	**82,016**	63,153

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 May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Profit before income taxes	**125,308**	121,690	**382,459**	327,658
Combined Canadian income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %
Income taxes at combined Canadian income tax rate	**33,207**	32,247	**101,352**	86,829
Difference in operations' statutory income tax rates	**626**	(960)	**1,633**	62
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**(24)**	(287)	**4**	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**385**	(1,606)	**(760)**	(785)
Tax impacts related to foreign operations	**(5,610)**	(7,255)	**(18,223)**	(21,116)
Other	**—**	(20)	**(1,990)**	(1,837)
Income taxes at effective income tax rate	**28,584**	22,119	**82,016**	63,153

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

10. EARNINGS PER SHARE

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

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Profit for the period from continuing operations attributable to owners of the Corporation	**90,771**	96,613	**284,340**	252,123
Profit for the period from discontinued operations attributable to owners of the Corporation	**—**	82,451	**—**	73,460
Profit for the period attributable to owners of the Corporation	**90,771**	179,064	**284,340**	325,583
Weighted average number of multiple and subordinate voting shares outstanding	**48,101,129**	49,398,418	**48,715,564**	49,375,336
Effect of dilutive stock options (1)	**209,660**	237,402	**250,409**	147,299
Effect of dilutive incentive share units	**75,798**	96,631	**74,390**	103,904
Effect of dilutive performance share units	**115,410**	142,208	**112,872**	142,644
Weighted average number of diluted multiple and subordinate voting shares outstanding	**48,501,997**	49,874,659	**49,153,235**	49,769,183
Earnings per share				
Basic				
Profit for the period from continuing operations	**1.89**	1.96	**5.84**	5.11
Profit for the period from discontinued operations	**—**	1.67	**—**	1.49
Profit for the period	**1.89**	3.62	**5.84**	6.59
Diluted				
Profit for the period from continuing operations	**1.87**	1.94	**5.78**	5.07
Profit for the period from discontinued operations	**—**	1.65	**—**	1.48
Profit for the period	**1.87**	3.59	**5.78**	6.54

(1) For the three and nine-month periods ended May 31, 2020, 209,225 and 205,150 stock options (nil and 201,835 in 2019) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

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

11. LONG-TERM DEBT

A) Notes, debentures and credit facilities

	Maturity	Interest rate		May 31, 2020	August 31, 2019
		%		$	$
Corporation [1]					
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		**34,396**	33,155
Series B - US$150 million	September 2026	4.29		**206,280**	198,845
Senior Secured Notes - US$215 million	June 2025	4.30		**295,672**	284,996
Senior Secured Debentures Series 2 [2]	November 2020	5.15		**199,902**	199,744
Senior Secured Debentures Series 3	February 2022	4.93		**199,617**	199,457
Senior Secured Debentures Series 4	May 2023	4.18		**298,944**	298,697
Subsidiaries					
First Lien Credit Facilities [3]					
Senior Secured Term Loan B Facility - US$1,631 million (US$1,678.8 million at August 31, 2019) [4]	January 2025	2.17	[5] [6]	**2,187,192**	2,189,965
				3,422,003	3,404,859
Less current portion				**223,340**	22,601
				3,198,663	3,382,258

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

(2) On June 19, 2020, the Corporation announced that it will proceed with an early redemption of its Senior Secured Debentures Series 2. The redemption date will be July 20, 2020.

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

(4) On February 3, 2020, the Corporation amended its Senior Secured Term Loan B Facility, whereby the most significant change consisted in the reduction of the interest rate by 0.25%.

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

(6) A US subsidiary of the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 2.017% to 2.262% for maturities between January 31, 2021 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 3.50%.

B) Lease liabilities

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

The weighted average interest rate on lease liabilities was approximately 3.55% as at May 31, 2020.

	May 31, 2020
	$
Lease liabilities	**43,701**
Less current portion	**5,311**
	38,390

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

12. 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

	May 31, 2020	August 31, 2019
	$	$
15,691,100 multiple voting shares	98,346	98,346
32,426,033 subordinate voting shares (33,717,668 at August 31, 2019)	908,347	939,633
	1,006,693	1,037,979
76,957 subordinate voting shares held in trust under the Incentive Share Unit Plan (76,935 at August 31, 2019)	(6,346)	(5,409)
116,337 subordinate voting shares held in trust under the Performance Share Unit Plan (118,667 at August 31, 2019)	(10,027)	(9,180)
	990,320	1,023,390

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

	Number of shares	Amount
		$
Balance at August 31, 2019	33,717,668	939,633
Shares issued for cash under the Stock Option Plan	105,765	6,670
Share-based payment previously recorded in share-based payment reserve for options exercised	—	1,129
Purchase and cancellation of subordinate voting shares [(1)]	(1,397,400)	(39,085)
Balance at May 31, 2020	32,426,033	908,347

(1) During the first nine months of fiscal 2020, under its NCIB program, the Corporation purchased and cancelled 1,397,400 (157,400 in 2019) subordinate voting shares with an average stated value of $39.1 million ($4.4 million in 2019), for consideration of $145.9 million ($14.5 million in 2019). The excess of the purchase price over the average stated value of the shares totaled $106.8 million ($10.1 million in 2019) and was charged to retained earnings.

NORMAL COURSE ISSUER BID ("NCIB")

On April 30, 2020, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 1,809,000 subordinate voting shares from May 4, 2020 to May 3, 2021. Under its previous NCIB that commenced on May 3, 2019 and ended on May 2, 2020, the Corporation could purchase for cancellation a maximum of 1,869,000 subordinate shares.

The Corporation has also entered into an automatic share purchase plan ("ASPP") with a designated broker to allow for the purchase of subordinate voting shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Such purchases are executed by the broker based on parameters established by the Corporation prior to the pre-established ASPP period under the ASPP.

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

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

	Number of shares	Amount
		$
Balance at August 31, 2019	76,935	5,409
Subordinate voting shares acquired	21,290	2,437
Subordinate voting shares distributed to employees	(21,268)	(1,500)
Balance at May 31, 2020	**76,957**	**6,346**

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

	Number of shares	Amount
		$
Balance at August 31, 2019	118,667	9,180
Subordinate voting shares acquired	28,005	3,206
Subordinate voting shares distributed to employees	(30,335)	(2,359)
Balance at May 31, 2020	**116,337**	**10,027**

C) DIVIDENDS

For the nine-month period ended May 31, 2020, quarterly eligible dividends of $0.58 per share, for a total of $1.74 per share, were paid to the holders of multiple and subordinate voting shares, totaling $84.6 million, compared to quarterly eligible dividends of $0.525 per share for a total of $1.575 per share or $77.8 million for the nine-month period ended May 31, 2019.

	Nine months ended May 31,	
	2020	2019
	$	$
Dividends on multiple voting shares	27,303	24,713
Dividends on subordinate voting shares	57,294	53,082
	84,597	**77,795**

At its July 15, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.58 per share for multiple and subordinate voting shares, payable on August 12, 2020 to shareholders of record on July 29, 2020.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries and a Stock Option Plan to its executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors. A detailed description of these plans can be found in the 2019 annual consolidated financial statements of the Corporation.

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

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at May 31, 2020:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2019	715,614	65.93
Granted [1]	207,150	114.19
Exercised [2]	(105,765)	63.07
Cancelled	(14,400)	71.58
Outstanding at May 31, 2020	**802,599**	**78.66**
Exercisable at May 31, 2020	**290,879**	**59.93**

(1) During the nine-month period ended May 31, 2020, the Corporation granted 110,875 stock options to Cogeco's executive officers as executive officers of the Corporation.

(2) The weighted average share price for options exercised during the period was $110.44.

A compensation expense of $200,000 and $548,000 was recorded for the three and nine-month periods ended May 31, 2020 related to this plan. A compensation expense reduction of $212,000 and a compensation expense of $227,000 were recorded for the respective periods of fiscal 2019 related to this plan.

The weighted average fair value of stock options granted for the nine-month period ended May 31, 2020 was $18.43 per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

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

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at May 31, 2020:

Outstanding at August 31, 2019	71,825
Granted	28,225
Distributed	(21,268)
Cancelled	(3,141)
Outstanding at May 31, 2020	**75,641**

A compensation expense of $561,000 and $1,429,000 ($564,000 and $1,631,000 in 2019) was recorded for the three and nine-month periods ended May 31, 2020 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at May 31, 2020:

Outstanding at August 31, 2019	107,551
Granted [1]	39,425
Distributed	(30,335)
Cancelled	(3,873)
Dividend equivalents	1,830
Outstanding at May 31, 2020	**114,598**

(1) During the nine-month period ended May 31, 2020, the Corporation granted 14,375 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $481,000 and $1,262,000 ($144,000 and $1,084,000 in 2019) was recorded for the three and nine-month periods ended May 31, 2020 related to this plan.

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

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at May 31, 2020:

Outstanding at August 31, 2019	**42,679**
Issued [(1)]	**7,233**
Dividend equivalents	**761**
Outstanding at May 31, 2020	**50,673**

(1) During the nine-month period ended May 31, 2020, the Corporation issued 1,847 DSUs to Board directors of Cogeco.

A compensation expense reduction of $74,000 and a compensation expense of $454,000 (compensation expense of $893,000 and $1,228,000 in 2019) were recorded for the three and nine-month periods ended May 31, 2020 related to this plan.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2018	25,818	87,956	113,774
Other comprehensive loss	(39,625)	(9,951)	(49,576)
Balance at May 31, 2019	(13,807)	78,005	64,198
Balance at August 31, 2019	**(33,842)**	**64,870**	**31,028**
Other comprehensive income (loss)	**(25,056)**	**34,854**	**9,798**
Balance at May 31, 2020	**(58,898)**	**99,724**	**40,826**

14. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Trade and other receivables	**13,746**	10,928	**1,846**	2,475
Prepaid expenses and other	**4,484**	4,157	**(4,763)**	(3,466)
Other assets	**(1,021)**	(1,338)	**(5,435)**	(5,091)
Trade and other payables	**3,504**	(5,699)	**(48,082)**	(100,580)
Provisions	**1,535**	2,622	**(4,852)**	6,817
Contract liabilities and other liabilities	**(2,736)**	2,673	**4,976**	1,463
	19,512	13,343	**(56,310)**	(98,382)

B) CASH AND CASH EQUIVALENTS

	May 31, 2020	August 31, 2019
	$	$
Cash	**393,815**	556,504
Cash equivalents [(1)]	**99,979**	—
	493,794	556,504

(1) Comprised of Canada Treasury bills.

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

15. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	**491**	406	**1,473**	1,216
Administrative expense	**50**	77	**150**	231
Recognized in financial expense (other)				
Net interest	**77**	(3)	**232**	3
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,110**	2,119	**6,224**	6,269
	2,728	2,599	**8,079**	7,719

16. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Liquidity risk

At May 31, 2020, the Corporation had used $0.02 million of its $750 million Term Revolving Facility for a remaining availability of $749.98 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $206.8 million (US$150 million), of which $3.3 million (US$2.4 million) was used at May 31, 2020 for a remaining availability of $203.5 million (US$147.6 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2020, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2020:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.3 million based on the outstanding debt and swap agreements at May 31, 2020.

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

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of an increase of 10% in the exchange rate of the US dollar into Canadian dollars would increase the annual financial expense by approximately $10.2 million based on the outstanding debt and swap agreements at May 31, 2020.

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

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at May 31, 2020:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,061 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the statement of financial position accounts at May 31, 2020 was $1.3787 ($1.3295 at August 31, 2019) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $92.5 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow exposure to the risk of changes in the price of its subordinate voting shares under the DSU plan. As such, the Corporation uses equity swap agreements to economically hedge the market price appreciation risk of its subordinate voting shares.

The following table shows the equity derivatives contracts outstanding at May 31, 2020:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	48,000 units	January 2021	$102.61	Equity price exposure

As at May 31, 2020 the fair value of the equity swap was $0.01 million and recognized as an asset. A 10% increase in the market price of the subordinate voting shares at May 31, 2020 would result in a gain of approximately $0.5 million due to the equity swap fair value appreciation, offset by a $0.5 million increase in the DSU plan expense.

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:

	May 31, 2020		August 31, 2019	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt, excluding lease liabilities	**3,422,003**	**3,557,029**	3,404,859	3,521,418

C) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt, the issuance or repurchase of equity and distributions to shareholders. The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, bank indebtedness and long-term debt.

At May 31, 2020 and August 31, 2019, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

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

	May 31, 2020	August 31, 2019
Net indebtedness [(1)] / adjusted EBITDA [(2)]	**2.7**	2.6
Adjusted EBITDA [(2)] / financial expense [(2)]	**7.3**	6.3

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended May 31, 2020 and for the year ended August 31, 2019. Financial expense for the twelve-month period ended May 31, 2020 excludes the gain on debt modification of $22.9M.

17. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which holds 32.6% of the Corporation's equity shares, representing 82.9% of the votes attached to the Corporation’s voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three and nine-month periods ended May 31, 2020, management fees paid to Cogeco amounted to $6.2 million and $17.2 million, respectively, compared to $5.0 million and $14.7 million for the same periods of fiscal 2019.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the nine-month periods ended May 31, 2020 and 2019, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, and issued DSUs to Board directors of Cogeco, as shown in the following table:

	Nine months ended May 31,	
	2020	2019
Stock options	**110,875**	97,725
PSUs	**14,375**	14,625
DSUs	**1,847**	2,469

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

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Stock options	**331**	256	**901**	749
ISUs	**8**	15	**30**	45
PSUs	**351**	304	**1,048**	806
DSUs	**6**	69	**149**	393
	696	644	**2,128**	1,993

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

18. SUBSEQUENT EVENT

Redemption of Senior Secured Debentures

On June 19, 2020, the Corporation announced that it will proceed with an early redemption of its $200 million Senior Secured Debentures Series 2 due November 16, 2020. The redemption date will be July 20, 2020.

CUSTOMER STATISTICS

	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019	May 31, 2019
CONSOLIDATED					
Primary service units	**2,739,903**	**2,719,347**	**2,722,302**	2,711,812	2,707,227
Internet service customers	**1,281,762**	**1,253,183**	**1,246,358**	1,234,380	1,229,399
Video service customers	**939,453**	**945,085**	**954,964**	962,138	965,008
Telephony service customers	**518,688**	**521,079**	**520,980**	515,294	512,820
CANADA					
Primary service units	**1,802,631**	**1,812,140**	**1,818,732**	1,810,366	1,813,212
Internet service customers	**803,073**	**795,950**	**794,895**	788,243	785,703
Penetration as a percentage of homes passed	**45.3%**	**44.9%**	**45.0%**	44.7%	44.6%
Video service customers	**627,608**	**638,833**	**646,326**	649,583	657,747
Penetration as a percentage of homes passed	**35.4%**	**36.1%**	**36.6%**	36.8%	37.4%
Telephony service customers	**371,950**	**377,357**	**377,511**	372,540	369,762
Penetration as a percentage of homes passed	**21.0%**	**21.3%**	**21.4%**	21.1%	21.0%
UNITED STATES					
Primary service units	**937,272**	**907,207**	**903,570**	901,446	894,015
Internet service customers	**478,689**	**457,233**	**451,463**	446,137	443,696
Penetration as a percentage of homes passed	**52.2%**	**51.8%**	**51.3%**	50.8%	50.7%
Video service customers	**311,845**	**306,252**	**308,638**	312,555	307,261
Penetration as a percentage of homes passed	**34.0%**	**34.7%**	**35.1%**	35.6%	35.1%
Telephony service customers	**146,738**	**143,722**	**143,469**	142,754	143,058
Penetration as a percentage of homes passed	**16.0%**	**16.3%**	**16.3%**	16.2%	16.3%