The future is ours

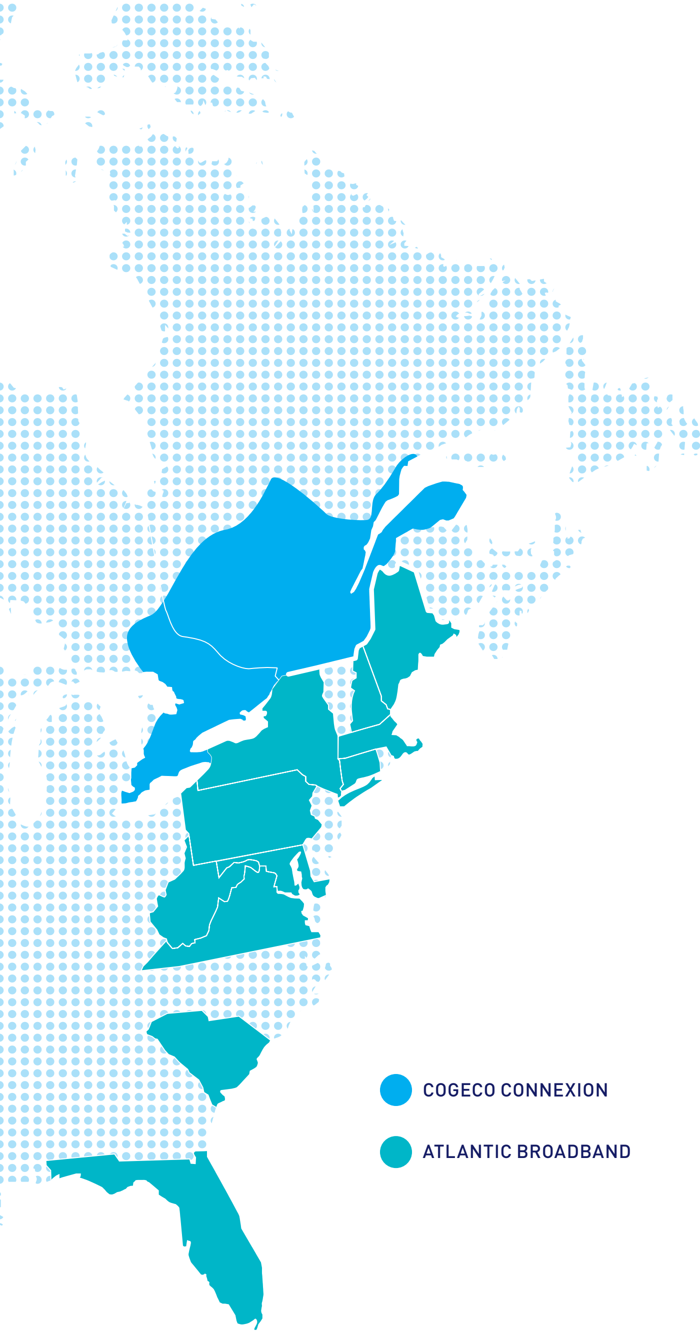
2020
ANNUAL REPORT

COGECO
COMMUNICATIONS

A world of your **very own**

Profile

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



Cogeco: more than 60 years of history, dedication and growth

Cogeco is the second-largest cable operator in Québec and Ontario and the ninth-largest in the United States. We are profoundly committed to serving our customers locally across more than 1,000 communities.

Our billions of dollars of investments over the years have built a robust and state-of-the-art network to ensure that our customers can depend on reliable connectivity and quality television and telephone services.

We have deep roots in the social and cultural life of our regions, supporting over 700 non-profit organizations annually and providing local programming through our 37 community television stations.

With more than 3,800 employees in Canada and the United States, Cogeco is proud to contribute to the growth of the economy. Because Cogeco is more than just broadband; it is built on connecting communities… **a connection that's here to stay!**

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2020
financial performance

+2.2%

REVENUE
(in thousands of Canadian dollars)

2020		2,384,283
2019		2,331,820

+3.7%

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

2020	48.2%	1,148,729
2019[2]	47.5%	1,107,940

+11.1%

PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS
(in thousands of Canadian dollars)

2020		396,591
2019[2]		356,908

+5.7%

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

2020		917,819
2019[2]		868,711

+11.4%

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

2020	20.3%	483,990
2019[2]	18.6%	434,545

+0.3%

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

2020		455,436
2019[2]		454,059

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

2 IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated. For further details, please consult the "Accounting policies" section of the MD&A.

Financial highlights

YEARS ENDED AUGUST 31, (in thousands of Canadian dollars, except percentages and per share data)	**2020 $**	2019[1] $	Change %	Change in constant currency[2] %	Foreign exchange impact[2] $
Operations					
Revenue	**2,384,283**	2,331,820	2.2	1.5	16,477
Adjusted EBITDA	**1,148,729**	1,107,940	3.7	3.0	7,176
Adjusted EBITDA margin	**48.2%**	47.5%			
Integration, restructuring and acquisition costs[3]	**9,486**	11,150	(14.9)		
Profit for the year from continuing operations	**396,591**	356,908	11.1		
Profit for the year from discontinued operations	**—**	75,380	(100.0)		
Profit for the year	**396,591**	432,288	(8.3)		
Profit for the year from continuing operations attributable to owners of the Corporation	**375,174**	339,973	10.4		
Profit for the year attributable to owners of the Corporation	**375,174**	415,353	(9.7)		
Cash flow					
Cash flows from operating activities	**917,819**	868,711	5.7		
Acquisition of property, plant and equipment[4]	**483,990**	434,545	11.4	10.2	5,088
Free cash flow	**455,436**	454,059	0.3	0.2	369
Capital intensity	**20.3%**	18.6%			
Financial condition					
Cash and cash equivalents	**366,497**	556,504	(34.1)		
Total assets	**6,804,197**	6,951,079	(2.1)		
Indebtedness[5]	**3,179,926**	3,454,923	(8.0)		
Equity attributable to owners of the Corporation	**2,268,246**	2,199,789	3.1		
Per share data[6]					
Earnings per share					
Basic					
From continuing operations	**7.74**	6.89	12.3		
From discontinued operations	**—**	1.53	(100.0)		
From continuing and discontinued operations	**7.74**	8.41	(8.0)		
Diluted					
From continuing operations	**7.67**	6.83	12.3		
From discontinued operations	**—**	1.51	(100.0)		
From continuing and discontinued operations	**7.67**	8.35	(8.1)		
Dividends	**2.32**	2.10	10.5		

1 IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated. For further details, please consult the "Accounting policies" section of the MD&A.

2 Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the prior year. For the year ended August 31, 2019, the average foreign exchange rate used for translation was 1.3255 USD/CDN.

3 For the year ended August 31, 2020, integration, restructuring and acquisition costs resulted mostly from organizational changes initiated across the Corporation, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract. For the year ended August 31, 2019, integration, restructuring and acquisition costs were mostly related to an operational optimization program.

4 For the year ended August 31, 2020, acquisition of property, plant and equipment in constant currency amounted to $478.9 million.

5 Indebtedness is defined as the total of bank indebtedness and principal on long-term debt.

6 Per multiple and subordinate voting share.

Message from the Executive Chairman

As I look back on our fiscal year that closed at the end of the summer, I am comforted to see how our company has steadfastly come through uniquely challenging times. Under Philippe Jetté's guidance, Cogeco's leadership team has steered the company through a constantly evolving telecommunications landscape, changes at the head of our business unit teams and of course, a once-in-a-lifetime pandemic. I am incredibly proud of the resilience of our business and the strength the Cogeco team demonstrated in coming together and facing a crisis no one was prepared for.

That said, I am not in the least surprised that our teams in Canada and the United States have allowed us to come through these events stronger than ever. Resilience and determination have been at the heart of Cogeco's growth story for more than 60 years. Remember, we began as a small television station in a town in the middle of the province of Québec. Through perseverance, hard work and conviction, we continued to flourish. Eventually, Cogeco went public in 1985, at which time annual revenues were a respectable $20 million. Today, they have surpassed $2.38 billion.

Our customers and our communities know they can rely on us. This has been true for over six decades and we intend to continue building on our strengths.

Cogeco now enjoys a unique and enviable position as the only broadband services company with a significant presence in both Canada and the United States. We invest massively in fibre coaxial cable network infrastructure to the tune of $450 million a year to improve and increase high-speed Internet connectivity, especially in rural and unserved areas, bringing new services and competitive choice to the communities we serve.

Our customers and our communities know they can rely on us. This has been true for over six decades and we intend to continue building on our strengths and expanding our horizons through strong financial management, innovation and solid partnerships with all our stakeholders. What's more, Cogeco is profitable, with an adjusted EBITDA margin that is among the best in the industry, and dividends that have grown at a compounded annual rate of over ten percent for the last five years.

Cogeco's social, environmental and employment practices are recognized as being among the best in the industry. As a Corporation, we treat our customers with respect and offer the highest quality service possible, and we are committed to being a responsible contributor in the communities in which we operate, as well as in the broader global environment.

Cogeco is very fortunate to have a fantastic management team and Board of Directors composed of highly qualified and experienced individuals who are independent members by a very wide margin. The Board is a model of diversity and balance and its governance practices have been recognized as being among the best of family-owned public companies, as illustrated by the Globe and Mail Board Games report, year after year. On that note, I would like to take this moment to thank Ms. Gibson and Ms. Salomon, who will be retiring as directors at our upcoming Annual Shareholders' Meeting in January. Ms. Gibson has been a director of the Corporation for over five years and Ms. Salomon for over 10 years, and both were active Committee members who contributed tremendously to the Board with their knowledge of the industry, as well as their vast experience on marketing and strategy issues. We wish to express our heartfelt thanks to each of them for their many years of service and significant contribution to the Board of Directors and the Corporation.

This fall, we also appointed two new Board members, Ms. Robin Bienenstock and Ms. Caroline Papadatos, to succeed Ms. Gibson and Ms. Salomon. Ms. Papadatos will contribute to the Board through her extensive international expertise in customer management, customer loyalty and digital innovation and Ms. Bienenstock, through her in-depth knowledge of all facets of the telecommunications industry. We are delighted to have them on our Board and want to give them a warm welcome.

The North American competitive landscape needs strong regional players like Cogeco, which is playing an increasingly important role in providing consumers with more choice as the telecommunications sector evolves.

Cogeco has a tremendous legacy on which to build. I am proud of our achievements and excited about the future ahead.

LOUIS AUDET
Executive Chairman of the Board

Message from the President & CEO

We began fiscal 2020 with focus and resolve, backed by a solid leadership team, supported by our determined colleagues and members of our Board of Directors. As the year progressed, bringing with it consequential and unforeseen events, we continued to focus on our growth strategy to be the organization that brings the best and most sustainable value to all our stakeholders, be they our customers, communities, employees, suppliers or shareholders.

Consolidated revenue increased by 2.2% in fiscal 2020 to reach $2.38 billion, while adjusted EBITDA reached $1.15 billion, up by 3.7%. Profit for the year reached $396.6 million and the Corporation generated free cash flow of $455.4 million. Dividends paid to our shareholders increased by 10.5% to $2.32 per share.

THE FUTURE IS OURS

Our focus at the start of the fiscal year was building on the many transformative projects that we put in place in 2019, and refining our strategy for continued long-term growth. We made changes to our leadership team, welcoming a new President at Atlantic Broadband at the start of the fiscal year, one who brings a fresh perspective, and announcing later in the year the new President of Cogeco Connexion. As we set about ensuring our plans moved forward and our objectives were met, we were suddenly faced with the unexpected and swift arrival of the COVID-19 pandemic.

COLLABORATION AND AGILITY IN THE FACE OF COVID-19

Throughout North America, individuals, families and organizations had to quickly adapt and adjust to the new reality. All across Cogeco, employees rolled up their sleeves and quickly got to work finding solutions, facing the situation head-on and doing everything possible for our customers and colleagues. As access to Internet, TV and telephony services became increasingly essential, all our teams at Cogeco Connexion across Québec and Ontario, and at Atlantic Broadband on the U.S. East Coast worked tirelessly to ensure we maintained high-quality connectivity services and increased access to information and entertainment. We quickly adapted our services and implemented personalized measures to offer customers more flexibility, including temporarily waiving late fees, removing data-overage fees and offering free movie channels.

> Despite the many challenges of the crisis which still has the world in its grip, we have maintained financial discipline and we are very pleased with how our teams responded.

We ensured the health and safety of our employees by quickly implementing work-from-home measures and guidelines that would also maintain the highest standards of productivity. Our technicians, who were only allowed to travel to a customer's home for work outside the house, found creative ways to provide instructions and support to customers. All these actions enabled our businesses to continue running smoothly and performing well, even in these difficult circumstances.

Despite the many challenges of the crisis which still has the world in its grip, we have maintained financial discipline and we are very pleased with how our teams responded, showing great adaptability and dedication.

Message from the President & CEO (continued)

INITIATIVES

Canadian broadband services

We are excited to begin fiscal 2021 with a new President at the helm of Cogeco Connexion, one whose appointment was announced in the spring. Under Frédéric Perron's leadership, we are confident that our Canadian broadband segment will grow faster, and Cogeco Connexion will remain an efficient operator offering an engaging place to work, a solid player in our highly competitive market, one which brings value to the communities we serve and to our shareholders.

In fiscal 2020, we enhanced our service and product offering to meet and exceed our customers' expectations for distinctive experiences. We continued the expansion of our 1 Gig offering while also enhancing the end-to-end digital experience. The pandemic accelerated the launch of our zero-contact installation enabling consumers to self-install services, with the assistance of a field technician equipped with a visual engagement tool. We also introduced our Internet television (IPTV) entertainment system at the end of the fiscal year. It will be rolled out progressively in fiscal 2021.

> We continuously innovate and invest in product enhancements and service improvements.

We began the fiscal year with a brand refresh which included a new tagline and brand value, as well as customer communications, with a greater focus on customer segments at a regional level. We also supported our local communities during the pandemic by donating to local organizations and healthcare personnel and keeping customers up to date on information through local programming on our YourTV stations.

Throughout Cogeco Connexion, we delivered an employee experience that furthers performance and well-being and promotes strong customer service, and this, in spite of the pandemic. We expanded our teleworking capabilities leveraging enterprise collaboration tools and implemented new remote working protocols to ensure employee health and safety. We were pleased to see our efforts result in an increase in our global engagement score.

We continued our investments in our regions. In the spring we signed an agreement to acquire iTéract Inc., a company that operates as a full-telecommunications service provider in southern Québec, using a combination of fixed-wireless and fibre-to-the-home technologies. As part of the transaction, we acquired 15 exclusive 3.5 GHz spectrum licenses covering a large region of rural southern Québec and serving approximately 2,000 customers.

Finally, Cogeco Connexion won a good share of available government funding dedicated to increasing connectivity to high-speed Internet and addressing the digital divide between urban centres and rural areas. We also submitted targeted regulatory changes designed to increase competition in Canada's mobile wireless market, as part of the Canadian Radio-television and Telecommunications Commission (CRTC)'s consultation. Cogeco's proposed Hybrid Mobile Network Operator (HMNO) model would enable the sustainable entry of new mobile wireless carriers across Canada, with particular benefit to underserved regions. This proposal would allow facilities-based wireline and mobile wireless service providers to access portions of the national incumbents' mobile wireless networks, while also requiring those regional providers to invest in their own telecommunications infrastructure.

American broadband services

At Atlantic Broadband in fiscal 2020, under the new leadership of Frank van der Post, we set the foundation for increased customer satisfaction and long-term customer relationships. We implemented improvements to our Net Promoter Score (NPS) monitoring. We also implemented a new Interactive Voice Response system, put more emphasis on our self-install program and launched a virtual connect tool across our call centres to reduce the number of calls from customers.

We acquired what was formerly Thames Valley Communications in March of this year, adding approximately 10,000 customers to our existing geographic footprint. We continued our expansion in Florida markets and executed targeted edge-outs in all regions.

Our overall product performance and reliability was enhanced, following network investments for Gigabit Internet. We grew our product offering, launching the TV Online app and HBO Max, as well as adding Showtime Anytime, YouTube Kids and Amazon Prime to the TiVo platform. We also committed to local communities and emphasized local presence and, as part of our COVID-19 crisis response, we took part in the federal government's Keep America Connected pledge, to ensure that customers impacted by the COVID-19 outbreak have access to vital services.

On the heels of the pandemic, we seamlessly transitioned our employees to work from home while pursuing continuous improvements such as migrating all employees to a common workflow platform and preparing for the launch of a new enterprise resource planning system. In addition, important organizational changes were made to streamline functions, reinforce centres of expertise, and to achieve efficiencies that will help Atlantic Broadband remain agile in the marketplace. The changes also help advance key strategic priorities including digitalization, customer experience and sales.

CORPORATE SOCIAL RESPONSIBILITY

We have strengthened our corporate social responsibility (CSR) program aimed at operating responsibly and sustainably, while being a good corporate citizen. To support the achievement of our CSR goals, we monitor our performance using established key indicators for environmental, social and governance (ESG) objectives. We also published our fifth Corporate Social Responsibility Report covering fiscal years 2018-2019.

We surpassed our target for Greenhouse gas (GHG) emissions on a per-revenue basis one year early. We donated over $7.6 million in cash and in-kind donations during fiscal year 2020, representing 1.5% of Cogeco's pre-tax profit. We also offered air time for fundraising purposes to several organizations in our communities and territories. Our principal areas of support are: culture, education and entrepreneurship, health and well-being, environment, connectivity, diversity and inclusion.

In addition, during the process of moving the Montréal head office, our efforts to collect, sort and package surplus office supplies and equipment resulted in the donation of more than three truckloads of material to organizations such as Habitat for Humanity, Regroupement Partage, Computers for Success and Renaissance. In total, more than 95% of all surplus material was diverted from waste disposal sites. As for gender equality, women at Cogeco held 36% of managerial level positions in fiscal 2020, surpassing our goal of reaching 35% by 2021. Among many of the recognitions received this past fiscal year, Cogeco Communications was named to Corporate Knights' Best 50 Corporate Citizens in Canada for a third consecutive year and received the Caring Company certification from Imagine Canada for its philanthropic leadership.

CONCLUDING REMARKS

Cogeco is a growing competitive force in the North American telecommunications sector with a legacy of over 60 years. Today we are the second largest cable operator in Québec and Ontario and the ninth largest cable operator in the United States, where we operate in eleven states and continue to actively pursue new opportunities for growth through acquisition in areas where we are positioned as a consolidator of regional cable operators. In Canada, we are actively investing in our operations and networks to continue to offer ever faster Internet speeds and high performance products.

We are also expanding our network into new areas to help address the digital divide between large urban centres and regional and rural areas. We continuously innovate and invest in product enhancements and service improvements, and have embarked on a digital transformation journey, which was accelerated by the COVID-19 pandemic. As uncertainty lies ahead and short-term planning remains challenging during the pandemic, we will remain agile and disciplined in our management of the business.


Philippe Jetté

Message from the President & CEO (continued)

Despite these challenges, we plan to continue to grow our revenue, adjusted EBITDA and free cash flow. More than ever, we will offer superior personalized services and continue to improve operational efficiencies. We have shown our commitment to delivering great customer experience and developing our communities and will continue to do so. Our strategies, goals and objectives are consistently backed by our prudent approach to financial management and ability to deliver operational excellence.

Fiscal 2020 was certainly a year filled with challenges and unexpected turmoil due to the pandemic and I am incredibly proud of how we at Cogeco faced the situation with strength, agility and courage. This would not have been possible without the collaboration of the leadership team, the Board of Directors and most of all, our more than 3,800 colleagues. As we have seen in the past, this collaboration and willingness to work as one team is what sets us apart from our competitors and enables us to fulfill our mission of bringing people together through powerful communications and entertainment experiences.

PHILIPPE JETTÉ
President & Chief Executive Officer

Resilience and hope in the face of COVID-19

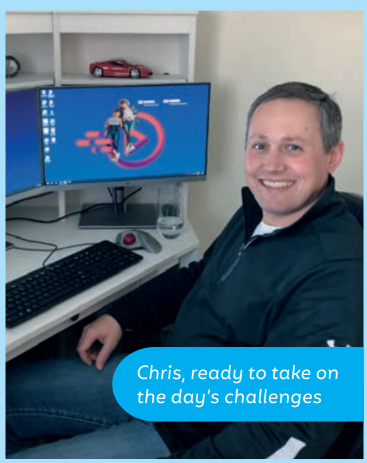
During this COVID-19 crisis, access to Internet, television and telephone services become of paramount importance. We are proud of our teams who quickly adapted to the new reality and are working hard to ensure the delivery of high-quality services for our customers in the safest manner, while supporting our communities.

"Just wanted to write to express my appreciation to your Atlantic Broadband folks for assisting us during this difficult time. We wanted to pass along a pat on the back during difficult times when your folks are working hard."

– Suisman, New London, CT

Our zero-contact installation

Stephanie with her new home-office mate



Chris, ready to take on the day's challenges

"THANK YOU! You are the BEST customer service person I have ever had the privilege of dealing with in any situation. I hope Cogeco knows the value you bring to their business!"

– Tereza, Thorold, Ont.

"I had such fantastic service from Lisa. I've been having a lot of anxiety about the situation with the world right now and she made me feel so much better. Additionally, she shared how Cogeco is taking care of their employees during this time. I am making my purchasing decisions going forwards based on how companies took care of their employees during this outbreak. I was thrilled to hear that Cogeco dispatched their staff to work from home."

– A.H., Belleville, Ont.

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

MD&A

1. FORWARD-LOOKING STATEMENTS

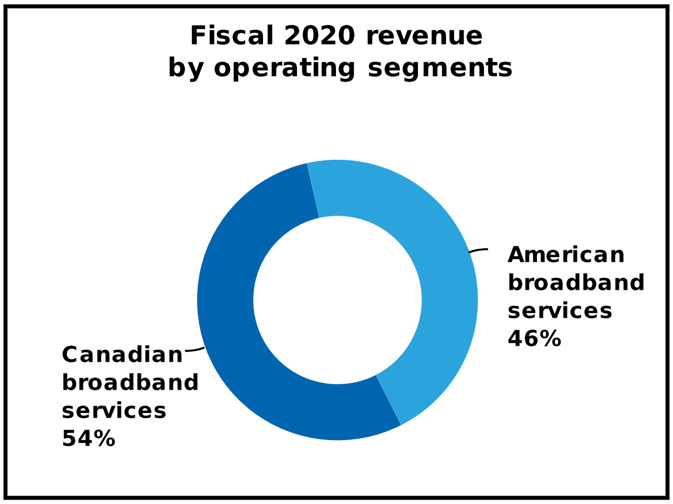
Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and 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 2021 Financial Guidelines" sections of the present MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as competitive risks, business risks (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 present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

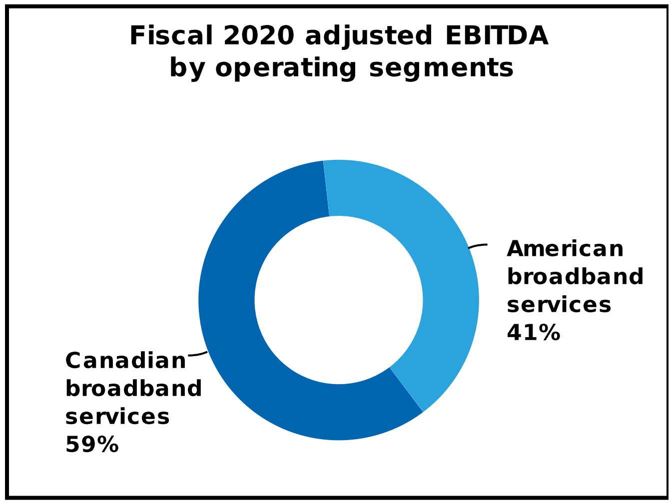
All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2020.

In preparing this MD&A, the Corporation has taken into account information available up to October 27, 2020, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

2. OVERVIEW OF THE BUSINESS

Cogeco Communications is a communications corporation. It is the 8th largest cable operator in North America. In fiscal 2020, the Corporation reported its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities, makes decisions about resources to be allocated to the segments and assesses their performance. For the year ended August 31, 2020, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA[(1)] excluding corporate activities and eliminations of intersegment transactions included in each segment's operating results were as follows:





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

2.1 CANADIAN AND AMERICAN BROADBAND SERVICES

DESCRIPTION OF SERVICES

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

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

The following four services represent our core suite of offerings:

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

Video services: We offer our customers a full array of digital video services and programming offerings. Our customers have access to a basic service, various digital tier packages, pay-per-view ("PPV") channels, video on demand ("VOD") services, advanced video services such as TiVo and a new Internet protocol television ("IPTV") platform, which was launched at the end of the fiscal year and will be rolled out progressively in Canada in fiscal 2021.

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

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

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

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

NETWORKS AND INFRASTRUCTURE

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

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

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

In each market, the signals are carried on their HFC network for delivery to their customers. Fibre optic strands are capable of carrying hundreds of video, data and voice channels over extended distances without signal amplification. Cogeco Connexion and Atlantic Broadband will continue to deploy fibre optic cable as warranted to further improve system reliability and reduce system maintenance cost. This hybrid combination of fibre optic and coaxial cable is the most efficient choice when it comes to delivering high quality networks with judicious capital investments.

Cogeco Connexion and Atlantic Broadband’s telephony service uses VoIP technology which makes possible to have a telephone conversation over a dedicated Internet IP network instead of dedicated voice transmission lines. IP networks allow the elimination of circuit switching telephony and the associated waste of bandwidth. Instead, packet switching is used, whereby IP packets with voice data are sent over the network only when data needs to be sent, for example when a caller is talking. VoIP’s advantages over traditional telephony include lower costs per call, especially for long-distance calls, and lower infrastructure costs as, once the IP infrastructure is installed, little or no additional telephony infrastructure is needed.

Cogeco Connexion and Atlantic Broadband use CableLabs' DOCSIS technology to deliver Internet and business services over HFC networks. DOCSIS has numerous advanced features to ensure a continuous transmission and high quality of service delivery. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds and to provide other products such as symmetrical services, which are particularly well suited for commercial customer applications. Cogeco Connexion offers Internet speeds of up to 1 Gbps in approximately 72% of its footprint and 120 Mbps in virtually all of its footprint. Atlantic Broadband offers up to 1 Gbps Internet speeds to approximately 90% of its footprint of serviceable homes and business. Cogeco Connexion and Atlantic Broadband intend to continue deploying 1 Gbps speeds in the coming years through several technologies depending on the location, with DOCSIS 3.1 being the most cost effective.

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

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

The COVID-19 pandemic had the following impacts on our business during the second half of the fiscal year:

- 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 at both our Canadian and American broadband subsidiaries;
- Lower revenue related to the temporary discontinuation of data overage fees at our Canadian broadband subsidiary and the waiving of late fees charged 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;
- 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 taken in aggregate did not have a material effect on our results. We also took advantage of the changes in customer behaviors and working practices to accelerate the digitization of our operations. We intend to further drive digitization initiatives to better serve our client base, increase employee satisfaction and improve productivity.

2.3 BUSINESS DEVELOPMENTS

Acquisition of DERYtelecom

On October 21, 2020, Cogeco Communications announced that its subsidiary, Cogeco Connexion, had entered into a definitive agreement to purchase DERYtelecom, the third largest cable provider in the province of Québec, for $405 million. DERYtelecom offers Internet, television and telephony services to approximately 100,000 customers in over 200 municipalities across several regions in Québec.

The purchase price will be financed with a combination of cash on hand and Cogeco Communications' Term Revolving Facility. The transaction, which will be executed essentially through an asset purchase, is subject to regulatory approvals under the Competition Act along with other customary closing conditions and is expected to close no later than the end of the second quarter of the fiscal year 2021.

CRTC's wholesale Internet services 2019 costing decision

On September 10, 2020, the Federal Court of Appeal (the "Court") dismissed the appeal by the Corporation, together with other telecommunications service providers (the "Cable Carriers"), of the costing decision rendered in 2019 by the Canadian Radio-television and Telecommunications Commission ("CRTC") regarding new rates for aggregated wholesale Internet services for resellers (the "Telecom Order 2019-288"). On September 28, 2020, the CRTC approved a request submitted by the Cable Carriers to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until it completes its review of that order. As at August 31, 2020, the total retroactive payments based on the CRTC's final aggregated wholesale service rates' 2019 costing decision, if not otherwise modified, is estimated at approximately $43 million, of which approximately $25 million relates to fiscal years from 2016 to 2019, and approximately $18 million relates to fiscal year 2020. Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has therefore not recorded the impact of the reduced rates as at August 31, 2020 and 2019. Please refer to the "Commitment, contingencies and guarantees" subsection for further details.

Altice USA, Inc. and Rogers Communications Inc.'s proposal

On September 1, 2020, Cogeco and Cogeco Communications received an unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. to acquire all of the issued and outstanding multiple and subordinate voting shares of both companies. On September 2, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications rejected the proposal after Gestion Audem, the Audet family's holding company, had stated that its shares were not for sale. On October 18, 2020, Cogeco and Cogeco Communications received a revised unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. That same day, Gestion Audem rejected this revised proposal, stating again that it was not interested in selling its shares. The revised proposal was submitted for review to the Board of Directors of both companies. On October 20, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications announced that they had unanimously rejected the revised proposal.

Other business developments

On July 20, 2020, the Corporation proceeded with the early redemption of the Senior Secured Debentures Series 2 due November 16, 2020. A redemption premium of $2.8 million was charged to financial expense, in connection with the early redemption.

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.

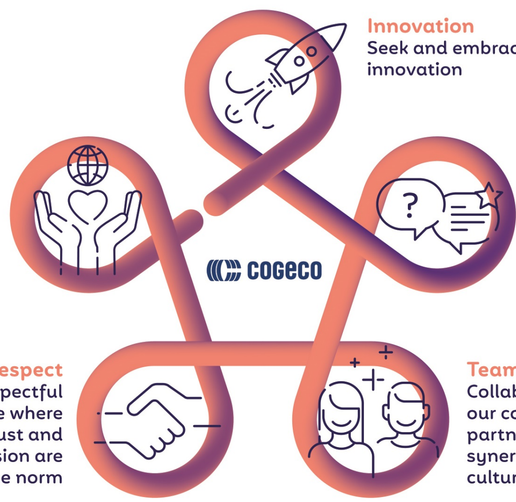
On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a net consideration of $67 million (US$50 million).

2.4 CORPORATE OBJECTIVES AND STRATEGIES

Our Mission

Bring people together through powerful communications and entertainment experiences

Our Values



Innovation
Seek and embrace innovation

Customer Commitment
Put customers at the heart of all our actions

Teamwork
Collaborate with our colleagues and partners to drive synergies and a culture of excellence

Respect
Foster a respectful workplace where integrity, trust and inclusion are the norm

Social Engagement
Have a positive impact on our communities and the environment

Our Vision

Be the organization that delivers the best and most sustainable value to all our stakeholders

Cogeco will fulfill this vision by focusing on the following growth pillars

Customer Experience
Deliver a distinctive customer experience by focusing on our customers' needs

Employee Experience
Foster a highly collaborative and engaging work environment

Market Expansion
Augment our geographic reach and expand into new market segments

Cost Efficiency
Optimize operational effectiveness and increase synergies

Brand Value
Build a strong and socially responsible brand

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

CANADIAN BROADBAND SERVICES SEGMENT

Our Growth Pillars	Progress in Fiscal 2020	Focus in Fiscal 2021
Customer Experience	**Enhanced our service and product offering to meet customer experience expectations.** Expanded our gigabit (1 Gig speed) offering to 72% of our footprint and continued to invest in network reliability and resilience. Enhanced our consumer end to end digital experience with new shopping, buying, on-boarding, account management, TV channel change and on-line self-care features. Launched zero contact installation, enabling consumers to self-install services assisted by a field technician equipped with a visual engagement tool. Implemented a marketing automation system to optimize our communications with our consumers using the channel of their choice (i.e. email, sms, chat, phone call). Introduced our new IPTV entertainment system.	**Grow market share by enhancing our service offering to address customer needs.** Continue to evolve our self-serve capabilities within our digital evolution program. Progressively roll out our IPTV entertainment system. Enhance our customers' Wi-Fi experience to enable whole home network management. Personalize our customers' experience through tailored marketing. Launch a new Interactive Voice Response (IVR) system to optimize routing of consumer calls to enhance call resolution efficiency and effectiveness.
Employee Experience	**Delivered an employee experience that furthers performance and wellbeing and promotes strong customer service.** Implemented new remote working protocols to ensure employee health and safety during the COVID-19 pandemic. Deployed revised health & safety guidelines and procedures and provided required training to all employees. Expanded our Work from Home (WFH) capabilities, leveraging enterprise collaboration tools. Obtained regular input from employees through engagement surveys, increasing our global engagement score. Initiated the launch of a new integrated employee cloud-based platform to enhance employee experience.	**Continue to cultivate an employee experience that will drive a distinctive customer experience. Continue to foster collaboration and engagement and promote wellness and safety.** Continue the roll-out of the new integrated employee platform. Deploy a new, updated, employee competency model. Enhance the customer experience through a "Front-line-First" approach supported by strong employee engagement. Continue to capitalize on operating model synergies to focus on value-added activities. Deploy the back to the workplace protocol
Market Expansion	**Maintained our market share and were awarded several government sponsored projects to provide high speed internet to unserved and underserved areas, thereby reducing the digital divide.** Proactively participated in calls for applications launched by governments to increase connectivity in underserved and unserved areas. Won 19 bids for funding from various programs in Québec and Ontario. Acquired iTéract, a telecommunication service provider in Southern Quebec using a combination of fixed wireless and FTTH technologies and owner of 15 spectrum licences.	**Continue to augment our reach and expand into new market segments.** Pursue market extension and expansion opportunities, in part through government sponsored programs. Monitor the market for growth opportunities through acquisitions. As part of our intent to offer a mobile wireless service, continue to monitor the evolution of the regulatory situation in Canada and undertake initiatives towards achieving entry into the wireless market space.

Cost Efficiency

Progress in Fiscal 2020: Delivered cost efficiencies and savings.

- Improved our customer digital platforms.
- Reduced truck rolls through increased adoption of digital self-install and equipment swapping options by customers.
- Explored and implemented new ways of working thereby optimizing efficient use of resources and leveraging collaboration.

Focus in Fiscal 2021: Continue to pursue cost efficiency opportunities.

- Pursue our digital transformation journey to engage with our customers in a digital world.
- Simplify our ways of working to further increase productivity.
- Further explore opportunities for shared services and automation to reduce cost and unlock value.
- Launch new tools to enhance workforce management.

Brand Value

Progress in Fiscal 2020: Refreshed our brand image, optimized our investments and supported our communities.

- Launched a refreshed brand image and communications tools to further strengthen the brand and focus marketing communications by customer segment at a regional level.
- Supported our local communities during the COVID-19 pandemic by providing free TV previews, temporarily removing Internet overage charges, offering zero contact installation and video support, donating to local organizations and health care personnel and, keeping customers up to date on information related to the pandemic through local programming.
- Optimized our media investments to drive the highest return on investment (ROI) using more targeted tactics.

Focus in Fiscal 2021: Continue to leverage media investment, local presence, social media and our ambassador program.

- Invest in raising brand awareness by driving visibility of investments we continue to make to provide our customers with access to 1 Gig speeds delivered on Cogeco's superior network.
- Continue to optimize media investments to both acquire and retain customers and continue to leverage our Cogeco Media division's assets in our regions.
- Showcase our local presence with our community teams, local TV stations and brand ambassadors, demonstrating our active commitment to the regions in which we operate.

AMERICAN BROADBAND SERVICES SEGMENT

Our Growth Pillars	Progress in Fiscal 2020	Focus in Fiscal 2021

Customer Experience

Progress in Fiscal 2020: Set the foundation for increased customer satisfaction and long term customer relationships.

- Implemented improvements to our monitoring of Net Promoter Score (NPS).
- Implemented innovation and improvements across product offerings (1 Gbps, 4G LTE back-up service and 10 Gig capability for businesses).
- Increased our focus on First Call Resolution / First Time Right.
- Emphasized our self-install program.
- Reimagined our customer communications by improving interactions with customers through proactive notifications, IVR and sms.
- Launched a virtual connect tool across our call centres to reduce the number of trouble calls from customers.
- Implemented a new Interactive Voice Response (IVR) system.

Focus in Fiscal 2021: Address the increasing customer need for services that simply work, independent from location, device or network.

- Measure NPS and transaction Pulse surveys on an ongoing basis to drive higher NPS.
- Reduce churn through overall improved product value and customer experience.
- Map customer journeys and processes.
- Continue to focus on First Call Resolution and First Time Right.
- Pursue digital transformation initiatives.
- Continue to refine self-install programs.

Employee Experience

Seamlessly transitioned to Work From Home (WFH) while pursuing continuous improvement actions across all functional areas.

- Implemented organizational changes to focus on centralized functions and centres of expertise.
- Improved workflow using Workforce Management tools and migrating to a common platform across all regions.
- Implemented a new enterprise resource planning system during the fourth quarter of the year.
- Took targeted actions to improve engagement in functional disciplines.
- Implemented new and improved intranet to enhance the level of internal communications.

Work to create a customer centric culture, strengthening our organization for the future with a team of fully engaged employees.

- Align on an internal brand engagement and clear definition of brand purpose and vision.
- Capitalize on the new ERP system that will streamline processes for improved efficiency across all functional areas.
- Focus on data and analytics capabilities.

Market Expansion

Achieved a successful growth year with targeted build-outs.

- Acquired former Thames Valley Communications in March 2020, adding ~10,000 customers.
- Continued expansion in Florida markets.
- Executed targeted edge-outs in all regions.

Grow the areas of operation, while building and maintaining state-of-the-art networks.

- Drive mergers and acquisitions strategy.
- Aggressively defend competitive markets.
- Continue to focus on edge-outs into underserved areas.
- Continue expansion in Florida.
- Evaluate opportunities to participate in government programs to provide broadband access in underserved and unserved areas.

Cost Efficiency

Achieved significant operating cost savings.

- Drove savings with digitization efforts moving more transactions and service functionality on-line.
- Accelerated digital interactions with customers.

Deploy a number of operational excellence and cost efficiency initiatives.

- Maintain and continue to evolve the level of digital interactions with customers (self-care, virtual connect tool, reduced calls and truck-rolls).
- Control operating expense growth through continued process improvements.

Brand Value

Enhanced overall product performance and reliability following network investments for Gigabit Internet and preparation for future launch of an IPTV service.

- Kept America Connected pledge; Internet Assist offer.
- Supported work from home and virtual education needs in certain communities in our footprint by providing 1 Gigabit hot spots to large numbers of homes.
- Launched TV Online app, HBO Max.
- Added Showtime Anytime, YouTube Kids and Amazon Prime to the TiVo platform.
- Committed to local communities and emphasized local presence as part of our Corporate Social responsibility program.

Attract customers and maximize the value of existing customers through relevant products, propositions and pricing as part of the new offer strategy. This will be achieved by focusing on the following components:

- Brand reputation tracking,
- Pricing plan,
- Managed Wi-Fi solution,
- Home school assist program.

2.5 KEY PERFORMANCE INDICATORS AND PERFORMANCE HIGHLIGHTS

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

	Actual	Original projections (2)	Revised projections (4)	Actual		Achievement of the revised projections
	Fiscal 2019 (1)	Fiscal 2020 (constant currency) (3)	Fiscal 2020 (constant currency) (3)	Fiscal 2020 (constant currency) (3)		Fiscal 2020
(in millions of Canadian dollars, except percentages)	$	$		$	%	
Financial guidelines						
Revenue	2,332	increase of 2% to 4%	**low-single digit percentage growth**	**2,368**	**1.5**	**Achieved**
Adjusted EBITDA[1][5]	1,108	increase of 2.5% to 4.5%	**low-single digit percentage growth**	**1,142**	**3.0**	**Achieved**
Acquisition of property, plant and equipment	435	$460 to $480	**N/A**	**479**	**10.2**	**N/A**
Capital intensity[5]	18.6 %	19% to 20%	**N/A**	**20.2 %**	**—**	**N/A**
Free cash flow[5]	454	increase of 5% to 11%	**mid-single digit percentage growth**	**455**	**0.2**	**Under-achieved**

N/A: non applicable

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) The Corporation withdrew its fiscal 2020 financial guidelines during the second quarter as it was not possible to reliably estimate the impact of the COVID-19 pandemic on the financial results of the Corporation for the remainder of the fiscal year.

(3) Actual results are presented in constant currency based on fiscal 2019 average foreign exchange rates of 1.3255 USD/CDN.

(4) Fiscal 2020 financial guidelines were reinstated and revised at the time of issuing third quarter results based on the experience gained while operating during the pandemic.

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

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

REVENUE

Fiscal 2020 revenue in constant currency increased by 1.5%, achieving the Corporation's revised projections as a result of both the Canadian and American broadband services segments being in line with expectations.

ADJUSTED EBITDA[1]

Fiscal 2020 adjusted EBITDA in constant currency increased by 3.0%, achieving the Corporation's revised projections mainly due to growth in revenue exceeding growth in operating expenses.

FREE CASH FLOW[1]

Fiscal 2020 free cash flow in constant currency increased by 0.2%, under-achieving the Corporation's revised projections mainly as a result of higher than expected capital expenditures in the American broadband services segment mainly due to:

- higher purchases of customer premise equipments and other related costs in order to support the increased number of connections driven by demand for our high speed Internet product, which led to the segment's strong overall primary service units[2] performance in the fourth quarter and during fiscal 2020;
- a higher than expected level of construction activity in Florida despite the limitations imposed by the COVID-19 pandemic; and
- accelerated purchases of certain equipment to prevent potential supply chain shortages in the context of the COVID-19 pandemic.

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

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

2.6 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	2020	2019 (1)	2018 (1)
(in thousands of Canadian dollars, except percentages and per share data)	$	$	$
Operations			
Revenue	2,384,283	2,331,820	2,147,404
Adjusted EBITDA	1,148,729	1,107,940	1,006,818
Adjusted EBITDA margin	48.2 %	47.5 %	46.9 %
Integration, restructuring and acquisition costs	9,486	11,150	20,328
Profit for the year from continuing operations	396,591	356,908	384,578
Profit (loss) for the year from discontinued operations	—	75,380	(24,381)
Profit for the year	396,591	432,288	360,197
Profit for the year from continuing operations attributable to owners of the Corporation	375,174	339,973	375,214
Profit for the year attributable to owners of the Corporation	375,174	415,353	350,833
Cash flow			
Cash flows from operating activities	917,819	868,711	620,748
Acquisition of property, plant and equipment	483,990	434,545	457,808
Free cash flow	455,436	454,059	301,850
Capital intensity	20.3 %	18.6 %	21.3 %
Financial condition			
Cash and cash equivalents	366,497	556,504	84,725
Total assets	6,804,197	6,951,079	7,180,043
Indebtedness(2)	3,179,926	3,454,923	3,914,711
Long-term financial liabilities(3)	3,154,408	3,428,302	3,781,020
Equity attributable to owners of the Corporation	2,268,246	2,199,789	1,997,169
Per share data(4)			
Earnings (loss) per share			
Basic			
From continuing operations	7.74	6.89	7.61
From discontinued operations	—	1.53	(0.49)
From continuing and discontinued operations	7.74	8.41	7.12
Diluted			
From continuing operations	7.67	6.83	7.55
From discontinued operations	—	1.51	(0.49)
From continuing and discontinued operations	7.67	8.35	7.06
Dividends	2.32	2.10	1.90

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 and 2018 were not restated. For further details, please consult the "Accounting policies" section of the MD&A.

(2) Indebtedness is defined as the total of bank indebtedness and principal on long-term debt.

(3) Long-term financial liabilities include long-term debt and derivative financial instruments.

(4) Per multiple and subordinate voting shares.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**2,384,283**	2,331,820	2.2	1.5	16,477
Operating expenses	**1,211,422**	1,203,980	0.6	(0.2)	9,301
Management fees – Cogeco Inc.	**24,132**	19,900	21.3	21.3	—
Adjusted EBITDA	**1,148,729**	1,107,940	3.7	3.0	7,176
Adjusted EBITDA margin	**48.2 %**	47.5%			

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

REVENUE

Years ended August 31,	2020 (1)	2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**1,287,772**	1,294,967	(0.6)	(0.6)	—
American broadband services	**1,096,511**	1,036,853	5.8	4.2	16,477
	2,384,283	2,331,820	2.2	1.5	16,477

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 revenue increased by 2.2% (1.5% 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 segment, partly offset by a decrease in the Canadian broadband services segment.

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

OPERATING EXPENSES

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**587,752**	606,286	(3.1)	(3.1)	331
American broadband services	**600,425**	571,208	5.1	3.5	8,969
Other	**23,245**	26,486	(12.2)	(12.2)	1
	1,211,422	1,203,980	0.6	(0.2)	9,301

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 operating expenses increased by 0.6% (decrease of 0.2% in constant currency) resulting from lower operating expenses in the Canadian broadband services segment combined with lower corporate costs, partly offset by higher operating expenses in the American broadband services segment resulting partly from the Thames Valley Communications acquisition.

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

MANAGEMENT FEES

Fiscal 2020 management fees paid to Cogeco Inc. ("Cogeco") reached $24.1 million compared to $19.9 million for fiscal 2019. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**700,020**	688,681	1.6	1.7	(331)
American broadband services	**496,086**	465,645	6.5	4.9	7,508
Other	**(47,377)**	(46,386)	2.1	2.1	(1)
	1,148,729	1,107,940	3.7	3.0	7,176

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 adjusted EBITDA increased by 3.7% (3.0% in constant currency) as a result of:

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

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

3.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2020 integration, restructuring and acquisition costs amounted to $9.5 million resulting from organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

Fiscal 2019 integration, restructuring and acquisition costs amounted to $11.2 million mostly related to an operational optimization program that included a voluntary departure program as well as acquisition and integration costs.

3.3 DEPRECIATION AND AMORTIZATION

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment(2)	**440,221**	423,432	4.0
Amortization of intangible assets	**59,017**	57,293	3.0
	499,238	480,725	3.9

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Includes the depreciation of right-of-use assets amounting to $6.7 million for the year ended August 31, 2020.

Fiscal 2020 depreciation and amortization expense increased by 3.9% due to additional depreciation of property, plant and equipment as a result of higher capital expenditures during the fiscal year combined with the appreciation of the US dollar against the Canadian dollar compared to the prior year and the impact of IFRS 16 adoption.

3.4 FINANCIAL EXPENSE

Years ended August 31, *(in thousands of Canadian dollars, except percentages)*	**2020** **$**	2019 (1) $	Change %
Interest on long-term debt, excluding interest on lease liabilities	**156,911**	176,798	(11.2)
Interest on lease liabilities	**1,520**	—	—
Gain on debt modification	**(22,898)**	—	—
Net foreign exchange loss (gain)	**198**	(2,744)	—
Amortization of deferred transaction costs	**1,106**	1,836	(39.8)
Capitalized borrowing costs	**(584)**	(690)	(15.4)
Other	**(5,160)**	302	—
	131,093	175,502	(25.3)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 financial expense decreased by 25.3% mainly due to:

- lower interest rates and lower outstanding debt on the First Lien Credit Facilities;
- 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 from the reduction of the interest rate by 0.25%; and
- interest revenue resulting from investments of excess cash; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to the prior year.

3.5 INCOME TAXES

Years ended August 31, *(in thousands of Canadian dollars, except percentages)*	**2020** **$**	2019 (1) $	Change %
Current	**57,632**	53,361	8.0
Deferred	**54,689**	30,294	80.5
	112,321	83,655	34.3

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Years ended August 31, *(in thousands of Canadian dollars, except percentages)*	**2020** **$**	2019 (1) $	Change %
Profit before income taxes	**508,912**	440,563	15.5
Combined Canadian income tax rate	**26.50 %**	26.50 %	—
Income taxes at combined Canadian income tax rate	**134,862**	116,749	15.5
Difference in operations' statutory income tax rates	**2,167**	1,466	47.8
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(443)**	(565)	(21.6)
Tax impacts related to foreign operations	**(24,135)**	(28,633)	(15.7)
Other	**(130)**	(5,362)	(97.6)
	112,321	83,655	34.3

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 income taxes expense increased by 34.3% 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.

3.6 PROFIT FOR THE YEAR

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages and earnings per share)	$	$	%
Profit for the year from continuing operations	**396,591**	356,908	11.1
Profit for the year	**396,591**	432,288	(8.3)
Profit for the year from continuing operations attributable to owners of the Corporation	**375,174**	339,973	10.4
Profit for the year attributable to owners of the Corporation	**375,174**	415,353	(9.7)
Profit for the year from continuing operations attributable to non-controlling interest[2]	**21,417**	16,935	26.5
Basic earnings per share from continuing operations	**7.74**	6.89	12.3
Basic earnings per share	**7.74**	8.41	(8.0)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

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

Fiscal 2020 profit for the year from continuing operations and profit for the year from continuing operations attributable to owners of the Corporation increased by 11.1% and 10.4%, 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.

Fiscal 2020 profit for the year and profit for the year attributable to owners of the Corporation decreased by 8.3% and 9.7%, respectively, mainly due to discontinued operations which generated a profit of $75.4 million resulting from the sale of Cogeco Peer 1 for the prior year in addition to the elements mentioned above.

4. RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of Cogeco, which as of August 31, 2020 held 32.7% of the Corporation's equity shares, representing 83% 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, which was modified on May 1, 2019, 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 year ended August 31, 2020, management fees paid to Cogeco amounted to $24.1 million compared to $19.9 million for fiscal 2019.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during fiscal years 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 directors of Cogeco, as shown in the following table:

Years ended August 31,	2020	2019
(in number of units)		
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 granted to these executive officers, as well as DSUs issued to Board directors of Cogeco:

Years ended August 31,	2020	2019
(in thousands of Canadian dollars)	$	$
Stock options	1,205	1,046
ISUs	39	61
PSUs	1,386	981
DSUs	217	631
	2,847	2,719

As at August 31, 2020, the Corporation had $1.8 million receivable from Cogeco (nil in 2019).

5. CASH FLOW ANALYSIS

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Cash flows from operating activities	917,819	868,711	5.7
Cash flows from investing activities	(557,275)	(471,078)	18.3
Cash flows from financing activities	(547,095)	(659,222)	(17.0)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(3,456)	(439)	—
Net change in cash and cash equivalents from continuing operations	(190,007)	(262,028)	(27.5)
Net change in cash and cash equivalents from discontinued operations	—	733,807	(100.0)
Cash and cash equivalents, beginning of the year	556,504	84,725	—
Cash and cash equivalents, end of the year	366,497	556,504	(34.1)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

5.1 OPERATING ACTIVITIES

Fiscal 2020 cash flows from operating activities increased by 5.7% mainly from:

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

5.2 INVESTING ACTIVITIES

Fiscal 2020 cash flows from investing activities increased by 18.3% mainly due to:

- the acquisitions of Thames Valley Communications and iTéract during the third quarter of fiscal 2020;
- the increase in acquisition of property, plant and equipment in both the Canadian and American broadband services segments; partly offset by
- 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 $67 million (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.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

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

Years ended August 31,	**2020**	2019	Change (1)	Change in constant currency (2)
(in thousands of Canadian dollars, except percentages)	**$**	$	%	%
Canadian broadband services	**248,582**	241,940	2.7	2.2
Capital intensity	**19.3 %**	18.7 %		
American broadband services	**231,422**	192,605	20.2	18.2
Capital intensity	**21.1 %**	18.6 %		
Other	**3,986**	—	—	—
Consolidated	**483,990**	434,545	11.4	10.2
Capital intensity	**20.3 %**	18.6 %		

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 acquisition of property, plant and equipment increased by 11.4% (10.2% 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.

Fiscal 2020 capital intensity reached 20.3% compared to 18.6% for the prior year mainly as a result of growth in capital expenditures exceeding revenue growth.

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

5.3 FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

Fiscal 2020 changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

Years ended August 31,	2020	2019	Explanations
(in thousands of Canadian dollars)	$	$	
Increase (decrease) in bank indebtedness	7,610	(5,949)	Related to the timing of payments made to suppliers.
Net decrease under the revolving facilities	—	(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	(269,169)	(77,639)	Redemption of the Senior Secured Debentures Series 2 during the fourth quarter of fiscal 2020 combined with the repayment of US$35 million during the second quarter of fiscal 2020 both as a result of free cash flow generated and the quarterly repayments on the Senior Secured Term Loan B Facility.
Repayment of lease liabilities	(4,905)	—	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.
	(269,692)	(528,198)	

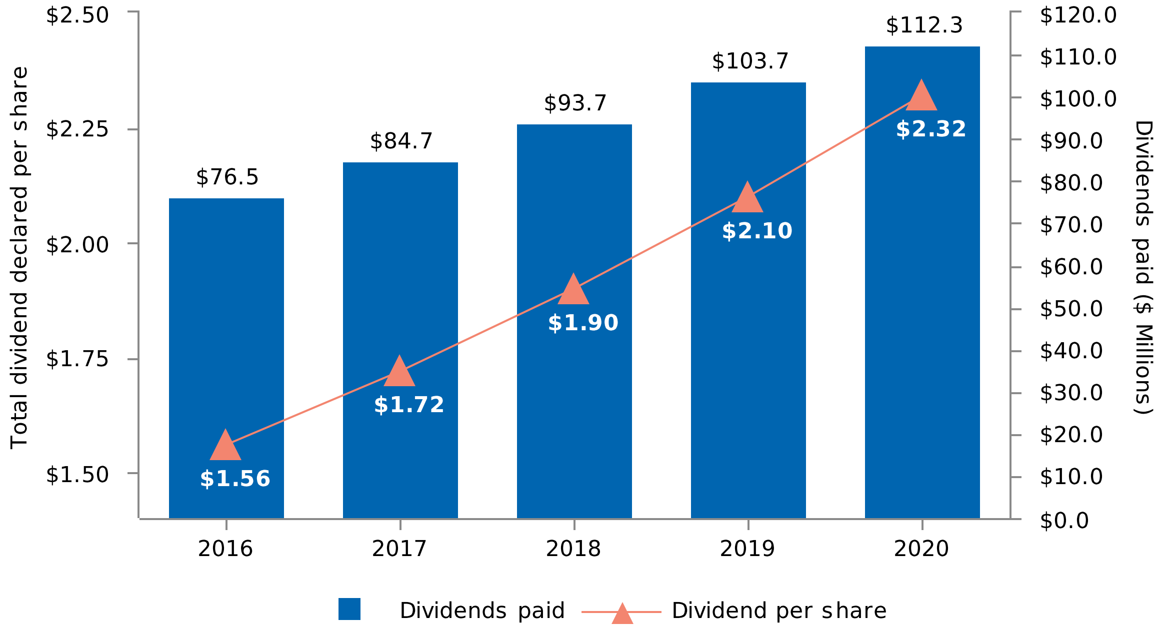
DIVIDENDS

During fiscal 2020, quarterly eligible dividends of $0.58 per share, totalling $2.32 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of $112.3 million. In fiscal 2019, quarterly eligible dividends of $0.525 per share, totalling $2.10 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of $103.7 million. During the last five years, dividends paid per share increased by 10.4% on a compounded annual basis.

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

Declaration date	Record date	Payment date	Dividend per share (in dollars)
October 30, 2019	November 13, 2019	November 27, 2019	0.58
January 14, 2020	January 28, 2020	February 11, 2020	0.58
April 7, 2020	April 21, 2020	May 5, 2020	0.58
July 15, 2020	July 29, 2020	August 12, 2020	0.58
October 31, 2018	November 14, 2018	November 28, 2018	0.525
January 10, 2019	January 24, 2019	February 7, 2019	0.525
April 9, 2019	April 23, 2019	May 7, 2019	0.525
July 10, 2019	July 24, 2019	August 7, 2019	0.525

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



NORMAL COURSE ISSUER BID ("NCIB")

During fiscal 2020, Cogeco Communications purchased and cancelled 1,592,000 subordinate voting shares with a weighted average price per share repurchased of $103.98 for a total consideration of $165.5 million. During fiscal 2019, Cogeco Communications purchased and cancelled 327,200 subordinate voting shares with a weighted average price of $98.97 for consideration of $32.4 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.

The normal course issuer bid purchases were as follows:

Quarters ended	**Nov. 30**	**Feb. 29**	**May 31**	**Aug. 31**	**2020 Total**
(in thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	**$**	**$**	**$**	**$**	**$**
Subordinate voting shares purchased and cancelled	**143,100**	**652,400**	**601,900**	**194,600**	**1,592,000**
Weighted average purchase price per share	**109.64**	**108.50**	**98.73**	**100.89**	**103.98**
Purchase costs	**15,690**	**70,787**	**59,425**	**19,633**	**165,535**

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2019 Total
(in thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	$	$	$	$	$
Subordinate voting shares purchased and cancelled	—	—	157,400	169,800	327,200
Weighted average purchase price per share	—	—	91.87	105.55	98.97
Purchase costs	—	—	14,460	17,922	32,382

5.4 FREE CASH FLOW

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Adjusted EBITDA[(4)]	1,148,729	1,107,940	3.7	3.0	7,176
Amortization of deferred transaction costs and discounts on long-term debt	9,503	9,454	0.5	1.7	116
Share-based payment	8,070	7,226	11.7	11.7	—
(Gain) loss on disposals and write-offs of property, plant and equipment	(515)	2,770	—	—	—
Defined benefit plans contributions, net of expense	(347)	1,227	—	—	—
Integration, restructuring and acquisition costs	(9,486)	(11,150)	(14.9)	(14.8)	(18)
Financial expense[(5)]	(153,991)	(175,502)	(12.3)	(11.3)	(1,760)
Current income taxes	(57,632)	(53,361)	8.0	8.0	(5)
Acquisition of property, plant and equipment	(483,990)	(434,545)	11.4	10.2	(5,088)
Repayment of lease liabilities	(4,905)	—	—	—	(52)
Free cash flow[(4)]	455,436	454,059	0.3	0.2	369

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

(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, including reconciliation to the most comparable IFRS financial measures.

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

Fiscal 2020 free cash flow increased by 0.3% (0.2% in constant currency) mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense resulting from lower outstanding debt, 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; partly offset by
- the increase in acquisition of property, plant and equipment in both the Canadian and American broadband services segments due to the timing of certain initiatives.

6. SEGMENTED OPERATING AND FINANCIAL RESULTS

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

6.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**1,287,772**	1,294,967	(0.6)	(0.6)	—
Operating expenses	**587,752**	606,286	(3.1)	(3.1)	331
Adjusted EBITDA	**700,020**	688,681	1.6	1.7	(331)
Adjusted EBITDA margin	**54.4 %**	53.2 %			
Acquisition of property, plant and equipment	**248,582**	241,940	2.7	2.2	1,309
Capital intensity	**19.3 %**	18.7 %			

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

REVENUE

Fiscal 2020 revenue decreased by 0.6% 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 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 and the fourth quarters of fiscal 2020 for certain services;
- customers' transition to higher value offerings;
- continued growth in Internet service customers; and
- growth in commercial revenue.

OPERATING EXPENSES

Fiscal 2020 operating expenses decreased by 3.1% as reported and in constant currency due to:

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

ADJUSTED EBITDA

Fiscal 2020 adjusted EBITDA increased by 1.6% (1.7% in constant currency) due to a decline in operating expenses.

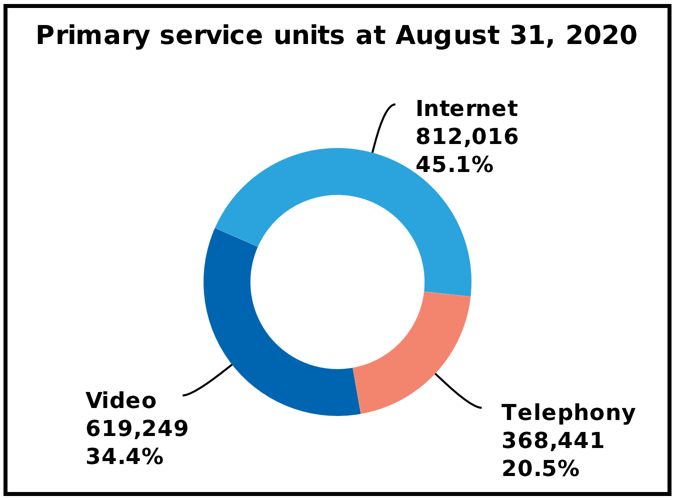
CAPITAL INTENSITY AND ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

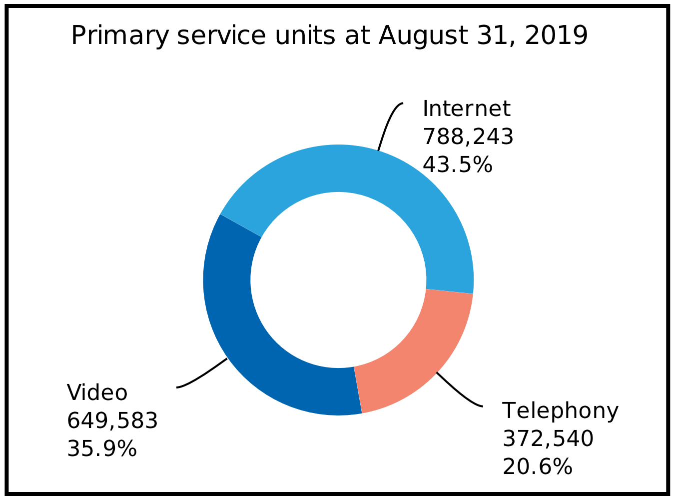
Fiscal 2020 acquisition of property, plant and equipment increased by 2.7% (2.2% in constant currency) resulting from:

- 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.

Fiscal 2020 capital intensity reached 19.3% compared to 18.7% for fiscal 2019 mainly as a result of higher capital expenditures combined with lower revenue.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS





		Net additions (losses) Years ended		% of penetration[3]	
	August 31, 2020	**August 31, 2020** (1)	August 31, 2019 (2)	**August 31, 2020**	August 31, 2019
Primary service units	**1,799,706**	**(12,887)**	(56,552)		
Internet service customers	**812,016**	**21,902**	5,966	**45.7**	44.7
Video service customers	**619,249**	**(30,515)**	(39,185)	**34.9**	36.8
Telephony service customers	**368,441**	**(4,274)**	(23,333)	**20.7**	21.1

(1) 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.

(2) 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.

(3) As a percentage of homes passed.

INTERNET

Fiscal 2020 Internet service customers net additions amounted to 21,902 compared to 5,966 for the prior year. The growth in fiscal 2020 was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic;
- the sustained interest in bundle offers; and
- the continued demand from Internet resellers; partly offset by
- competitive offers in the industry.

VIDEO

Fiscal 2020 video service customers net losses amounted to 30,515 compared to 39,185 for the prior year. The loss in fiscal 2020 was 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

Fiscal 2020 telephony service customers net losses amounted to 4,274 compared to 23,333 for the prior year. The loss in fiscal 2020 was due to:

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

DISTRIBUTION OF CUSTOMERS

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

6.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	**2020** (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**1,096,511**	1,036,853	5.8	4.2	16,477
Operating expenses	**600,425**	571,208	5.1	3.5	8,969
Adjusted EBITDA	**496,086**	465,645	6.5	4.9	7,508
Adjusted EBITDA margin	**45.2 %**	44.9 %			
Acquisition of property, plant and equipment	**231,422**	192,605	20.2	18.2	3,779
Capital intensity	**21.1 %**	18.6 %			

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

REVENUE

Fiscal 2020 revenue increased by 5.8% (4.2% in constant currency). In local currency, revenue amounted to US$814.8 million compared to US$782.3 million for fiscal 2019. The increase resulted mainly from:

- growth in both residential and business Internet service customers as more customers work from home in the context of the COVID-19 pandemic;
- 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
- the temporary waiving of late fees charged to customers as a relief measure in the context of the COVID-19 pandemic.

Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 3.5% for fiscal 2020.

OPERATING EXPENSES

Fiscal 2020 operating expenses increased by 5.1% (3.5% in constant currency) mainly as a result of:

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

ADJUSTED EBITDA

Fiscal 2020 adjusted EBITDA increased by 6.5% (4.9% in constant currency). In local currency, adjusted EBITDA amounted to US$368.6 million compared to US$351.3 million for fiscal 2019, mainly due to organic growth and the impact of the Thames Valley Communications acquisition.

Excluding adjusted EBITDA from Thames Valley Communications and the non-recurring gain on a disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 3.8% for fiscal 2020.

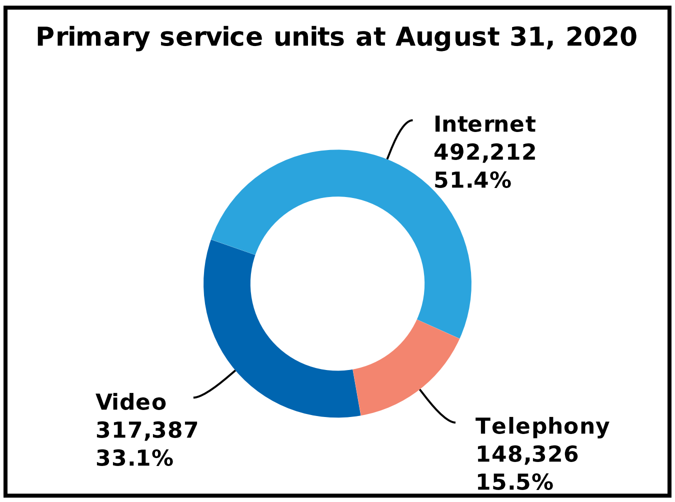
CAPITAL INTENSITY AND ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

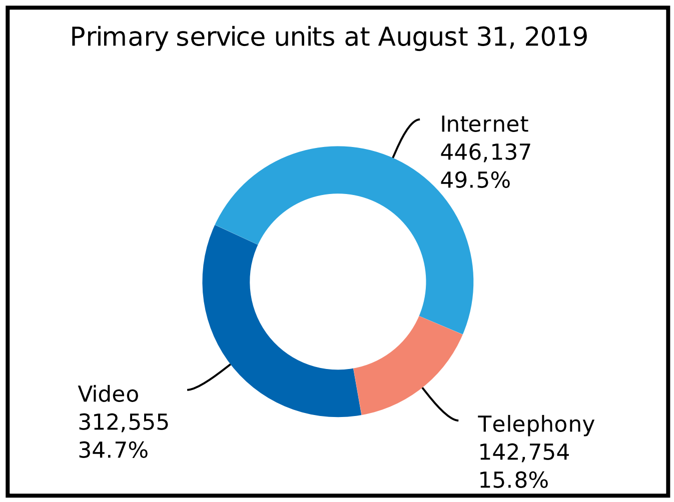
Fiscal 2020 acquisition of property, plant and equipment increased by 20.2% (18.2% in constant currency) resulting mainly from:

- higher purchases of customer premise equipments and other related costs in order to support the increased number of connections driven by demand for high speed Internet product, as well as resulting from equipment upgrades and the timing of certain initiatives;
- additional investments to improve and expand the network infrastructure in Florida;
- accelerated purchases of certain equipment to prevent potential supply chain shortages; and
- costs related to the development and implementation of a new financial and human capital management system.

Fiscal 2020 capital intensity reached 21.1% compared to 18.6% for fiscal 2019 mainly as a result of capital expenditures growth exceeding revenue growth.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS





		Net additions (losses)		% of penetration(3)	
		Years ended			
	August 31, 2020 (1)	August 31, 2020 (2)	August 31, 2019	August 31, 2020	August 31, 2019
Primary service units	**957,925**	**40,502**	16,981		
Internet service customers	**492,212**	**36,998**	21,189	**53.3**	50.8
Video service customers	**317,387**	**(279)**	(4,697)	**34.4**	35.6
Telephony service customers	**148,326**	**3,783**	489	**16.1**	16.2

(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

Fiscal 2020 Internet service customers net additions amounted to 36,998 compared to 21,189 for the prior year. The growth in fiscal 2020 was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic; and
- growth in the residential and business sectors.

VIDEO

Fiscal 2020 video service customers net losses amounted to 279 compared to 4,697 for the prior year. The loss in fiscal 2020 was due to:

- a changing video consumption environment; and
- competitive offers in the industry; partly offset by
- our customers' ongoing interest in TiVo's digital advanced video services.

TELEPHONY

Fiscal 2020 telephony service customers net additions amounted to 3,783 compared to 489 for the prior year. The growth in fiscal 2020 was due to:

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

DISTRIBUTION OF CUSTOMERS

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

7. FINANCIAL POSITION

7.1 WORKING CAPITAL

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

	August 31, 2020	August 31, 2019 (1)	Change	Explanations
(in thousands of Canadian dollars)	$	$	$	
Current assets				
Cash and cash equivalents	366,497	556,504	(190,007)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	83,013	75,652	7,361	Mainly related to revenue growth, partly offset by the depreciation of the US dollar against the Canadian dollar.
Income taxes receivable	3,283	17,706	(14,423)	Lower tax installments made during fiscal 2020 in the Canadian broadband services segment, some of which were related to the deferral of income tax installments until September 2020 pursuant to governments allowing delays in the context of the COVID-19 pandemic.
Prepaid expenses and other	29,266	22,740	6,526	Mainly related to the increase in prepayments for annual maintenance agreements.
	482,059	672,602	(190,543)	
Current liabilities				
Bank indebtedness	7,610	—	7,610	Timing of payments made to suppliers.
Trade and other payables	211,052	260,481	(49,429)	Timing of payments made to suppliers combined with the depreciation of the US dollar against the Canadian dollar.
Provisions	33,864	36,553	(2,689)	Not significant.
Income tax liabilities	39,897	16,693	23,204	Deferral of income tax installments until September 2020 pursuant to governments allowing delays in the context of the COVID-19 pandemic.
Contract liabilities and other liabilities	47,162	43,395	3,767	Not significant.
Derivative financial instruments	3,834	—	3,834	Related to two derivative financial instruments maturing in January 2021.
Current portion of long-term debt	29,569	27,121	2,448	Mainly from the recognition of the current portion of lease liabilities following the adoption of IFRS 16.
	372,988	384,243	(11,255)	
Working capital surplus	109,071	288,359	(179,288)	

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of Canadian dollars)	August 31, 2020 $	August 31, 2019 (1) $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,088,930**	2,007,610	81,320	Related to the acquisition of Thames Valley Communications in the third quarter of fiscal 2020, the acquisition of property, plant and equipment during fiscal 2020 as well as the recognition of right-of-use assets following the adoption of IFRS 16, partly offset by the depreciation of the US dollar against the Canadian dollar, and the depreciation for the year.
Intangible assets	**2,800,401**	2,850,844	(50,443)	Depreciation of the US dollar against the Canadian dollar and amortization for the year, partly offset by the acquisition of iTéract which included spectrum licenses and the acquisition of Thames Valley Communications in the third quarter of fiscal 2020.
Non-current liabilities				
Long-term debt	**3,087,033**	3,382,258	(295,225)	Related to the early redemption of the Senior Secured Debentures Series 2 on July 20, 2020, the repayment of US$35 million combined with the quarterly repayment on the Senior Secured Term Loan B Facility and the depreciation of the US dollar against the Canadian dollar, partly offset by the recognition of the long-term portion of lease liabilities following the adoption of IFRS 16.

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

8. CAPITAL RESOURCES AND LIQUIDITY

8.1 CAPITAL STRUCTURE

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

Years ended August 31,	2020	2019
Average cost of indebtedness(1)	**3.8 %**	4.4 %
Fixed rate indebtedness(2)	**78 %**	78 %
Average term: long-term debt (in years)	**4.2**	4.9
Net indebtedness(3) / adjusted EBITDA	**2.4**	2.6
Adjusted EBITDA / financial expense(4)	**7.5**	6.3

(1) Excludes amortization of deferred transaction costs and commitment fees but includes the impact of interest rate swaps.

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

(3) Net indebtedness is defined as the total of bank indebtedness and principal on long-term debt, less cash and cash equivalents.

(4) Financial expense for fiscal 2020 excludes the $22.9 million gain on debt modification related to the amendment made to the Senior Secured Term Loan B facility.

In fiscal 2020, the financial leverage ratio relating to net indebtedness over adjusted EBITDA has declined as a result of growing adjusted EBITDA and a reduction in net indebtedness from generated free cash flow.

8.2 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at September 30, 2020 is presented in the table below. Additional details are provided in note 19 of the consolidated financial statements.

(in thousands of Canadian dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	**15,691,100**	**98,346**
Subordinate voting shares	**32,217,178**	**902,525**
Options to purchase subordinate voting shares		
Outstanding options	**786,154**	
Exercisable options	**290,649**	

8.3 FINANCING

On July 20, 2020, the Corporation proceeded with the early redemption of the Senior Secured Debentures Series 2 due November 16, 2020. A redemption premium of $2.8 million was charged to financial expense, in connection with the early redemption.

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 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 August 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 $195.6 million (US$150 million), of which $3.2 million (US$2.4 million) was used at August 31, 2020 for a remaining availability of $192.5 million (US$147.6 million).

8.4 CREDIT RATINGS

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

At August 31, 2020	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	**BBB-**	**BBB (low)**	**NR**
Atlantic Broadband			
First Lien 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 Lien Credit Facilities from BB- to BB on the basis that its strategic importance to the Corporation has increased over time.

8.5 FINANCIAL RISK MANAGEMENT

Liquidity risk

The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due.

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2020:

	Contractual cash flows						
	2021	2022	2023	2024	2025	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Bank indebtedness	**7,610**	—	—	—	—	—	**7,610**
Trade and other payables (1)	**203,633**	—	—	—	—	—	**203,633**
Notes, debentures and credit facilities	**22,171**	**222,171**	**322,171**	**22,171**	**335,179**	**2,206,382**	**3,130,245**
Lease liabilities	**4,115**	**3,297**	**3,047**	**2,851**	**2,626**	**23,279**	**39,215**
Balance due on business combinations	**2,856**	—	—	—	—	—	**2,856**
	240,385	**225,468**	**325,218**	**25,022**	**337,805**	**2,229,661**	**3,383,559**

(1) Excluding accrued interest on long-term debt.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter:

	2021	2022	2023	2024	2025	Thereafter	Total
(in thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on notes, debentures and credit facilities (1)	**89,745**	**84,342**	**78,939**	**65,936**	**39,371**	**12,589**	**370,922**
Interest payments on lease liabilities	**1,573**	**1,178**	**1,070**	**971**	**873**	**4,632**	**10,297**
Interest receipts on derivative financial instruments (1)	**(1,851)**	**(1,570)**	**(1,297)**	**(756)**	**(127)**	**—**	**(5,601)**
Interest payments on derivative financial instruments (1)	**25,270**	**21,415**	**17,673**	**10,212**	**1,698**	**—**	**76,268**
	114,737	**105,365**	**96,385**	**76,363**	**41,815**	**17,221**	**451,886**

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2020 and their respective maturities.

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2020, all of the Corporation's notes, debentures and credit facilities were 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 August 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 $6.9 million based on the outstanding debt and swap agreements at August 31, 2020.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities 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 $9.6 million based on the outstanding debt and swap agreements at August 31, 2020.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents and trade and other payables denominated mainly in US dollars. The Corporation's exposure to foreign currency risk on cash and cash equivalents and trade and other payables is not significant as at August 31, 2020 and 2019.

A foreign currency exposure arises from the Corporation's net investment in its US subsidiary, as a result of the translation of the net investment into the Corporation's functional currency. A portion of the Corporation's net investment in its US subsidiary is hedged by the Corporation's US dollar denominated Senior Secured Notes, which the Corporation has designated as hedges of the net investment, while the remaining portion is economically hedged by its subsidiary's US dollar denominated First Lien Credit Facilities.

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

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US$390 million	US$1,077 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2020 was $1.3042 ($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 $89.6 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 August 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 August 31, 2020, the fair value of the equity swap was $0.2 million and recognized as a liability. A 10% increase in the market price of the subordinate voting shares 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.

8.6 FOREIGN CURRENCY

For the year ended August 31, 2020, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

Years ended August 31,	2020	2019	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	1.3456	1.3255	0.02	1.5

The following table highlights in Canadian dollars, the impact of a $0.02 variation of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the year ended August 31, 2020:

	Canadian broadband services	American broadband services	Consolidated [(1)]
Year ended August 31, 2020	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of Canadian dollars)	$	$	$
Revenue	—	16,477	16,477
Operating expenses	331	8,969	9,301
Management fees - Cogeco Inc.			—
Adjusted EBITDA	(331)	7,508	7,176
Acquisition of property, plant and equipment	1,309	3,779	5,088
Free cash flow			369

(1) The consolidated results do not correspond to the addition of the operating segment's results as the Other segmented information is not presented.

8.7 CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND GUARANTEES

A) CONTRACTUAL OBLIGATIONS

The following table presents the Corporation's contractual obligations, at August 31, 2020, that are due in each of the next five years and thereafter:

Years ended August 31,	2021	2022	2023	2024	2025	Thereafter	Total
(in thousands of Canadian dollars)	$	$	$	$	$	$	$
Acquisition of property, plant and equipment (1)	1,800	1,800	1,800	1,800	1,800	1,800	10,800
Other long-term contracts (2)	41,902	30,967	24,947	23,579	20,632	36,855	178,882
Financial liabilities and lease liabilities, and related capital amounts	240,385	225,468	325,218	25,022	337,805	2,229,661	3,383,559
Interest payable on long-term debt	114,737	105,365	96,385	76,363	41,815	17,221	451,886
	398,824	363,600	448,350	126,764	402,052	2,285,537	4,025,127

(1) Include minimum spend commitments for acquisition of customer premise equipment.

(2) Include long-term commitments under service and product contracts for operating expenditures, including minimum spend commitments.

B) CONTINGENCIES

CRTC's wholesale Internet services 2019 costing decision

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, the Corporation, together 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 did not have to implement the new rates nor to make the retroactive payments pending final decision of the Court. A decision dismissing the appeal of the Cable Carriers was rendered by the FCA on September 10, 2020, repealing the stay order of the Court.

In parallel, 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. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the Cable Carriers' request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition to the FCA appeal and the review and variance process, 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. Interested parties filed comments on February 14, 2020 and a decision was issued on August 15, 2020. The Governor in Council rendered an order confirming that the rates set by the CRTC decision do not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

As at August 31, 2020, the total retroactive payments based on the CRTC's final aggregated wholesale service rates' 2019 costing decision, if not otherwise modified, is estimated at approximately $43 million, of which approximately $25 million relates to fiscal years from 2016 to 2019, and approximately $18 million relates to fiscal year 2020. Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has therefore not recorded the impact of the reduced rates as at August 31, 2020 and 2019.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to the consolidated financial statements. At August 31, 2020 and 2019, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those disclosed in Note 16. of the consolidated financial statements.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2020 and 2019, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16 of the consolidated financial statements.

SALE OF A BUSINESS

In connection with the sale of a business, the Corporation has agreed to indemnify the purchaser against claims related to events that occurred prior to the date of sale.

LONG-TERM DEBT

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

SALE OF SERVICES

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

PURCHASE AND DEVELOPMENT OF ASSETS

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

9. DISCONTINUED OPERATIONS

Disposal of a subsidiary in fiscal 2019

On April 30, 2019, the Corporation completed the sale of Cogeco Peer 1, its Business ICT services subsidiary. The results and cash flows of Cogeco Peer 1 are presented as discontinued operations separate from the Corporation's continuing operations. As a result of the sale, the Corporation recognized the following gain on disposal in the consolidated statement of profit or loss for the year ended August 31, 2019:

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

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

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

The profit of the discontinued operations was as follows:

Year ended August 31,	2019 [(1)]
(in thousands of Canadian dollars)	$
Revenue	174,990
Operating expenses	132,390
Adjusted EBITDA	42,600
Depreciation and amortization	43,999
Financial expense	(1,304)
Gain on disposal of a subsidiary	(84,364)
Profit before income taxes	84,269
Income taxes	8,889
Profit for the year from discontinued operations	75,380

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

The cash flows of the discontinued operations were as follows:

Year ended August 31,	2019 [(1)]
(in thousands of Canadian dollars)	$
Cash flows from operating activities	41,962
Cash flows from investing activities	691,729
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	116
Net change in cash and cash equivalents from discontinued operations	733,807

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

10. QUARTERLY OPERATING RESULTS

10.1 QUARTERLY FINANCIAL HIGHLIGHTS

			Fiscal 2020					Fiscal 2019 (1)
Three months ended	Nov. 30	Feb. 29	May 31	Aug. 31	Nov. 30	Feb. 28	May 31	Aug. 31
(in thousands of Canadian dollars, except percentages and per share data)	$	$	$	$	$	$	$	$
Operations								
Revenue	586,827	586,467	605,821	605,168	576,673	584,129	587,345	583,673
Adjusted EBITDA	282,105	277,372	294,717	294,535	267,851	280,552	283,927	275,610
Adjusted EBITDA margin	48.1 %	47.3 %	48.6 %	48.7 %	46.4 %	48.0 %	48.3 %	47.2 %
Integration, restructuring and acquisition costs	61	5,458	12	3,955	5,713	3,722	1,003	712
Profit for the period from continuing operations	89,708	114,011	96,724	96,148	78,806	86,128	99,571	92,403
Profit (loss) for the period from discontinued operations	—	—	—	—	(3,622)	(5,369)	82,451	1,920
Profit for the period	89,708	114,011	96,724	96,148	75,184	80,759	182,022	94,323
Profit for the period from continuing operations attributable to owners of the Corporation	84,178	109,391	90,771	90,834	73,792	81,718	96,613	87,850
Profit for the period attributable to owners of the Corporation	84,178	109,391	90,771	90,834	70,170	76,349	179,064	89,770
Cash flow								
Cash flows from operating activities	149,192	231,653	282,229	254,745	98,996	199,462	265,551	304,702
Acquisition of property, plant and equipment	121,302	110,840	123,653	128,195	100,557	92,773	96,116	145,099
Free cash flow	102,844	125,062	116,158	111,372	107,503	125,307	136,999	84,250
Capital intensity	20.7 %	18.9 %	20.4 %	21.2 %	17.4 %	15.9 %	16.4 %	24.9 %
Per share data(2)(3)								
Earnings (loss) per share								
Basic								
From continuing operations	1.71	2.24	1.89	1.90	1.50	1.65	1.96	1.78
From discontinued operations	—	—	—	—	(0.07)	(0.11)	1.67	0.04
From continuing and discontinued operations	1.71	2.24	1.89	1.90	1.42	1.55	3.62	1.82
Diluted								
From continuing operations	1.70	2.22	1.87	1.88	1.49	1.64	1.94	1.77
From discontinued operations	—	—	—	—	(0.07)	(0.11)	1.65	0.04
From continuing and discontinued operations	1.70	2.22	1.87	1.88	1.41	1.53	3.59	1.80
Dividends per share	0.58	0.58	0.58	0.58	0.525	0.525	0.525	0.525

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated. For further details, please consult the "Accounting policies" section of the MD&A.

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

(3) Per multiple and subordinate voting share.

10.2 SEASONAL VARIATIONS

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

10.3 FOURTH-QUARTER OPERATING AND FINANCIAL RESULTS

CONSOLIDATED

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	605,168	583,673	3.7	3.0	4,214
Operating expenses	303,728	302,833	0.3	(0.5)	2,368
Management fees – Cogeco Inc.	6,905	5,230	32.0	32.0	—
Adjusted EBITDA	294,535	275,610	6.9	6.2	1,846
Adjusted EBITDA margin	48.7 %	47.2%			

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

REVENUE

Three months ended August 31,	2020 (1)	2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	324,197	319,935	1.3	1.3	—
American broadband services	280,971	263,738	6.5	4.9	4,214
	605,168	583,673	3.7	3.0	4,214

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter revenue increased by 3.7% (3.0% 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 segment; and
- higher revenue in the Canadian broadband services segment.

OPERATING EXPENSES

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	142,242	147,815	(3.8)	(3.8)	78
American broadband services	155,182	148,215	4.7	3.2	2,290
Other	6,304	6,803	(7.3)	(7.3)	—
	303,728	302,833	0.3	(0.5)	2,368

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter operating expenses increased by 0.3% (decrease of 0.5% in constant currency) mainly from:

- lower operating expenses in the Canadian broadband services segment; partly offset by
- higher operating expenses in the American broadband services segment.

MANAGEMENT FEES

Fiscal 2020 fourth-quarter management fees paid to Cogeco reached $6.9 million compared to $5.2 million for the same period of fiscal 2019. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**181,955**	172,120	5.7	5.8	(78)
American broadband services	**125,789**	115,523	8.9	7.2	1,924
Other	**(13,209)**	(12,033)	9.8	9.8	—
	294,535	275,610	6.9	6.2	1,846

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter adjusted EBITDA increased by 6.9% (6.2% in constant currency) as a result of:

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

INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2020 fourth-quarter integration, restructuring and acquisition costs amounted to $4.0 million mostly due to organizational changes initiated across the Corporation resulting in cost optimization.

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

DEPRECIATION AND AMORTIZATION

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment(2)	**109,471**	106,698	2.6
Amortization of intangible assets	**15,354**	14,858	3.3
	124,825	121,556	2.7

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Includes the depreciation of right-of-use assets amounting to $1.6 million for the three-month period ended August 31, 2020.

Fiscal 2020 fourth-quarter depreciation and amortization expense increased by 2.7% due to higher depreciation of property, plant and equipment as a result of higher capital expenditures during the fiscal year combined with the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year and the impact of IFRS 16 adoption.

FINANCIAL EXPENSE

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Interest on long-term debt, excluding interest on lease liabilities	38,380	41,307	(7.1)
Interest on lease liabilities	370	—	—
Net foreign exchange gain	(181)	(403)	(55.1)
Amortization of deferred transaction costs	213	464	(54.1)
Capitalized borrowing costs	(122)	(168)	(27.4)
Other	642	(763)	—
	39,302	40,437	(2.8)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 fourth-quarter financial expense decreased by 2.8% mainly due to:

- lower interest rates and lower outstanding debt on the First Lien Credit Facilities; partly offset by
- the $2.8 million early redemption premium on the Senior Secured Debentures Series 2 on July 20, 2020; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

INCOME TAXES

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Current	13,713	11,603	18.2
Deferred	16,592	8,899	86.4
	30,305	20,502	47.8

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Profit before income taxes	126,453	112,905	12.0
Combined Canadian income tax rate	26.50 %	26.50 %	—
Income taxes at combined Canadian income tax rate	33,510	29,920	12.0
Difference in operations' statutory income tax rates	534	1,404	(62.0)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	317	220	44.1
Tax impacts related to foreign operations	(5,912)	(7,517)	(21.4)
Other	1,856	(3,525)	—
	30,305	20,502	47.8

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 fourth-quarter income taxes expense increased by 47.8% mainly attributable to the increase in profit before income taxes.

PROFIT FOR THE PERIOD

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages and earnings per share)	$	$	%
Profit for the period from continuing operations	96,148	92,403	4.1
Profit for the period	96,148	94,323	1.9
Profit for the period from continuing operations attributable to owners of the Corporation	90,834	87,850	3.4
Profit for the period attributable to owners of the Corporation	90,834	89,770	1.2
Profit for the period from continuing operations attributable to non-controlling interest(2)	5,314	4,553	16.7
Basic earnings per share from continuing operations	1.90	1.78	6.7
Basic earnings per share	1.90	1.82	4.4

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) The non-controlling interest relates to the 21% ownership of CDPQ in Atlantic Broadband.

Fiscal 2020 fourth-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 4.1% and 3.4%, respectively, as a result of:

- higher adjusted EBITDA; partly offset by
- the increases in income taxes, depreciation and amortization and integration, restructuring and acquisitions costs.

Fiscal 2020 fourth-quarter profit for the period and profit for the period attributable to owners of the Corporation also increased by 1.9% and 1.2%, respectively, mainly due to the elements mentioned above, partly offset by the discontinued operations which generated a profit of $1.9 million as a result of working capital adjustments related to the sale of Cogeco Peer 1 for the comparable period of the prior year.

CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	324,197	319,935	1.3	1.3	—
Operating expenses	142,242	147,815	(3.8)	(3.8)	78
Adjusted EBITDA	181,955	172,120	5.7	5.8	(78)
Adjusted EBITDA margin	56.1 %	53.8 %			
Acquisition of property, plant and equipment	46,474	79,132	(41.3)	(41.5)	187
Capital intensity	14.3 %	24.7 %			

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

REVENUE

Fiscal 2020 fourth-quarter revenue increased by 1.3% as reported and in constant currency compared to the same period of the prior year mainly as a result of:

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

OPERATING EXPENSES

Fiscal 2020 fourth-quarter operating expenses decreased by 3.8% as reported and in constant currency mainly attributable to:

- non-recurring elements totaling approximately $4 million resulting from retroactive effect of new programming contracts and certain COVID-19 pandemic related impact such as lower sales expenses;
- lower marketing initiatives and installation costs due to the effects of the COVID-19 pandemic, with more self installations and remote repairs;
- the impact of IFRS 16 adoption; and
- lower programming costs resulting from lower video service customers.

ADJUSTED EBITDA

Fiscal 2020 fourth-quarter adjusted EBITDA increased by 5.7% (5.8% in constant currency) resulting mainly from higher revenue combined with lower operating expenses.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 fourth-quarter acquisition of property, plant and equipment decreased by 41.3% (41.5% in constant currency) resulting from:

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

Fiscal 2020 fourth-quarter capital intensity reached 14.3% compared to 24.7% for the same period of the prior year mainly as a result of lower capital expenditures combined with revenue growth.

PRIMARY SERVICE UNIT STATISTICS

		Net additions (losses) Three months ended August 31,	
	August 31, 2020	2020	2019
Primary service units	1,799,706	(2,925)	(2,846)
Internet service customers	812,016	8,943	2,540
Video service customers	619,249	(8,359)	(8,164)
Telephony service customers	368,441	(3,509)	2,778

INTERNET

Fiscal 2020 fourth-quarter Internet service customers net additions stood at 8,943 compared to 2,540 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic;
- the sustained interest in bundle offers; and
- the continued demand from Internet resellers; partly offset by
- competitive offers in the industry.

VIDEO

Fiscal 2020 fourth-quarter video service customers net losses stood at 8,359 compared to 8,164 for the same period of the prior year. The fiscal 2020 fourth-quarter loss was 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

Fiscal 2020 fourth-quarter telephony service customers net losses amounted to 3,509 compared to net additions of 2,778 for the same period of the prior year. The fiscal 2020 fourth-quarter loss was due to:

- increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only; partly offset by
- more telephony bundles being marketed during the second half of fiscal 2019.

AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**280,971**	263,738	6.5	4.9	4,214
Operating expenses	**155,182**	148,215	4.7	3.2	2,290
Adjusted EBITDA	**125,789**	115,523	8.9	7.2	1,924
Adjusted EBITDA margin	**44.8 %**	43.8 %			
Acquisition of property, plant and equipment	**79,457**	65,967	20.4	18.8	1,060
Capital intensity	**28.3 %**	25.0 %			

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

REVENUE

Fiscal 2020 fourth-quarter revenue increased by 6.5% (4.9% in constant currency). In local currency, revenue amounted to US$209.3 million compared to US$199.5 million for the same period of fiscal 2019. The increase resulted mainly from:

- growth in both residential and business Internet service customers as more customers work from home in the context of the COVID-19 pandemic;
- 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
- the temporary waving of late fees charged to customers as a relief measure in the context of the COVID-19 pandemic.

Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 3.5% for the fourth quarter of fiscal 2020.

OPERATING EXPENSES

Fiscal 2020 fourth-quarter operating expenses increased by 4.7% (3.2% in constant currency) mainly as a result of:

- higher compensation expenses and costs related to additional headcount to support growth;
- additional operating expenses resulting from the impact of the Thames Valley Communications acquisition; and
- additional costs related to the development and implementation of a new financial and human capital management system; partly offset by
- the impact of IFRS 16 adoption.

ADJUSTED EBITDA

Fiscal 2020 fourth-quarter adjusted EBITDA increased by 8.9% (7.2% in constant currency). In local currency, adjusted EBITDA amounted to US$93.7 million compared to US$87.4 million for the same period of fiscal 2019 mainly due to organic growth and the impact of the Thames Valley Communications acquisition.

Excluding adjusted EBITDA from Thames Valley Communications, adjusted EBITDA in constant currency increased by 5.9% for the fourth quarter of fiscal 2020.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 fourth-quarter acquisition of property, plant and equipment increased by 20.4% (18.8% in constant currency) mainly due to:

- higher purchases of customer premise equipments and other related costs in order to support the increased number of connections driven by demand for high speed Internet product, as well as resulting from equipment upgrades and the timing of certain initiatives;
- additional investments to improve and expand the network infrastructure in Florida;
- accelerated purchases of certain equipment to prevent potential supply chain shortages; and
- costs related to the development and implementation of a new financial and human capital management system.

Fiscal 2020 fourth-quarter capital intensity reached 28.3% compared to 25.0% for the same period of the prior year as a result of capital expenditures growth exceeding revenue growth.

PRIMARY SERVICE UNIT STATISTICS

	August 31, 2020 (1)	Net additions (losses) Three months ended August 31, 2020	2019
Primary service units	**957,925**	**20,653**	7,431
Internet service customers	**492,212**	**13,523**	2,441
Video service customers	**317,387**	**5,542**	5,294
Telephony service customers	**148,326**	**1,588**	(304)

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

INTERNET

Fiscal 2020 fourth-quarter Internet service customers net additions stood at 13,523 compared to 2,441 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic; and
- growth in the residential and business sectors.

VIDEO

Fiscal 2020 fourth-quarter video service customers net additions stood at 5,542 compared to 5,294 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

- our customers' ongoing interest in TiVo's digital advanced video services; and
- additional connects related to the Thames Valley Communications acquisition; partly offset by
- a changing video consumption environment; and
- competitive offers in the industry.

TELEPHONY

Fiscal 2020 fourth-quarter telephony service customers net additions stood at 1,588 compared to net losses of 304 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

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

CASH FLOW ANALYSIS

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Cash flows from operating activities	**254,745**	304,702	(16.4)
Cash flows from investing activities	**(126,899)**	(144,332)	(12.1)
Cash flows from financing activities	**(246,410)**	(50,198)	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(8,733)**	(1,405)	—
Net change in cash and cash equivalents from continuing operations	**(127,297)**	108,767	—
Cash and cash equivalents, beginning of the period	**493,794**	447,737	10.3
Cash and cash equivalents, end of the period	**366,497**	556,504	(34.1)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

OPERATING ACTIVITIES

Fiscal 2020 fourth-quarter cash flows from operating activities decreased by 16.4% mainly from:

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

INVESTING ACTIVITIES

Fiscal 2020 fourth-quarter investing activities decreased by 12.1% mainly due to the decrease in acquisition of property, plant and equipment.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

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

Three months ended August 31,	2020	2019 (1)	Change	Change in constant currency (2)
(in thousands of Canadian dollars, except percentages)	$	$	%	%
Canadian broadband services	**46,474**	79,132	(41.3)	(41.5)
Capital intensity	**14.3 %**	24.7 %		
American broadband services	**79,457**	65,967	20.4	18.8
Capital intensity	**28.3 %**	25.0 %		
Other	**2,264**	—	—	—
Consolidated	**128,195**	145,099	(11.6)	(12.5)
Capital intensity	**21.2 %**	24.9 %		

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter acquisition of property, plant and equipment decreased by 11.6% (12.5% in constant currency) mainly due to lower capital expenditures in the Canadian broadband services segment, partly offset by higher capital expenditures in the American broadband services segment resulting from the timing of certain initiatives.

Fiscal 2020 fourth-quarter capital intensity reached 21.2% compared to 24.9% for the same period of the prior year mainly as a result of lower capital capital expenditures combined with revenue growth.

FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

Fiscal 2020 fourth-quarter changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

Three months ended August 31,	2020	2019	Explanations
(in thousands of Canadian dollars)	$	$	
Increase (decrease) in bank indebtedness	**7,610**	(4,821)	Related to the timing of payments made to suppliers.
Repayment of notes, debentures and credit facilities	**(205,566)**	(5,650)	Redemption of the Senior Secured Debentures Series 2 during the fourth quarter of fiscal 2020 as a resulted of free cash flow generated combined with quarterly repayments on the Senior Secured Term Loan B Facility.
Repayment of lease liabilities	**(1,143)**	—	Related to the adoption of IFRS 16.
	(199,099)	(10,471)	

DIVIDENDS

During the fourth quarter of fiscal 2020, a quarterly eligible dividend of $0.58 per share was paid to the holders of subordinate and multiple voting shares, totalling $27.7 million, compared to an eligible quarterly dividend paid of $0.525 per share, or $25.9 million in the fourth quarter of fiscal 2019.

NORMAL COURSE ISSUER BID

During the fourth quarter of fiscal 2020, Cogeco Communications purchased and cancelled 194,600 subordinate voting shares with a weighted average price per share purchased of $100.89 for a total consideration of $19.6 million. During the fourth quarter of fiscal 2019, Cogeco Communications purchased and cancelled 169,800 subordinate voting shares with a weighted average price per share repurchased of $105.55 for a total consideration of $17.9 million.

FREE CASH FLOW

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Adjusted EBITDA[4]	**294,535**	275,610	6.9	6.2	1,846
Amortization of deferred transaction costs and discounts on long-term debt	**2,344**	2,940	(20.3)	(19.3)	29
Share-based payment	**2,249**	2,173	3.5	3.5	—
(Gain) loss on disposals and write-offs of property, plant and equipment	**(177)**	1,119	—	—	—
Defined benefit plans contributions, net of expense	**(1,271)**	259	—	—	—
Integration, restructuring and acquisition costs	**(3,955)**	(712)	—	—	(1)
Financial expense	**(39,302)**	(40,437)	(2.8)	(1.8)	(426)
Current income taxes	**(13,713)**	(11,603)	18.2	18.1	8
Acquisition of property, plant and equipment	**(128,195)**	(145,099)	(11.6)	(12.5)	(1,247)
Repayment of lease liabilities	**(1,143)**	—	—	—	(11)
Free cash flow[4]	**111,372**	84,250	32.2	32.0	198

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

(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, including reconciliation to the most comparable IFRS financial measures.

Fiscal 2020 fourth-quarter free cash flow increased by 32.2% (32.0% in constant currency) compared to the same period of the prior year, mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in acquisition of property, plant and equipment mainly from lower capital expenditures in the Canadian broadband services segment, partly offset by higher capital expenditures in the American broadband services segment resulting from the timing of certain initiatives.

11. FISCAL 2021 FINANCIAL GUIDELINES

The following section contains forward-looking statements concerning the business outlook for Cogeco Communications. For a description of risk factors that could cause actual results to differ materially from what Cogeco Communications expects, please refer to the "Uncertainties and main risk factors" section of the present MD&A.

The Corporation presents its financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in a foreign currency rate. Measures on a constant currency basis are considered non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. The Corporation is providing the following financial guidelines for fiscal 2021, on a constant currency and consolidated basis. The financial guidelines exclude the impact from the acquisition of DERYtelecom which was announced on October 21, 2020 and is expected to close no later than at the end of the second quarter of the fiscal year 2021. They also do not take into consideration the potential impact of the review and variance process currently pending before the CRTC in connection with the final rates for aggregated wholesale Internet services for resellers. For further details, please consult the "Business developments" subsection. The projections take into consideration the experience gained while operating during the COVID-19 pandemic so far but exclude potential unexpected significant material impacts from it.

On a constant currency and consolidated basis, Cogeco Communications expects low-single digit percentage growth in revenue and adjusted EBITDA for fiscal 2021. Revenue should increase mainly as a result of organic growth in the American broadband services segment for both the residential and business sectors, the continued expansion in Florida, annual rate increases and the full year effect of the Thames Valley Communications acquisition completed on March 10, 2020. In the Canadian broadband services segment, revenue growth should stem primarily from growth in the business sector and Internet customer additions.

Adjusted EBITDA should increase mainly as a result of revenue growth exceeding operating expenses in both the American and Canadian broadband services segments.

The capital intensity ratio should remain essentially stable at approximately 20%. In the American broadband services segment, capital expenditures will be driven by our continued Florida network expansion and additional investments in our network infrastructure in the areas we serve. In the Canadian broadband services segment, we expect lower customer premise equipment costs as a result of the progressive launch of our IPTV solution, sustained investments in our networks to continue to offer high performance products while expanding our networks into new areas to address the digital divide between urban centers and rural areas, combined with investments in our digital transformation.

Free cash flow[1] on a constant currency and consolidated basis is expected to grow at a low-single digit percentage rate mainly due to the growth of adjusted EBITDA.

The following table outlines fiscal 2021 financial guidelines on a consolidated basis:

(in millions of Canadian dollars, except percentages)	**Projections Fiscal 2021** (1) **$**	Actual Fiscal 2020 $
Financial guidelines		
Revenue	**Low-single digit percentage growth**	2,384
Adjusted EBITDA	**Low-single digit percentage growth**	1,149
Capital intensity	**Approximately 20%**	20.3 %
Free cash flow	**Low-single digit percentage growth**	455

(1) Fiscal 2021 financial guidelines are based on a USD/CDN exchange rate of 1.3456 USD/CDN.

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

12. CORPORATE SOCIAL RESPONSIBILITY PROGRAM

12.1 OVERVIEW

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

CSR Mission

To support sustainability through responsible and ethical management and operating practices.
We strive to meet the expectations of our stakeholders in the following ways:

- Be **effective environmental** stewards
- Add **significant value** for our shareholders
- Make a **positive impact** on **our employees** and **the communities** where we live and work

Pillars

- Be a trusted and reliable partner for **our customers**
- Take part in developing **our employees**
- Take part in developing **our communities**
- Maintain a **sound culture** and **strong corporate governance practices** as enablers of value creation
- Manage our **environmental footprint**

Values

- **Innovation**
- **Customer Commitment**
- **Teamwork**
- **Respect**
- **Social Engagement**

12.2 CSR GOVERNANCE

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

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

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

12.3 SUSTAINABLE DEVELOPMENT GOALS

In our continued effort to drive long term corporate sustainability and contribute to a better and more sustainable future for all, Cogeco has started to review the alignment of our CSR strategy with the United Nations' ("UN") Sustainable Development Goals ("SDGs"). The SDGs are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 Goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals[1]. 2020 marked the 5th anniversary of the adoption of the SDGs. The 17 SDGs articulate the world's most pressing environmental, social and economic issues and are outlined as follows:

Our CSR goals serve as a means to do our part to make progress towards achieving the SDG targets most relevant to our business.

12.4 FISCAL 2020 HIGHLIGHTS

To support the achievement of our CSR goals, we have developed key performance indicators for environmental, social and governance ("ESG") objectives. During fiscal 2020, key initiatives of the CSR Program were rolled-out to our business units, namely Atlantic Broadband and Cogeco Connexion. Below are some examples of the CSR initiatives that were deployed in fiscal 2020 and how they currently align with the SDGs.

ENVIRONMENTAL HIGHLIGHTS

Our environmental initiatives and targets support progress towards SDG 13: Climate action; SDG 7: Clean energy; SDG 12: Responsible consumption and production; and SDG 8: Economic growth with improved resource efficiency.

(1) https://www.un.org/sustainabledevelopment/development-agenda/

ACCOMPLISHMENTS

- 34% reduction of our Greenhouse Gas ("GHG") emissions on a per revenue basis compared to fiscal year 2014, surpassing our initially set commitment of 10%. Having surpassed our target one year early, we are in the process of setting a new, longer term, more aggressive emissions reduction target in line with climate science;
- We continued to measure and track our GHG emissions from all of the Corporation's business units and we implemented various energy efficiency measures as part of our energy management strategy. Measures put in place include the installation of centrally controlled thermostats with updated temperature control settings, heating, ventilation and air conditioning ("HVAC") replacements, new airflow containment design, LED lighting retrofits, and DC plants rectifier upgrades;
- We began implementation of our strategy to reduce emissions from the consumption of electricity by investing in renewable energy, purchasing over 8,100 MWh of clean energy through Renewable Energy Certificates;
- We tackled reduction of emissions from our vehicle fleet on multiple fronts. We replaced 121 vehicles (representing approximately 10% of the Corporation’s fleet) with more energy efficient ones. In addition, to support our longer term vehicle fleet electrification strategy, we implemented a policy that includes replacing any smaller vehicles at the end of their life with hybrid or electric vehicles. In fiscal 2020, we purchased 15 hybrid vehicles, and invested in two hybrid systems for our service vans to test the feasibility of their use in reducing fuel consumption and emissions;
- Cogeco Connexion voluntarily purchased carbon offsets to cover some of its GHG emissions from fiscal 2020 (200 tons of CO_2e). The offsets purchased are Gold Standard and will fund the Siam Solar Energy project in Thailand, as well as sensitive natural habitat restoration projects in Québec;
- We published our eighth CDP (formerly "Carbon Disclosure Project") report;
- We diverted more than 295,000 kilos of electronic waste from landfill during fiscal year 2020, and had an e-waste management strategy in place for 100% of Customer Premise Equipment (CPE) and office equipment at our facilities;
- Approximately 20% of the Corporation's facilities underwent environmental assessments. No significant adverse impact on the environment was identified as a result of that exercise;
- We continued our implementation of the Canadian Energy Efficiency Voluntary Agreement ("CEEVA"). This agreement, developed by Canadian telecommunications companies together with Natural Resources Canada, intends to limit the energy consumption of set-top boxes provided to our customers. With this agreement in place, it is expected that the total annual energy consumption in Canada, with the telecommunications companies’ contribution, including Cogeco Connexion, will be reduced and annual carbon dioxide emissions will be cut by over 100,000 tons. This is equivalent to the emissions of over 44,000 sub-compact new vehicles driving 15,000 km/year. By the end of fiscal 2020, 86% of set-top boxes purchased in Canada by Cogeco Connexion complied with the CEEVA standards. In addition, though not a signatory of the corresponding U.S. Voluntary Agreement (USVA), 55% of set-top boxes purchased in the U.S. by Atlantic Broadband complied with the USVA standards;
- During the process of moving the Montréal head office to a new building, four Eco centres and a 5,000 square foot temporary sorting center were put in place to collect, sort and package surplus office supplies and equipment. The efforts resulted in the donation of more than three truckloads of material to organisations such as Habitat for Humanity, Regroupement Partage, Computers for Success and Renaissance. The majority of old office furniture was resold and refurbished. In total, more than 95% of all surplus material was diverted from waste disposal sites.

SOCIAL HIGHLIGHTS

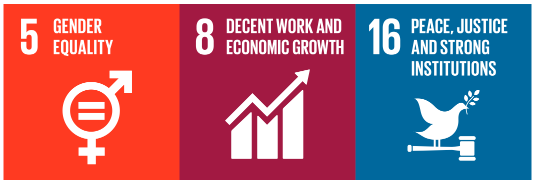
Our social initiatives support progress towards SDG 3: good health and well-being; SDG 5: gender equality; SDG 8: Decent Work; and SDG 11: Sustainable cities and communities.

ACCOMPLISHMENTS

- We donated over $7.6 million in cash and in-kind donations during fiscal year 2020, representing 1.5% of Cogeco’s pre-tax profit. We also offered air time for fundraising purposes to several organizations in our communities and territories. Our principal focus areas are culture, education and entrepreneurship, health and well-being, environment, connectivity, diversity and inclusion;
- Our workplace-related incident rate remained below industry averages in the jurisdictions where we operate;
- 36% of managerial level positions in fiscal 2020 were held by women, surpassing our goal of reaching 35% by 2021;
- We improved our global workforce engagement score by 12% during fiscal 2020 vs 2019;
- Participating employees of Cogeco Connexion volunteered 2,335 hours during the first year of the employee community involvement program launched in fiscal 2019;
- We partnered with Computers for Success Canada to donate used technology in order to support the program’s intent to deliver improved access to technology for Canadians at risk of digital exclusion. During fiscal 2020, we donated more than 200 units to Computers for Success Canada.

GOVERNANCE HIGHLIGHTS

Our high corporate governance standards and initiatives support progress towards SDG 5: gender equality; SDG 8: Decent work and economic growth; and SDG 16: Peace, Justice and strong institutions.



ACCOMPLISHMENTS

- We remained in the top tier of family-controlled dual-class companies listed on a Canadian stock exchange according to the Globe and Mail's Board Games;
- 95% of new and current employees are trained on the Corporation's Code of Ethics;
- Overall, considering both Cogeco Communications and Cogeco, 53% of our Board of Directors members are women;
- We achieved our goal to have 100% of our top suppliers acknowledge the Corporation's Supplier Code of Conduct or meet our CSR standards through their own code of conduct;
- As part of the purchasing process, we continued to include CSR criteria in the Request for Proposal process. In fiscal 2020, during the selection of suppliers for furniture for the new Montréal head office, increased weight was given to sustainability criteria such as the product life cycle, location of manufacturing, material composition and disposal management.

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

RECOGNITIONS

The Corporation's CSR program and related initiatives were recognized during fiscal 2020 as follows:

- For the third consecutive year, Cogeco Communications was named to Corporate Knights' Best 50 Corporate Citizens in Canada;
- Cogeco Communications is ranked among the World's 100 Most Sustainable Corporations by Corporate Knights;
- Cogeco Communications received the ISS Quality Score environmental badge, which recognizes our environmental disclosure practices;
- Cogeco Communications continues to be part of the *Jantzi Social Index*, consisting of 50 Canadian companies that passed a set of broadly based environmental, social and governance rating criteria;
- Cogeco is part of Forbes' prestigious Canada's Best Employers for 2020;
- Cogeco received the Caring Company Certification from Imagine Canada. This certification recognizes outstanding leadership in community investment and social responsibility in Canada;
- Cogeco was recognized as one of the companies at the forefront of having women in leadership positions, making the first annual Globe and Mail Women Lead Here listing in 2020.

12.5 DRIVING CSR THROUGH DIGITAL TRANSFORMATION

April 2020 marked the 50th anniversary of Earth Day, a unified response to an environment in crisis. Cogeco took this opportunity to highlight to employees how digital transformation can connect people, the planet and technology to drive social and environmental benefits. According to the "SMARTer 2030 ICT Solutions for 21st Century Challenges" by GeSI and Accenture report, the use of information and communications technologies ("ICT") could result in the avoidance of emissions representing almost 10 times those generated by the ICT sector. ICT, including products from the telecommunications industry, can enable a 20% reduction in global carbon emissions by 2030, holding emissions at 2015 levels. Cogeco is helping to dematerialize the economy by virtualizing services replacing higher-emission products or services with lower-emission ones.

Some key initiatives undertaken in fiscal 2020 to leverage digital solutions in achieving CSR goals included:

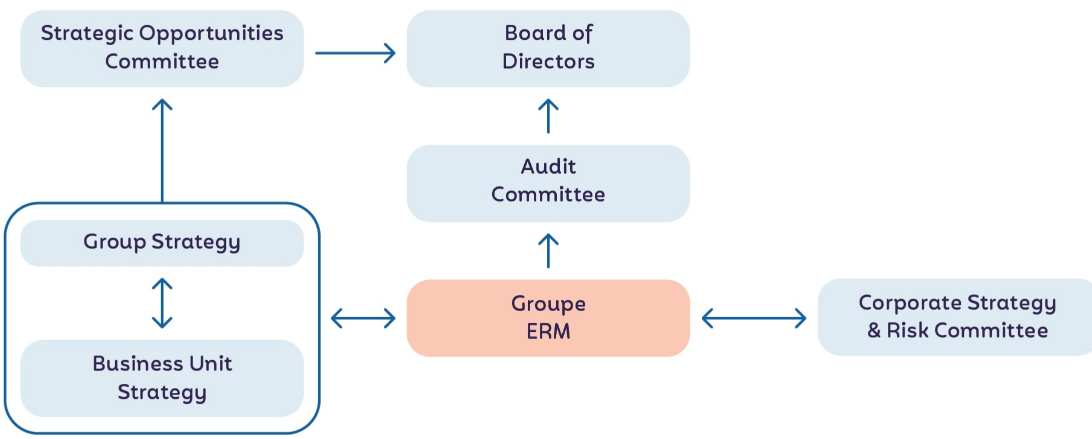
- Providing access to affordable Internet services to almost 3,000 low income families through Atlantic Broadband's Internet Assist program and Cogeco Connexion's participation in Canada's Connecting Families program;
- Using telematics devices that monitor driver behavior as well as other metrics related to vehicle performance to help drive fuel efficiency and reduce GHG emissions from our fleet. In fiscal 2020, the continued deployment of these devices resulted in over 90% of our fleet being connected;
- Providing customers with digital tools to allow self-installation and self-swap of Cogeco's products. These self-install capabilities bypass the need for appointments and technician visits, and are more convenient for customers. They also reduce the fuel consumption and GHG emissions from our fleet. In fiscal 2020, self-installs and self-swaps resulted in a reduction of over 225,000 truck rolls and approximately 2,400 tonnes of GHG emissions avoided;
- Continuing our migration to paperless billing, resulting in over 56% of customers receiving electronic bills at the end of fiscal year 2020.

13. UNCERTAINTIES AND MAIN RISK FACTORS

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

ENTERPRISE RISK MANAGEMENT

The Corporation has a formal integrated enterprise-wide risk management ("ERM") program structured and governed based on the most recent, widely adopted *Committee of Sponsoring Organisations of the Treadway Commission* ("COSO") ERM integrated framework. This framework puts forward the strong connection between risk, strategy and enterprise performance. As a result, the ERM approach at Cogeco is supported by a Risk Governance Ecosystem as illustrated below.



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

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

13.1 COMPETITIVE RISKS

The industries in which we operate are very competitive, and we expect competition to intensify in the future. Competition stems from various sources, including from traditional competitors upgrading their product offering such as incumbent phone companies investing in fiber to the home ("FTTH") networks, mobile competitors offering substitutes for fixed home Internet, Internet resellers in Canada which are gaining market share and municipalities overbuilding some of our networks.

Some of our competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater brand recognition, a larger base of customers while some are digital native organizations with lower cost structures due to the absence of legacy systems to maintain. Our competitors may be able to adapt more quickly to new or emerging technologies, changes in customer expectations, and may also be able to develop services comparable or superior to those we offer at more competitive prices. Aggressive pricing and market offers of our competitors could result in pricing pressures and increased customer acquisition and retention costs and could put pressure and adversely affect our businesses and results of operations. Our ability to compete successfully within one or more of our market segments may thus decline in the future due to increased competition from current competitors or from new entrants taking bold actions to establish, sustain or increase their position in the market. Our businesses and results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our customer base or have to lower revenue per customer in order to maintain market share.

Our principal competitive risks can be broken down as follows.

We face intensifying competition in our Canadian broadband services segment from traditional service providers and new entrants (e.g. Internet resellers, municipalities).

Large traditional phone companies and mobile service providers are our main network-based competitors. Those operators offer their services through evolving technologies such as FTTH, mobile high speed Internet services (including 4G and 5G), fixed-wireless services which allow for lower deployment costs in rural areas, and traditional satellite-based services primarily for video services. In addition to traditional competitors, other companies are developing new delivery models such as, Internet through low earth orbit satellites for hard to reach areas.

Over recent years, Internet resellers have gained significant market share in the Canadian territories where we offer our services, namely in Ontario. A favorable regulated wholesale regime, which does not require resellers to invest in network construction and low wholesale rates have enabled resellers to offer services at competitive price points. While resellers are primarily focussed on Internet services, some are also offering video and phone services.

In addition, certain Canadian municipalities plan to or have entered into public/private partnership arrangements to build and operate their own broadband networks, entering into competition with the Corporation in some of its service areas.

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

Some of the large integrated communications service providers we compete with in Canada own broadcast television content assets. This vertical integration could result in content being withheld from us or being made available to us at inflated prices or unattractive terms. In order to limit the power of vertically integrated entities on the public's access to diverse and quality programming services, the Canadian Radio-television and Telecommunications Commission ("CRTC") adopted in 2015 a Wholesale Code which applies to all broadcasting distribution undertakings ("BDU") and licensed programming undertakings. The Code prohibits a number of commercially unreasonable practices and sets out a dispute resolution mechanism for the renewal of affiliation agreements in situations where both the BDU and the programming undertaking intend to renew the agreement but are unable to agree on terms.

Intensifying competition in the American Broadband services segment.

The market in the United States continues to converge with mergers and acquisitions consolidating the industry. Similar to Canada, our main source of competition is traditional service providers with increasing competition for our video services from phone companies with fiber networks. Our telephony services face competition from the incumbent local exchange carriers ("ILEC"), as well as other providers such as mobile wireless and VoIP providers. We are also facing intensified competition from overbuild strategies in our Florida, Connecticut and New Hampshire markets.

Faced with increasing competition and customer demands, providers are enhancing the value they offer customers. Some are looking to disrupt the cable bundle by offering more choice to subscribers through personalized and tailored services that would eliminate contracts and bundling, others are expanding their service offering to include complementary services such as cybersecurity and home security to provide customers with a whole home experience while others still are launching a next version of WiFi to deliver faster speeds and better coverage throughout the home.

We face competition in both the Canadian and American Broadband services segments from streaming services.

Cogeco Connexion and Atlantic Broadband face increasing competition from streaming services offered not only from over-the-top ("OTT") video content providers such as Netflix but also from content owners launching or acquiring a streaming service of their own (e.g. Disney+). A majority of households already subscribe to streaming services as a complement to traditional video services. The streaming trend is expected to increase and we could be materially adversely affected if, as a result, a significant number of video customers disconnected their services or reduced their video spending and we may not be able to make up for the loss of revenue associated with this shift in customer preference.

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

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

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

We do not currently offer "four play" bundles that include mobile wireless communications.

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

We remain interested in offering mobile wireless services to complement our service offerings to customers within our current footprint and grow our share of our customers' telecommunications spending. We believe that the model that is most likely achievable, while satisfying our profitability requirements is a hybrid model that would consist of segments where we would rely on our facilities and others on the incumbent's networks. We have started devoting relatively small amounts of capital towards accumulating spectrum to cover part of our territory, which we may use in such a hybrid MNO model or for fixed-wireless access services. However, we may not be able to secure on a timely basis the appropriate arrangements required to launch a mobile wireless operation. Also, launching a mobile wireless operation may result in downward pressure on adjusted EBITDA margins and free cash flow.

Our business services face competition from a variety of service providers.

Cogeco Connexion and Atlantic Broadband offer video, Internet and telephony services to businesses across their served areas, mainly to small to medium-sized businesses. Our business services in Canada and the United States face competition from a variety of service providers which generally offer a wider product offering. Our results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our business customer base.

13.2 BUSINESS RISKS

STRATEGIC PLAN AND BUSINESS STRATEGIES

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

PROGRAMMING COSTS

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

In Canada, the market for video content services is characterized by high levels of supplier concentration and vertical integration. Our largest programming supplier is Bell, with approximately 38% of our overall programming costs. Bell is vertically integrated and is also our largest competitor. While we have generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, we may not be able to maintain our current arrangements, or conclude new arrangements that are economically viable; therefore the number of video channels may change from year to year.

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

While the programming costs in the United States showed some signs of stabilization in the last two years, our ability to access content at reasonable rates, terms and conditions could still be negatively impacted by the changing content landscape resulting from the increasing number of company mergers such as AT&T and Time Warner, Disney and 21st Century Fox, Sinclair's purchase of Fox Regional Sports Networks and Viacom and CBS. This ongoing consolidation activity could enable combined companies to leverage popular content and negotiate better terms with us in the future or require that we carry their less popular services, thus further increasing costs. In addition to the increase in programming costs, most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Many of these same programmers are simultaneously launching their own direct-to-consumer products to effectively compete with programming distributors. While this adds marketplace confusion, it also presents alternative content sources for consumers, which could enable the rationalization of certain content and the reduction of wholesale cost.
We are also subject in the United States to increasing financial and other demands by broadcasters to obtain the required consent for the transmission of local broadcast programming to our customers. Federal law prohibits cable operators from carrying local broadcast stations without consent. Under federal "must-carry" regulations, local broadcast stations may require cable operators to carry such stations without

compensation. Alternatively, local broadcast stations may require cable operators to engage in "retransmission consent" negotiations, pursuant to which broadcast stations require significant payments and other concessions, in exchange for the right to carry such stations. We expect to continue to be subject to significant increases in fees by broadcasters in exchange for their required consent for the retransmission of local broadcast programming to customers. Failure to reach an agreement with a broadcaster could result in the loss of popular programming from our video services.

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

ACCESS TO SUPPORT STRUCTURES AND MUNICIPAL RIGHTS OF WAYS FOR OUR BROADBAND OPERATIONS

Our business requires the execution of contracts with utilities in order to obtain access to utility support structures (such as utility poles) and with municipalities to obtain access to public rights-of-ways. Access to the support structures of telephone companies in Canada is provided on a tariff basis approved by the CRTC. In the case of Canadian provincial and municipal electric utilities, access to those support structures is subject to provincial and municipal requirements, and the terms for access to these structures may need to be obtained through provincial and municipal authorities. Where access to municipal rights-of-ways in our Canadian footprint cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act*. In the United States, the Communications Act requires telephone companies and other utilities (other than those owned by municipalities or cooperatives) to provide cable systems with non-discriminatory access to any pole or rights-of-ways controlled by the utility. The rates that utilities may charge, together with certain terms and conditions for such access are regulated by the Federal Communications Commission ("FCC"), or, alternatively, by states that certify to the FCC that they regulate pole attachments.

Make ready work, which is the strengthening of the poles and/or relocation of other facilities on the poles to accommodate additional attachments, often takes several months to years to complete, which delays the company's network expansion. If we have to support increasing costs in securing access to support structures needed for our broadband network or are unable to secure such agreements, we may not be able to implement our business strategies and our businesses, financial condition, results of operations, reputation and prospects could be materially adversely affected.

CUSTOMER EXPERIENCE

The Corporation strives to maintain respectful and transparent relationships with its customers by providing a superior customer experience and through honest marketing of its products. The loyalty of our customers and their retention depend on our ability to provide a service experience that meets or exceeds their expectations. The Corporation firmly believes that customer experience represents a key differentiator and has enacted various programs and actions at its different business units to constantly improve the customer experience and build upon this reputational capital.

With increased demand for digital capabilities, a failure to keep pace with customer demands could result in loss of customer base and difficulty in attracting potential new customers. In fiscal 2020, the Corporation accelerated its digital transformation efforts in response to the COVID-19 crisis and increased customer demands. Self-install capabilities and self-serve features were implemented to enable customers to manage their telecommunication service relationship online, and contact-free care options and virtual technical support were enabled. It is now possible for consumers to experience a simple end-to-end online customer journey. In addition, feedback on customer satisfaction and trends on new ways in which consumers wish to engage are measured, and advanced survey tools collect information at every point of contact, all in real time. Failure to evolve our customer experience in line with customer demands could adversely affect our business, financial results, reputation and brand value.

MEETING CUSTOMER EXPECTATIONS

Rising OTT fragmentation is also triggering a consumer call for aggregation of OTT offerings on a common platform. The Corporation has various on-going initiatives in place to evolve its products and service offerings, in the digital space, in line with customer expectations. Failure to anticipate and respond in a timely manner to changing customer expectations, changes in consumer behavior, technology trends and new market conditions may result in an outdated product/services portfolio, thus impairing our ability to retain current customers and attract new ones.

MARKETING AND SALES

The evolution of technology has enabled more targeted marketing approaches, initiatives and campaigns, thus changing the dynamics of the competitive environment. The Corporation is evolving its marketing and sales approach to align with customer preferences powered by data analytics and automated marketing platforms based on a highly segmented outreach. Furthermore, in the current market, transparency in pricing, easy to understand promotions and high value product packaging will be critical for both the acquisition and retention of customers.

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

RELIANCE ON THIRD PARTIES

We currently offer video services to our customers in our Canadian and American footprint through a combination of equipment from various suppliers and depend on long-term agreements with suppliers for the provision of our telephony services to our residential and business customers. All these suppliers may experience business difficulties, restructure their operations, discontinue products or sell their operations to other suppliers, which could affect the availability and future development of our products and services. The inability to meet product or service delivery objectives or having to incur increased costs as a result of a failure in supply from third-party suppliers or change in suppliers could have a material adverse effect on our business, financial condition and results of operations.

MERGERS/ACQUISITIONS, DIVESTITURES AND REORGANIZATIONS

The Corporation has grown through acquisitions and will continue to seek attractive acquisition opportunities in the future. Achieving the expected benefits of acquisitions depends in part on successfully consolidating functions, integrating operations, procedures and personnel in a timely and efficient manner and realizing revenue, synergies and other growth opportunities from combining acquired businesses with ours. There is no assurance that the integration of acquisitions will be successful and will deliver the anticipated benefits and results. The integration process after an acquisition may lead to greater than expected operating expenses, financial leverage, capital costs, customer losses, asset write-offs, business disruption of our other businesses and management's diversion of time and resources. We may also be required to make capital expenditures or other investments, which may affect our ability to implement our business strategies to the extent we are unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. In addition, an acquired business could have liabilities that we fail or are unable to uncover and for which the Corporation may be responsible. Depending on the circumstances, pursuing acquisitions may also require that we raise additional capital, through debt or equity, and establish relationships with new financing partners, or use cash that would otherwise have been available to support our existing business operations. Also, we generally face competition in acquisition processes from strategic players and private equity funds, which can result in having to pay high acquisition prices or not be the ultimate buyers of the companies being sold. Any failure by Cogeco Communications to successfully integrate or address the risks associated with acquisitions or to take advantage of future strategic opportunities could materially adversely affect our financial position, financial performance, cash flows, business or reputation.

FOREIGN OPERATIONS

Our American broadband services activities are carried out by Atlantic Broadband in 11 states along the East Coast from Maine to Florida and represent 46.0% of the consolidated revenue of the Corporation. There are significant complexities and risks involved with carrying foreign operations, such as differences in political, legal, regulatory and taxation regimes or fluctuations in relative currency values against the Canadian dollar, all of which could have a material adverse effect on our operating and financial results.

TALENT MANAGEMENT AND SUCCESSION PLANNING

The fast pace of technological advancements and the digitization within the industry and the workplace have created a shortage of digital skills as industry players compete for the same resources. In addition, employees' expectations are evolving requiring comprehensive employee experiences to attract and retain talent. For this reason, the Corporation is actively engaged in fully participating in its employees' professional development through a variety of programs that promote continuous education, a healthy and safe work environment as well as diversity and inclusion and by offering competitive working conditions. Our success is substantially dependent on our capacity to attract new talent and our ability to retain existing talent and foster continued performance of our employees and executive officers. Many of these employees and executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. Retaining key employees and executive officers is especially important to our business in order to keep pace with technological change and to avoid losing critical knowledge in the context of the organization's continued expansion. The loss of the services of key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could impact our ability to deliver on organizational goals and have a material adverse effect on our growth, business and profitability.

LABOUR RELATIONS

Collective bargaining agreements are in place with some of our employees that are renewed from time to time in the normal course of business. The Corporation has been successful to date in negotiating satisfactory collective agreements with unions without significant labor disruption. While the Corporation's labor relations have been satisfactory in the past, we can neither predict the outcome of current or future negotiations relating to labor disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labor protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labor protest could have a material adverse effect on our businesses, operations and reputation. Although we have not experienced strikes or other forms of labour protests in recent years, the outcome of labor negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

13.3 REGULATORY RISKS

REGULATORY RISKS - CANADIAN AND AMERICAN BROADBAND SERVICES

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

Several recent and on-going legislative reviews, regulatory proceedings of the CRTC in Canada and the FCC in the United States or judicial hearings could have a material adverse effect on our business and results of operations depending on outcome. We describe below some of these legislative, judicial and regulatory developments in Canada and the United States.

Canada

Review of the Broadcasting Act, the Radiocommunication Act and Telecommunications Act

On June 5, 2018, the Government of Canada announced a joint review of the *Telecommunications Act*, the Broadcasting Act and the Radiocommunication Act (the "Acts"). This review was led by a panel of 7 external experts in the telecommunications and broadcast industry. The panel issued on January 29, 2020 its report entitled "Canada’s Communications Future: Time to Act", which included 97 recommendations. It is difficult to predict how the Acts will be amended, and if so, when these changes will be implemented or how they will be construed by the relevant courts or the extent to which any changes might adversely affect.

Internet Wholesale Rates

The outcome of proceedings and the resulting wholesale rates applicable to Internet resellers could have a material adverse effect on our business, financial condition and results of operations. Please refer to the "Commitment, contingencies and guarantees" subsection for a description of the CRTC's wholesale Internet services 2019 costing decision.

Mobile Wireless Review

On February 28, 2019, the CRTC initiated a public consultation to review mobile wireless services in Canada. In this proceeding, the CRTC has considered three areas for review: (i) competition in the retail mobile wireless market, (ii) the current wholesale mobile wireless service regulatory framework, with a focus on wholesale MVNO access, and (iii) the future of mobile wireless services in Canada, with a focus on reducing barriers to infrastructure deployment. The CRTC is concerned that the mobile wireless market continues to demonstrate a high degree of market concentration. To protect the interest of users and further the policy objectives of the *Telecommunications Act*, the CRTC has determined as a preliminary view in this Notice of Consultation, that it would be appropriate to mandate the national mobile wireless carriers in Canada (Bell Mobility, Rogers Communications and Telus Communications) to provide wholesale MVNO access as an outcome of the proceeding. The CRTC received initial submissions on May 15, 2019 followed by a public hearing that started on February 18, 2020. Final comments were filed by participants on July 15, 2020. A decision is expected in late-2020.

Wholesale Code

On June 18, 2019, the FCA granted to Québecor the right to appeal a decision issued by the CRTC compelling TVA Group Inc. to continue providing its programming service, TVA Sports, to Bell TV customers until they can reach an agreement concerning the carriage and distribution terms of TVA Sports or until the CRTC renders a decision on matters not resolved by agreement. This order is commonly referred to as a "standstill" order and is made to enforce the "standstill" rule in the Discretionary Services Regulations. Québecor is arguing that the CRTC does not have the jurisdiction pursuant to the Broadcasting Act to interfere in commercial relations and force a party to maintain the distribution of a television signal during a dispute and that the standstill rule conflicts with the Copyright Act. Should the court confirm Québecor’s position, this decision would have negative consequences for the Corporation as it would eliminate negotiation safeguards to ensure that BDUs are not threatened with the withdrawal of popular programming services or forced to accept unreasonable terms and conditions while disputes are pending before the CRTC. The Corporation has obtained the right to intervene before the Federal Court of Appeal on September 26, 2019 and will seek to have the court declare that the "standstill" rule is within the jurisdiction of the CRTC and does not conflict with the Copyright Act. In the absence of such negotiation safeguards, contained in Discretionary Services Regulations and in the Wholesale Code adopted in 2016 to govern the commercial arrangements between BDUs and programming services and in conditions of license of licensees, there is a risk that vertically integrated competitors may abuse their market power and impose anticompetitive terms for the distribution of their programming services or attempt to withhold content from us.

United States

Regulation of Internet

In 2017, the FCC classified broadband Internet access service as an information service, rather than a telecommunications service under Title II of the Communications Act (which would subject such service to more onerous regulations). In 2019, the U.S. Court of Appeals for the District of Columbia upheld the FCC’s classification, but it vacated the FCC’s directive preventing state and local governments from adopting any requirements inconsistent with the FCC’s decision, which will likely empower state and local governments to adopt legislation regulating Internet service. Several states have passed or proposed legislation that imposes open internet requirements. Some federal and state legislators have advocated for increased regulation of broadband service, especially in light of COVID-19, during which broadband service has been deemed to be an essential service. Some legislators have even advocated for the creation of public broadband Internet service providers. Any such legislation could reduce our revenues and restrict the way we offer products and services, as well as increase competition from publicly-funded service providers. The presidential election and certain congressional elections in November 2020 could result in a change in power in the executive, legislative and regulatory branches of government. This could result in increased regulation of broadband and other services provided by the Corporation.

Television Viewer Protection Act

As mandated by the STELA Reauthorization Act of 2014 ("STELARA"), certain sections of the Copyright Act and the Communications Act relating to cable and/or DBS retransmission of broadcast signals were scheduled to expire at the end of 2019. One such section required that broadcasters and multichannel video programming distributors ("MVPDs") negotiate retransmission consent agreements in good faith. On December 20, 2019, the President signed into law a permanent extension of the good faith retransmission consent negotiation requirements. The Television Viewer Protection Act, also includes customer transparency provisions which state information which must be provided by MVPDs to customers. The new transparency rules were scheduled to go into effect June 20, 2020, but the FCC extended the deadline to December 20, 2020.

13.4 TECHNOLOGY RISKS

NETWORK FAILURE

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

In Canada, Cogeco Connexion has a backup system for retransmission through another headend or a mobile headend if one of our headends fails. In the United States, Atlantic Broadband also has emergency backup or replacement sites, including several interconnects with adjacent cable operators to be able to use their signals as a backup. In addition, headends located in high risk areas (e.g. flood zone) are relocated as deemed necessary.

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

MAINTENANCE OF OUR NETWORK, INFRASTRUCTURE AND IT SYSTEMS

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

DEPENDENCE ON TECHNOLOGY SYSTEMS

Our daily operations are highly dependent on information technology systems and software, including those provided by certain third party suppliers. Our business is dependent on our payroll, customer billing, service provisioning, financial, accounting and other data processing systems. We rely on these systems to process, on a daily basis, a large number of transactions. An inability to maintain and enhance our existing information technology systems or obtain new systems to support additional customer growth or new products and services could have a material adverse effect on our ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, or comply with regulatory requirements, all of which could materially adversely affect our operational results and financial position. Any future difficulties from system replacements or upgrades could damage our brand and reputation and have a material adverse effect on our results of operations, compliance with regulatory requirements, financial performance and future business prospects.

CYBER THREATS

Cybersecurity threats have grown in frequency and complexity over recent years in the public and private sectors. Security measures are in place to protect Cogeco and its subsidiaires against such threats. We continue to enhance our cyber resilience posture, the overall governance over information security and the security awareness of our employees through continuous training and continuous improvement efforts surrounding the security of our IT systems, the controls within our IT systems and our business processes. During fiscal 2020, the Corporation did not experience any major cybersecurity breach.

There can however be no certainty that future cybersecurity threats such as data theft, unauthorized usage and disclosure, viruses, ransomware and sabotage will not occur and have an adverse effect on our brand and reputation as well as entail significant legal and financial exposure.

DATA PROTECTION

We do not disclose our customers' personal information without their consent, unless otherwise required or authorized by law, or in accordance with the Privacy Policy of each subsidiary. We do not sell, trade, exchange that information either. In the course of our business, we collect, use and manage various data about our customers, including sensitive personal information but policies, procedures, guidelines, business rules and safeguards are in place to ensure that this information is protected and treated appropriately under applicable privacy laws. Each subsidiary within the Corporation has implemented security measures that are designed to safeguard personal information against unauthorized access, such as firewalls, endpoint protection, vulnerability management, security site monitoring and intrusion detection systems. Personal information will be retained only as long as necessary for the fulfillment of the purposes for which it was collected and for which consent was received. The Corporation is committed to providing transparency to its customers with respect to the Corporation's practices in handling their information, and has a legal obligation to provide access thereto to individuals to whom this information belongs.

Each year, our employees must agree to abide by the rules of our Code of Ethics and the Information and Cybersecurity Policy and are required to certify in writing that they will comply with them. Privacy training is provided on a regular basis, taking into consideration risks and needs. Existing and proposed privacy legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada and the United States may impose limits on our collection, use and disclosure of certain kinds of information.

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

13.5 FINANCIAL RISKS

CAPITAL COMMITMENTS, LIQUIDITY AND DEBT

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

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

CURRENCY AND INTEREST RATES

Our financial results are reported in Canadian dollars and a significant portion of our revenue, operating expenses and capital expenditures are realized in US dollars. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar during a given financial reporting period would result in variations on our operating results and financial condition. Although a significant portion of our indebtedness, which is denominated in US dollars, serves as hedges of net investments in foreign operations, our revenue, adjusted EBITDA and indebtedness could fluctuate materially as a result of foreign exchange rate fluctuations.

Interest rate volatility can also impact interest cost on floating interest rate instruments and have a material adverse effect on our financial results.

CREDIT RATINGS

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

TAXATION MATTERS

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

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

13.6 ECONOMIC CONDITIONS

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

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

In the event of natural disasters, terrorist acts or other catastrophic occurrence, either natural or man-made, our ability to protect our network, infrastructure, including customer data, and to maintain ongoing operations could be significantly impaired. Although we have business continuity and disaster recovery plans and strategies in place, they may not be successful in mitigating the effects of a natural disaster, terrorist act or catastrophic occurrence which could have a material adverse effect on our business, prospects, financial condition and results of operations. Moreover, we have limited insurance coverage against the losses resulting from natural disasters affecting our networks.

CLIMATE CHANGE

The effects of global climate change are increasing the severity and frequency of natural threats on our business, such as weather-related events, and may result in increased operational and capital costs. Certain of our facilities are located in areas more prone to weather-related events such as Atlantic Broadband's operations in Florida. Some of the more significant climate-related risks that were identified include: 1) increased operational costs due to increase in fuel and energy prices coming from carbon taxes and cap and trade programs; 2) increased operational and capital costs as a result of damage to facilities and/or equipment because of extreme weather events or increased variability in weather patterns and 3) increased operational and capital costs due to longer term shifts in climate patterns such as sea-level rise or chronic heat waves. For example, increased temperatures could impact our network equipment which could entail the need for additional cooling devices and could reduce equipment lifespan. Ice storms or extreme precipitations could have a negative impact on the physical network infrastructure which could affect the delivery of service to our customers. Hurricanes and cyclones could impact or destroy the facilities or portions of the network and could also impact our insurance-related expenses. Impacts to our supply chain would adversely affect the ability of suppliers to supply required products and services and increased capital expenditures could result from the substitution of existing products and services with lower emissions options.

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

13.8 COMMUNITY ACCEPTANCE RISKS

The Corporation is committed to taking part in developing communities. Our markets cover many rural areas and smaller centres. By bringing affordable broadband services to underserved markets, we make an important contribution to their economic and social development. The availability of broadband services at competitive prices promotes job creation by local businesses by helping them become more competitive. Moreover, our network investments help companies establish operations, expand and diversify. While call centres are often outsourced in our industry, we are committed to providing our customers with local customer service agents from the communities where we operate. In addition, the Corporation has developed community-focused initiatives, reflecting the particular needs of their communities. In 2020, the Corporation contributed $7.6 million in cash and in-kind through donations and sponsorships, mostly contributing to culture, education, health and wellbeing. Lastly, YourTV/NousTV, our unique community television channels, are a powerful complement to our donations and sponsorship activities by providing broad visibility to local community activities and interests. YourTV/NousTV stations are dedicated to in-depth coverage of local people, places, events and issues of interest to each of the communities we serve and are funded by a regulated percentage of our gross video revenues.

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

13.9 ETHICAL BEHAVIOR RISKS

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

13.10 OWNERSHIP RISKS

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

13.11 LITIGATION RISKS

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

14. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. Cogeco Communications' internal control framework is based on the criteria published in the updated version released in May 2013 of the report *Internal Control Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*.

The CEO and CFO, supported by Management, evaluated the overall design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2020, and concluded that they were effective.

15. ACCOUNTING POLICIES

15.1 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

REVENUE RECOGNITION

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

Revenue is recognized applying the following five steps:

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

The Corporation's principal sources of revenue are recognized as follows:

Residential

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

Commercial

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment; and
- Revenue from colocation, network connectivity, hosting, cloud and managed services is recognized on a straight-line basis over the contractual period arrangement (pertaining to Cogeco Peer 1 discontinued operations).

Other

- Revenue mainly from advertising, which is recognized as the services are provided.

BUSINESS COMBINATIONS

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

CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

PROVISIONS

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

CONTINGENCIES

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

MEASUREMENT OF NON-FINANCIAL ASSETS

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

DEFERRED TAXES

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

15.2 ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO 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 ("ROU") 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 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. The impact upon adoption of IFRS 16, relative to leases that have previously been accounted for as operating leases, represents 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 assets) and an increase in *Financial expense* (due to the accretion of the lease liabilities), 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 impact on the Corporation's consolidated statement of cash flows represents an increase in cash flows from operating activities and a decrease in cash flows from financing activities. 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 previously presented as an operating activities cash flow use.

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; and
- 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 (1)	22,601	4,566	27,167
Long-term debt	3,382,258	39,877	3,422,135
Trade and other payables	260,481	(2,462)	258,019

(1) Excluding *Balance due on business combinations*.

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; and
- 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.

Amendment to IFRS 16

In May 2020, the IASB amended IFRS 16, *Leases* to include a practical expedient which permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Corporation adopted these amendments on June 1, 2020 and elected to apply the practical expedient to all eligible rent concessions. The adoption of these amendments had no impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Phase 1)

In September 2019, the IASB amended IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, and IFRS 7, *Financial instruments: disclosures*, to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the interest rate benchmark reform. In addition, the amendments to IFRS 7 provide specific disclosure requirements regarding the uncertainty arising from the interest rate benchmark reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Corporation early adopted these amendments for its fiscal year beginning September 1, 2019. The adoption of these amendments had no material impact on the Corporation's consolidated financial statements.

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 interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Corporation adopted this interpretation for the annual period beginning on September 1, 2019. The adoption of this interpretation had no impact on the consolidated financial statements.

15.3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, interpretations and amendments to existing standards were issued by the IASB or the IFRS Interpretations Committee that are mandatory but not yet effective for the year ended August 31, 2020, and have not been applied in preparing these consolidated financial statements. The following amendments to standards may have an impact on future consolidated financial statements of the Corporation:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Phase 2)	In August 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, IFRS 7, *Financial instruments: disclosures*, IFRS 4, *Insurance contracts* and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation is in the process of determining the extent of the impact of this change on its consolidated financial statements.
Amendments to IFRS 3	In October 2018, the IASB amended IFRS 3, *Business combinations* to clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are applicable to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future business combinations.

16. NON-IFRS FINANCIAL MEASURES

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

This MD&A also makes reference to key performance indicators on a constant currency basis, including revenue, "adjusted EBITDA", acquisition of property, plant and equipment and "free cash flow". Measures on a constant currency basis are considered non-IFRS financial 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 financial measures	Application	Calculation	Most comparable IFRS financial 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 5 of the consolidated financial statements.	Adjusted EBITDA: - Profit for the year from continuing operations add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the year from continuing operations
		Adjusted EBITDA margin: - Adjusted EBITDA divided by: - Revenue	No comparable IFRS financial 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 (gain) 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 flows from operating activities
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisition 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 is 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-month period and year ended August 31, 2019 were 1.3222 USD/CDN and 1.3255 USD/CDN, respectively.	No comparable IFRS financial 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[3] divided by: - Revenue	No comparable IFRS financial 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 analyzes 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.

16.1 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

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

	Three months ended		Years ended	
	August 31, 2020	August 31, 2019 (1)	**August 31, 2020**	August 31, 2019 (1)
(in thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Profit for the period from continuing operations	**96,148**	92,403	**396,591**	356,908
Income taxes	**30,305**	20,502	**112,321**	83,655
Financial expense	**39,302**	40,437	**131,093**	175,502
Depreciation and amortization	**124,825**	121,556	**499,238**	480,725
Integration, restructuring and acquisition costs	**3,955**	712	**9,486**	11,150
Adjusted EBITDA	**294,535**	275,610	**1,148,729**	1,107,940
Revenue	**605,168**	583,673	**2,384,283**	2,331,820
Adjusted EBITDA margin	**48.7 %**	47.2 %	**48.2 %**	47.5 %

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

16.2 FREE CASH FLOW RECONCILIATION

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

	Three months ended		Years ended	
	August 31, 2020	August 31, 2019 (1)	**August 31, 2020**	August 31, 2019 (1)
(in thousands of Canadian dollars)	**$**	$	**$**	$
Cash flows from operating activities	**254,745**	304,702	**917,819**	868,711
Amortization of deferred transaction costs and discounts on long-term debt	**2,344**	2,940	**9,503**	9,454
Changes in non-cash operating activities	**(1,116)**	(73,274)	**55,194**	25,108
Income taxes paid (received)	**(7,410)**	12,154	**20,004**	48,687
Current income taxes	**(13,713)**	(11,603)	**(57,632)**	(53,361)
Financial expense paid	**45,162**	34,867	**153,434**	165,507
Financial expense(2)	**(39,302)**	(40,437)	**(153,991)**	(175,502)
Acquisition of property, plant and equipment	**(128,195)**	(145,099)	**(483,990)**	(434,545)
Repayment of lease liabilities	**(1,143)**	—	**(4,905)**	—
Free cash flow	**111,372**	84,250	**455,436**	454,059

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

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

16.3 CAPITAL INTENSITY RECONCILIATION

The calculation of capital intensity is as follows:

	Three months ended		Years ended	
	August 31, 2020	August 31, 2019 (1)	**August 31, 2020**	August 31, 2019 (1)
(in thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**128,195**	145,099	**483,990**	434,545
Revenue	**605,168**	583,673	**2,384,283**	2,331,820
Capital intensity	**21.2 %**	24.9 %	**20.3 %**	18.6 %

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Philippe Jetté
President and Chief Executive Officer

Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, October 27, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Communications Inc.

Opinion

We have audited the consolidated financial statements of Cogeco Communications Inc. (the "Corporation"), which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

/s/ Deloitte LLP [1]

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

Montréal, Québec
October 27, 2020

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31, *(In thousands of Canadian dollars, except per share data)*	*Notes*	**2020** **$**	2019 $
Revenue	*4*	**2,384,283**	2,331,820
Operating expenses	*8*	**1,211,422**	1,203,980
Management fees – Cogeco Inc.	*24 A)*	**24,132**	19,900
Integration, restructuring and acquisition costs	*5*	**9,486**	11,150
Depreciation and amortization	*9*	**499,238**	480,725
Financial expense	*10*	**131,093**	175,502
Profit before income taxes		**508,912**	440,563
Income taxes	*11*	**112,321**	83,655
Profit for the year from continuing operations		**396,591**	356,908
Profit for the year from discontinued operations	*7*	**—**	75,380
Profit for the year		**396,591**	432,288
Profit for the year attributable to:			
Owners of the Corporation		**375,174**	415,353
Non-controlling interest		**21,417**	16,935
		396,591	432,288
Earnings per share			
Basic	*12*		
Profit for the year from continuing operations		**7.74**	6.89
Profit for the year from discontinued operations		**—**	1.53
Profit for the year		**7.74**	8.41
Diluted	*12*		
Profit for the year from continuing operations		**7.67**	6.83
Profit for the year from discontinued operations		**—**	1.51
Profit for the year		**7.67**	8.35

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, *(In thousands of Canadian dollars)*	*Note*	**2020** **$**	2019 $
Profit for the year		**396,591**	432,288
Other comprehensive loss			
Items to be subsequently reclassified to profit or loss			
Cash flow hedging adjustments			
Net change in fair value of hedging derivative financial instruments		**(24,954)**	(81,171)
Related income taxes		**6,612**	21,511
		(18,342)	(59,660)
Foreign currency translation adjustments			
Net foreign currency translation differences on a net investment in foreign operations		**(37,356)**	32,533
Net changes on translation of long-term debt designated as a hedge of a net investment in foreign operations		**9,867**	(20,754)
Realized foreign currency translation adjustments on disposal of a subsidiary		**—**	(29,809)
Related income taxes		**84**	1,256
		(27,405)	(16,774)
		(45,747)	(76,434)
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability or asset	*22*	**1,425**	(9,741)
Related income taxes		**(378)**	2,655
		1,047	(7,086)
		(44,700)	(83,520)
Comprehensive income for the year		**351,891**	348,768
Comprehensive income for the year attributable to:			
Owners of the Corporation		**338,076**	325,521
Non-controlling interest		**13,815**	23,247
		351,891	348,768

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2020 and 2019	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 19)		*(Note 20)*			
Balance at August 31, 2018	1,017,172	15,260	113,774	850,963	336,442	2,333,611
Profit for the year	—	—	—	415,353	16,935	432,288
Other comprehensive income (loss) for the year	—	—	(82,746)	(7,086)	6,312	(83,520)
Comprehensive income (loss) for the year	—	—	(82,746)	408,267	23,247	348,768
Issuance of subordinate voting shares under the Stock Option Plan	9,780	—	—	—	—	9,780
Share-based payment	—	5,913	—	—	—	5,913
Share-based payment previously recorded in share-based payment reserve for options exercised	1,717	(1,717)	—	—	—	—
Dividends (Note 19 C))	—	—	—	(103,708)	—	(103,708)
Purchase and cancellation of subordinate voting shares	(9,090)	—	—	(23,292)	—	(32,382)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,504)	—	—	—	—	(2,504)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	6,315	(5,930)	—	(385)	—	—
Total contributions by (distributions to) shareholders	6,218	(1,734)	—	(127,385)	—	(122,901)
Balance at August 31, 2019	**1,023,390**	**13,526**	**31,028**	**1,131,845**	**359,689**	**2,559,478**
Profit for the year	**—**	**—**	**—**	**375,174**	**21,417**	**396,591**
Other comprehensive income (loss) for the year	**—**	**—**	**(38,145)**	**1,047**	**(7,602)**	**(44,700)**
Comprehensive income (loss) for the year	**—**	**—**	**(38,145)**	**376,221**	**13,815**	**351,891**
Issuance of subordinate voting shares under the Stock Option Plan	**6,670**	**—**	**—**	**—**	**—**	**6,670**
Share-based payment	**—**	**7,164**	**—**	**—**	**—**	**7,164**
Share-based payment previously recorded in share-based payment reserve for options exercised	**1,129**	**(1,129)**	**—**	**—**	**—**	**—**
Dividends (Note 19 C))	**—**	**—**	**—**	**(112,275)**	**—**	**(112,275)**
Purchase and cancellation of subordinate voting shares	**(44,536)**	**—**	**—**	**(120,999)**	**—**	**(165,535)**
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	**3,953**	**(3,214)**	**—**	**(739)**	**—**	**—**
Total contributions by (distributions to) shareholders	**(38,427)**	**2,821**	**—**	**(234,013)**	**—**	**(269,619)**
Balance at August 31, 2020	**984,963**	**16,347**	**(7,117)**	**1,274,053**	**373,504**	**2,641,750**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, *(In thousands of Canadian dollars)*	*Notes*	2020 $	2019 $
Assets			
Current			
Cash and cash equivalents		**366,497**	556,504
Trade and other receivables	*23 A)*	**83,013**	75,652
Income taxes receivable		**3,283**	17,706
Prepaid expenses and other		**29,266**	22,740
		482,059	672,602
Non-current			
Other assets	*13*	**45,109**	40,020
Property, plant and equipment	*14*	**2,088,930**	2,007,610
Intangible assets	*15 A)*	**2,800,401**	2,850,844
Goodwill	*15 B)*	**1,381,024**	1,373,439
Deferred tax assets	*11*	**6,674**	6,564
		6,804,197	6,951,079
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**7,610**	—
Trade and other payables		**211,052**	260,481
Provisions	*16*	**33,864**	36,553
Income tax liabilities		**39,897**	16,693
Contract liabilities and other liabilities	*17*	**47,162**	43,395
Derivative financial instruments		**3,834**	—
Current portion of long-term debt	*18*	**29,569**	27,121
		372,988	384,243
Non-current			
Long-term debt	*18*	**3,087,033**	3,382,258
Derivative financial instruments		**67,375**	46,044
Contract liabilities and other liabilities	*17*	**10,965**	11,119
Pension plan liabilities and accrued employee benefits	*22*	**13,490**	14,355
Deferred tax liabilities	*11*	**610,596**	553,582
		4,162,447	4,391,601
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*19 B)*	**984,963**	1,023,390
Share-based payment reserve		**16,347**	13,526
Accumulated other comprehensive (loss) income	*20*	**(7,117)**	31,028
Retained earnings		**1,274,053**	1,131,845
		2,268,246	2,199,789
Equity attributable to non-controlling interest		**373,504**	359,689
		2,641,750	2,559,478
		6,804,197	6,951,079

Commitments, contingencies and guarantees (Note 25)
Subsequent events (Notes 25 B) and 26)

On behalf of the Board of Directors,

Louis Audet
Director

Joanne Ferstman
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, *(In thousands of Canadian dollars)*	*Notes*	**2020** **$**	2019 $
Cash flows from operating activities			
Profit for the year from continuing operations		**396,591**	356,908
Adjustments for:			
Depreciation and amortization	*9*	**499,238**	480,725
Financial expense	*10*	**131,093**	175,502
Income taxes	*11*	**112,321**	83,655
Share-based payment		**8,070**	7,226
(Gain) loss on disposals and write-offs of property, plant and equipment		**(515)**	2,770
Defined benefit plans contributions, net of expense		**(347)**	1,227
		1,146,451	1,108,013
Changes in non-cash operating activities	*21 A)*	**(55,194)**	(25,108)
Financial expense paid		**(153,434)**	(165,507)
Income taxes paid		**(20,004)**	(48,687)
		917,819	868,711
Cash flows from investing activities			
Acquisition of property, plant and equipment	*14*	**(483,990)**	(434,545)
Business combinations, net of cash and cash equivalents acquired	*6*	**(81,509)**	(38,876)
Proceeds on disposals of property, plant and equipment		**8,224**	2,343
		(557,275)	(471,078)
Cash flows from financing activities			
Increase (decrease) in bank indebtedness		**7,610**	(5,949)
Net decrease under the revolving facilities		**—**	(443,955)
Repayment of notes, debentures and credit facilities		**(269,169)**	(77,639)
Repayment of lease liabilities		**(4,905)**	—
Repayment of balance due on business combinations		**(3,228)**	(655)
Increase in deferred transaction costs		**(620)**	(2,210)
Issuance of subordinate voting shares	*19 B)*	**6,670**	9,780
Purchase and cancellation of subordinate voting shares	*19 B)*	**(165,535)**	(32,382)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*19 B)*	**(5,643)**	(2,504)
Dividends paid	*19 C)*	**(112,275)**	(103,708)
		(547,095)	(659,222)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(3,456)**	(439)
Net change in cash and cash equivalents from continuing operations		**(190,007)**	(262,028)
Net change in cash and cash equivalents from discontinued operations	*7*	**—**	733,807
Cash and cash equivalents, beginning of the year		**556,504**	84,725
Cash and cash equivalents, end of the year		**366,497**	556,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2020 and 2019

NATURE OF OPERATIONS

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

On April 30, 2019, the Corporation completed the sale of its Cogeco Peer 1 subsidiary (see Note 7).

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which as of August 31, 2020 held 32.7% of the Corporation's equity shares, representing 83% 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 1 Place Ville Marie, Suite 3301, Montréal, Québec, H3B 3N2.

1. BASIS OF PRESENTATION

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

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

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

The consolidated financial statements were approved by the Board of Directors of Cogeco Communications at its meeting held on October 27, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2020 consolidated financial statements presentation.

A) BASIS OF CONSOLIDATION

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

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

Operating segments and percentage of interest in the principal subsidiaries at August 31, 2020 are as follows:

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

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

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

B) BUSINESS COMBINATIONS

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

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

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

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

C) REVENUE RECOGNITION

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

Revenue is recognized applying the following five steps:

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

The Corporation's principal sources of revenue are recognized as follows:

Residential

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

Commercial

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment; and
- Revenue from colocation, network connectivity, hosting, cloud and managed services is recognized on a straight-line basis over the contractual period arrangement (pertaining to Cogeco Peer 1 discontinued operations - See Note 7).

Other

- Revenue mainly from advertising, which is recognized as the services are provided.

Multiple-element arrangements

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

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

Contract liabilities

The Corporation considers that installation and activation fees are not distinct performance obligations because a customer cannot benefit from it, on its own. Accordingly, for residential service customers, they are deferred and amortized as revenue over the period of time the fee remains material to the customer, which the Corporation estimates to be approximately six months. The estimate requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. For commercial service customers, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned over the term of the agreement.

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

Contract costs

Contract cost assets are recognized in the consolidated statement of financial position as *Other assets*, and are comprised of upfront fees paid to multiple-dwelling units as well as incremental costs of obtaining a contract. Upfront fees paid by the Corporation to multiple-dwelling units such as condo associations, in order to gain access to serve and market occupants of the dwelling, are recognized over the term of the contract, as a reduction of revenue. Costs to obtain a contract (such as sales commissions) are recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation, not exceeding four years.

D) PROPERTY, PLANT AND EQUIPMENT

Owned assets

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

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

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

Depreciation is recognized on a straight-line basis over the expected useful life of the asset [1], from the date the asset is ready for its intended use. Depreciation is calculated based on the depreciable amount, which is the cost of the asset less its residual value. Land is carried at cost and not depreciated.

Depreciation periods are as follows:

Buildings and leasehold improvements [1]	10 to 40 years
Networks and infrastructure [2]	3 to 20 years
Customer premise equipment	3 to 5 years
Vehicles and equipment [3]	3 to 10 years

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

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

(3) Vehicles and equipment includes vehicles, programming equipment, furniture and fixtures, computer and software and other equipments.

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

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

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

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

Right-of-use assets

Refer to accounting policy G) Leases.

E) INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired separately

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

Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of an intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value.

Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise only at cost net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives

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

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a customer's subscription, not exceeding eight years;
- Spectrum licenses are amortized over the initial non-cancellable term of the licenses, not exceeding ten years.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They are comprised of Cable Distribution Undertaking Broadcasting Licenses and Franchises ("Cable Distribution Licenses"). Cable Distribution Licenses are comprised of broadcast authorities' licenses and exemptions from licensing that allow access to homes and customers in a specific area. The Corporation has concluded that the Cable Distribution Licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Corporation reviews at the end of each reporting period whether events and circumstances continue to support the indefinite useful life assessment. Intangible assets with indefinite useful lives are not amortized.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is not amortized.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Corporation assesses whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if there is an indication of impairment.

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

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

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

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

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

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

G) LEASES

At inception, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of the lease, i.e. the date the underlying asset is available for use, the Corporation recognizes a lease liability with a corresponding right-of-use asset, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the lesser of the estimated useful life of the underlying assets and the lease term. The lease term consists of the non-cancellable period of the lease, the period covered by extension options which are reasonably certain to be exercised and the period covered by termination options which are reasonably certain not to be exercised. They are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term, discounted using the Corporation's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The Corporation applies a single discount rate to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee;
- payments relating to purchase options and renewal option periods that are reasonably certain to be exercised; and
- penalties for early termination of a lease that is reasonably certain to be exercised.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities but instead recognized as expenses in the period in which the event that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a modification to the lease terms and conditions, a change in the amount expected to be payable under a residual value guarantee or when there is a change in the assessment of whether purchase, renewal or termination options will be exercised. The remeasurement amount of the lease liabilities is recognized as a corresponding adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

The Corporation elected not to separate fixed non-lease components and account for the lease and any fixed non-lease components as a single lease component, for certain classes of underlying assets, such as for land and buildings.

H) INCOME TAXES

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

Current tax

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

Deferred tax

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

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

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

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

I) PROVISIONS

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

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

J) SHARE-BASED PAYMENT

Equity-settled awards

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

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

Cash-settled awards

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

K) EMPLOYEE BENEFITS

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

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

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

The service cost recognized in profit or loss comprises:

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

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

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

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

L) FOREIGN CURRENCY TRANSLATION

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

Foreign currency transactions

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

Foreign operations

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

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

The Corporation designated a portion of its US dollar denominated debt as a hedging item in a net investment hedge in its US subsidiary. The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Corporation's functional currency. Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. The hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiary becomes lower than the amount of the related hedging instruments. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged portion of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to profit or loss as part of the profit or loss on disposal.

M) FINANCIAL INSTRUMENTS

Classification and measurement

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

Subsequent to initial recognition, the classification of non-derivative financial instruments, based on their method of measurement, is as follows:

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

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

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

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

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

Derivative financial instruments, including hedge accounting

The Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation also uses equity swap agreements, which are not designated as hedging relationships, in order to manage cash flow exposures related to settling DSUs. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below, except for equity swap instruments whereby the changes are recorded in operating expenses. Net receipts or payments arising from derivative financial instruments are recognized as financial expense.

The Corporation has elected to apply the hedge accounting requirements of IAS 39, *Financial instruments: recognition and measurement*. On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedging transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship and measure the ineffectiveness. There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate hedges match the terms of the respective variable rate loans (i.e., notional amount, maturity, payment and reset dates). The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedging relationship are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. The main source of ineffectiveness in the hedge relationships relates to the effect of the counterparties and the Corporation’s own credit risk on the fair value of the interest rate swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

Cash flow hedge accounting

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

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

Embedded derivatives

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

Impairment of financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter into bankruptcy. The Corporation considers evidence of impairment for receivables at both the specific asset level and on an aggregate basis. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are assessed for impairment on an aggregate basis by grouping together receivables with similar risk characteristics.
An impairment loss, with respect to receivables assessed on an aggregate basis, is measured based on the lifetime expected credit loss model which is an estimate of all possible default events over the expected life of the financial instrument. An impairment loss is recognized in profit or loss and reflected in an allowance account presented in reduction of receivables.

N) GOVERNMENT ASSISTANCE

Government assistance is recognized when there is reasonable assurance that it will be received and the Corporation will comply with all of the conditions associated with the assistance. Government grants related to an expense are recognized as a reduction of related expense for which the grant is intended to compensate. Government grants related to an asset are recognized as a deduction of the cost of the related asset.

O) CASH AND CASH EQUIVALENTS

Cash and cash equivalents, if any, include cash and highly liquid investments that have an original maturity of three months or less. It consists solely of cash in banks as at August 31, 2020 and 2019.

P) EARNINGS PER SHARE

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

Q) SEGMENT REPORTING

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

R) ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

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

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

- **Business combinations**

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

- **Revenue from contracts with customers**

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

- **Provisions**

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

- **Contingencies**

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

- **Measurement of non-financial assets**

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

- **Deferred taxes**

  Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences (see Note 11).

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

3. ACCOUNTING POLICY DEVELOPMENTS

A) ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO 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 ("ROU") 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 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. The impact upon adoption of IFRS 16, relative to leases that have previously been accounted for as operating leases, represents 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 assets) and an increase in *Financial expense* (due to the accretion of the lease liabilities), 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 impact on the Corporation's consolidated statement of cash flows represents an increase in cash flows from operating activities and a decrease in cash flows from financing activities. 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 previously presented as an operating activities cash flow use.

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; and
- 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 [(1)]	22,601	4,566	27,167
Long-term debt	3,382,258	39,877	3,422,135
Trade and other payables	260,481	(2,462)	258,019

(1) Excluding *Balance due on business combinations*.

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; and
- 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.

Amendments to IFRS 16

In May 2020, the IASB amended IFRS 16, *Leases* to include a practical expedient which permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Corporation adopted these amendments on June 1, 2020 and elected to apply the practical expedient to all eligible rent concessions. The adoption of these amendments had no impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Phase 1)

In September 2019, the IASB amended IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, and IFRS 7, *Financial instruments: disclosures*, to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the interest rate benchmark reform. In addition, the amendments to IFRS 7 provide specific disclosure requirements regarding the uncertainty arising from the interest rate benchmark reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Corporation early adopted these amendments for its fiscal year beginning September 1, 2019. The adoption of these amendments had no material impact on the Corporation's consolidated financial statements.

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 interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Corporation adopted this interpretation for the annual period beginning on September 1, 2019. The adoption of this interpretation had no impact on the consolidated financial statements.

B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, interpretations and amendments to existing standards were issued by the IASB or the IFRS Interpretations Committee that are mandatory but not yet effective for the year ended August 31, 2020, and have not been applied in preparing these consolidated financial statements. The following amendments to standards may have an impact on future consolidated financial statements of the Corporation:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Phase 2)	In August 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, IFRS 7, *Financial instruments: disclosures*, IFRS 4, *Insurance contracts* and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation is in the process of determining the extent of the impact of this change on its consolidated financial statements.
Amendments to IFRS 3	In October 2018, the IASB amended IFRS 3, *Business combinations* to clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are applicable to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future business combinations.

4. REVENUE

	Canadian broadband services		American broadband services		Consolidated	
Years ended August 31,	**2020**	2019	**2020**	2019	**2020**	2019
(In thousands of Canadian dollars)	**$**	$	**$**	$	**$**	$
Residential [(1)]	**1,153,403**	1,164,479	**938,872**	885,688	**2,092,275**	2,050,167
Commercial	**133,164**	130,226	**132,360**	123,541	**265,524**	253,767
Other	**1,205**	262	**25,279**	27,624	**26,484**	27,886
	1,287,772	1,294,967	**1,096,511**	1,036,853	**2,384,283**	2,331,820

(1) Includes revenue from Internet, video and telephony residential customers, bulk residential customers and Internet resellers customers.

5. 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 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*. Transactions between operating segments are measured at the amounts agreed to between the parties.

Year ended August 31, 2020	**Canadian broadband services**	**American broadband services**	**Other** (2)	**Consolidated**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Revenue	**1,287,772**	**1,096,511**	**—**	**2,384,283**
Operating expenses	**587,752**	**600,425**	**23,245**	**1,211,422**
Management fees – Cogeco Inc.	**—**	**—**	**24,132**	**24,132**
Segment profit (loss)	**700,020**	**496,086**	**(47,377)**	**1,148,729**
Integration, restructuring and acquisition costs (1)				**9,486**
Depreciation and amortization				**499,238**
Financial expense				**131,093**
Profit before income taxes				**508,912**
Income taxes				**112,321**
Profit for the year from continuing operations				**396,591**
Acquisition of property, plant and equipment	**248,582**	**231,422**	**3,986**	**483,990**

(1) Comprised primarily of costs associated with organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

(2) Includes corporate activities and eliminations of intersegment transactions included in each segment's operating results.

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

(1) Comprised of costs related to an operational optimization program that included a voluntary departure program and costs related to the FiberLight network acquisition and integration.

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

Segmented information

				At August 31, 2020
	Canadian broadband services	**American broadband services**	**Other**	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Property, plant and equipment	**1,142,894**	**939,760**	**6,276**	**2,088,930**
Intangible assets	**1,004,408**	**1,795,993**	**—**	**2,800,401**
Goodwill	**8,807**	**1,372,217**	**—**	**1,381,024**

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

Geographic market information

(In thousands of Canadian dollars)	Canada	United States	Total
			At August 31, 2020
	$	$	$
Property, plant and equipment	1,149,170	939,760	2,088,930
Intangible assets	1,004,408	1,795,993	2,800,401
Goodwill	8,807	1,372,217	1,381,024

(In thousands of Canadian dollars)	Canada	United States	Total
			At August 31, 2019
	$	$	$
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

6. BUSINESS COMBINATIONS

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 $67 million (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 were subject to post closing adjustments. The final allocation of the purchase price of these acquisitions is as follows:

			At August 31, 2020		At May 31, 2020
	Thames Valley Communications	iTéract	TOTAL	Thames Valley Communications	iTéract
	Final	Final	Final	Preliminary	Preliminary
(In thousands of Canadian dollars)	$	$	$	$	$
Purchase price					
Consideration paid at closing	70,982	14,399	85,381	70,982	14,399
Balance due on a business combination	—	1,600	1,600	—	1,600
Working capital adjustments	—	(198)	(198)	—	—
	70,982	15,801	86,783	70,982	15,999
Net assets acquired					
Cash and cash equivalents acquired	3,631	43	3,674	3,631	5
Current assets	1,500	27	1,527	1,500	18
Property, plant and equipment	18,435	3,023	21,458	19,401	2,936
Intangible assets	31,003	12,449	43,452	6,391	12,468
Goodwill (1)	30,744	4,145	34,889	44,747	4,171
Current liabilities	(2,706)	(256)	(2,962)	(2,945)	(238)
Deferred tax liabilities	(11,625)	(3,630)	(15,255)	(1,743)	(3,361)
	70,982	15,801	86,783	70,982	15,999

(1) The goodwill recorded on these acquisitions is mainly attributable to the expected growth in both residential and business services, and to the expertise of the workforce, and is not deductible for tax purposes. Goodwill arising from the acquisition of Thames Valley Communications was allocated to the American broadband services segment, while goodwill arising from the acquisition of iTéract was allocated to the Canadian broadband services segment.

BUSINESS COMBINATION IN FISCAL 2019

Purchase of a fibre network and corresponding assets

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

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

	At August 31, 2019
	Final
(In thousands of Canadian dollars)	$
Purchase price	
Consideration paid at closing	38,876
Balance due on business combinations	5,005
	43,881
Net assets acquired	
Current assets	1,643
Property, plant and equipment	28,785
Intangible assets	3,978
Goodwill	11,093
Current liabilities	(1,618)
	43,881

7. DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATIONS

Disposal of a subsidiary in fiscal 2019

On April 30, 2019, the Corporation completed the sale of Cogeco Peer 1, its Business ICT services subsidiary. The results and cash flows of Cogeco Peer 1 are presented as discontinued operations separate from the Corporation's continuing operations. As a result of the sale, the Corporation recognized the following gain on disposal in the consolidated statement of profit or loss for the year ended August 31, 2019:

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

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

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

The profit of the discontinued operations was as follows:

Year ended August 31,	2019 [1]
(In thousands of Canadian dollars)	$
Revenue	174,990
Operating expenses	132,390
Depreciation and amortization	43,999
Financial expense	(1,304)
Gain on disposal of a subsidiary	(84,364)
Profit before income taxes	84,269
Income taxes	8,889
Profit for the year from discontinued operations	75,380

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

The cash flows of the discontinued operations were as follows:

Year ended August 31,	2019 [1]
(In thousands of Canadian dollars)	$
Cash flows from operating activities	41,962
Cash flows from investing activities	691,729
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	116
Net change in cash and cash equivalents from discontinued operations	733,807

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

8. OPERATING EXPENSES

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Salaries, employee benefits and outsourced services	374,411	345,041
Service delivery costs [1]	660,257	661,214
Customer related costs [2]	84,798	83,401
Other external purchases [3]	91,956	114,324
	1,211,422	1,203,980

(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.

9. DEPRECIATION AND AMORTIZATION

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Depreciation of property, plant and equipment [1]	440,221	423,432
Amortization of intangible assets	59,017	57,293
	499,238	480,725

(1) Includes depreciation of right-of-use assets amounting to $6.7 million for the year ended August 31, 2020.

10. FINANCIAL EXPENSE

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Interest on long-term debt, excluding interest on lease liabilities	156,911	176,798
Interest on lease liabilities	1,520	—
Gain on debt modification [1]	(22,898)	—
Net foreign exchange loss (gain)	198	(2,744)
Amortization of deferred transaction costs	1,106	1,836
Capitalized borrowing costs [2]	(584)	(690)
Other	(5,160)	302
	131,093	175,502

(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 years ended August 31, 2020 and 2019, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

11. INCOME TAXES

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Current	57,632	53,361
Deferred	54,689	30,294
	112,321	83,655

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

Years ended August 31,	2020	2019
(in thousands of Canadian dollars)	$	$
Profit before income taxes	508,912	440,563
Combined Canadian income tax rate	26.50 %	26.50 %
Income taxes at combined Canadian income tax rate	134,862	116,749
Difference in operations' statutory income tax rates	2,167	1,466
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(443)	(565)
Tax impacts related to foreign operations	(24,135)	(28,633)
Other	(130)	(5,362)
Income taxes at effective income tax rate	112,321	83,655

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

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Property, plant and equipment	(257,272)	(205,251)
Intangible assets and goodwill	(548,666)	(514,233)
Contract liabilities and other liabilities	13,607	15,214
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	153,000	135,205
Other	35,409	22,047
Net deferred tax liabilities	(603,922)	(547,018)
Consolidated financial statements presentation:		
Deferred tax assets	6,674	6,564
Deferred tax liabilities	(610,596)	(553,582)
Net deferred tax liabilities	(603,922)	(547,018)

The movements in deferred tax asset and liability balances during fiscal 2020 and 2019 were as follows:

Year ended August 31, 2020	**Balance beginning of the year**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisition through business combinations**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**	**$**
Property, plant and equipment [(1)]	**(205,251)**	**(52,426)**	**—**	**(3,574)**	**3,979**	**(257,272)**
Intangible assets and goodwill	**(514,233)**	**(29,134)**	**—**	**(11,681)**	**6,382**	**(548,666)**
Contract liabilities and other liabilities	**15,214**	**(1,574)**	**—**	**—**	**(33)**	**13,607**
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**135,205**	**21,083**	**—**	**—**	**(3,288)**	**153,000**
Other [(1)]	**22,047**	**7,362**	**6,318**	**—**	**(318)**	**35,409**
	(547,018)	**(54,689)**	**6,318**	**(15,255)**	**6,722**	**(603,922)**

(1) The net income tax effect of IFRS 16 adoption on Property, plant and equipment and Other (lease liabilities) is nil.

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

At August 31, 2020, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these consolidated financial statements, unless indicated otherwise. The benefits represent the amount expected to be realized, based on management's assessment of the Corporation's projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others. These losses expire as follows:

	2025	2026	2027	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$
United States	**43,765**	**71,973**	**38,928**	**480,642**	**635,308**

The Corporation and its subsidiaries also had accumulated capital losses in Canada amounting to $1,146 million which can be carried forward indefinitely and used against Canadian capital gains, and $93 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

12. EARNINGS PER SHARE

The following table provides the components used in the calculation of basic and diluted earnings per share:

Years ended August 31,	**2020**	2019
(In thousands of Canadian dollars, except number of shares)	**$**	$
Profit for the year from continuing operations attributable to owners of the Corporation	**375,174**	339,973
Profit for the year from discontinued operations attributable to owners of the Corporation	**—**	75,380
Profit for the year attributable to owners of the Corporation	**375,174**	415,353
Weighted average number of multiple and subordinate voting shares outstanding	**48,496,273**	49,359,124
Effect of dilutive stock options [(1)]	**237,696**	181,471
Effect of dilutive incentive share units	**74,360**	95,816
Effect of dilutive performance share units	**112,776**	133,757
Weighted average number of diluted multiple and subordinate voting shares outstanding	**48,921,105**	49,770,168

(1) For the year ended August 31, 2020, 199,125 stock options (185,635 in 2019) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

13. OTHER ASSETS

At August 31, *(In thousands of Canadian dollars)*	2020 $	2019 $
Contract costs [(1)]	**42,070**	36,372
Transaction costs	**2,512**	3,121
Other	**527**	527
	45,109	40,020

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

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

Years ended August 31, *(In thousands of Canadian dollars)*	2020 $	2019 $
Balance, beginning of the year	**36,372**	35,328
Additions	**17,890**	17,666
Amortization	**(11,525)**	(8,972)
Foreign currency translation adjustments	**(667)**	422
Discontinued operations	**—**	(8,072)
Balance, end of the year	**42,070**	36,372

14. PROPERTY, PLANT AND EQUIPMENT

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Owned assets	**2,043,406**	2,007,610
Right-of-use assets	**45,524**	—
	2,088,930	2,007,610

A) OWNED ASSETS

During fiscal 2020 and 2019, owned assets variations were as follows:

Years ended August 31, 2020 and 2019	Land, buildings and leasehold improvements	Networks and infrastructure	Data centre equipment	Customer premise equipment	Vehicles and equipment	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at August 31, 2018	263,054	3,896,470	340,377	725,059	486,409	5,711,369
Acquisitions through business combinations	—	28,785	—	—	—	28,785
Additions	6,292	289,417	—	84,892	53,944	434,545
Disposals and write-offs	(4)	(8,675)	—	(43,233)	(2,764)	(54,676)
Foreign currency translation adjustments	545	21,161	—	3,850	1,549	27,105
Discontinued operations	(142,615)	(321,089)	(340,377)	—	(85,148)	(889,229)
Balance at August 31, 2019	**127,272**	**3,906,069**	**—**	**770,568**	**453,990**	**5,257,899**
Reclassified to ROU assets upon adoption of IFRS 16	**—**	**(9,576)**	**—**	**—**	**—**	**(9,576)**
Acquisitions through business combinations	**921**	**19,634**	**—**	**449**	**209**	**21,213**
Additions [(1)]	**8,454**	**301,306**	**—**	**115,875**	**57,064**	**482,699**
Disposals and write-offs	**(7,337)**	**(9,234)**	**—**	**(35,772)**	**(2,876)**	**(55,219)**
Foreign currency translation adjustments	**(501)**	**(29,303)**	**—**	**(5,796)**	**(2,488)**	**(38,088)**
Balance at August 31, 2020	**128,809**	**4,178,896**	**—**	**845,324**	**505,899**	**5,658,928**
Accumulated depreciation and impairment losses						
Balance at August 31, 2018	107,829	2,265,479	174,960	510,220	329,203	3,387,691
Depreciation expense	7,115	280,437	—	88,393	47,487	423,432
Disposals and write-offs	(4)	(5,541)	—	(41,623)	(2,395)	(49,563)
Foreign currency translation adjustments	180	8,512	—	1,605	631	10,928
Discontinued operations	(55,646)	(212,737)	(174,960)	—	(78,856)	(522,199)
Balance at August 31, 2019	**59,474**	**2,336,150**	**—**	**558,595**	**296,070**	**3,250,289**
Reclassified to ROU assets upon adoption of IFRS 16	**—**	**(1,688)**	**—**	**—**	**—**	**(1,688)**
Depreciation expense	**6,699**	**287,767**	**—**	**88,535**	**50,514**	**433,515**
Disposals and write-offs	**(3,750)**	**(6,364)**	**—**	**(34,809)**	**(2,582)**	**(47,505)**
Foreign currency translation adjustments	**(313)**	**(15,044)**	**—**	**(2,650)**	**(1,082)**	**(19,089)**
Balance at August 31, 2020	**62,110**	**2,600,821**	**—**	**609,671**	**342,920**	**3,615,522**
Carrying amounts						
At August 31, 2019	67,798	1,569,919	—	211,973	157,920	2,007,610
At August 31, 2020	**66,699**	**1,578,075**	**—**	**235,653**	**162,979**	**2,043,406**

(1) In fiscal 2020, the Corporation received $1.6 million of government assistance, which was accounted for as a deduction of the cost of property, plant and equipment.

B) RIGHT-OF-USE ASSETS

During fiscal 2020, right-of-use assets variations were as follows:

Year ended August 31, 2020	Land and buildings	Other [1]	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2019	—	—	—
Reclassified upon adoption of IFRS 16	—	7,888	7,888
IFRS 16 transition	41,540	441	41,981
Acquisitions through business combinations	184	61	245
Additions [2]	1,879	1,305	3,184
Modifications	(117)	—	(117)
Disposals and write-offs	(521)	—	(521)
Depreciation expense	(5,878)	(828)	(6,706)
Foreign currency translation adjustments	(224)	(206)	(430)
Balance at August 31, 2020	36,863	8,661	45,524

(1) Includes right-of-use assets pertaining to networks and infrastructure, and vehicles and equipment.

(2) Includes $1.3 million of indefeasible rights of use paid.

15. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2020 and 2019, intangible assets variations were as follows:

	Finite useful life			Indefinite useful life		
Years ended August 31, 2020 and 2019	Customer relationships	Spectrum Licenses	Other	Cable Distribution Licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at August 31, 2018	594,872	32,306	1,251	2,583,601	25,934	3,237,964
Acquisitions through business combinations	3,978	—	—	—	—	3,978
Foreign currency translation adjustments	7,683	—	—	29,720	—	37,403
Discontinued operations	(173,317)	—	(1,251)	—	(25,934)	(200,502)
Balance at August 31, 2019	433,216	32,306	—	2,613,321	—	3,078,843
Acquisitions through business combinations	9,112	10,000	—	24,340	—	43,452
Foreign currency translation adjustments	(8,392)	—	—	(32,324)	—	(40,716)
Balance at August 31, 2020	433,936	42,306	—	2,605,337	—	3,081,579
Accumulated amortization and impairment losses						
Balance at August 31, 2018	308,930	897	749	—	—	310,576
Amortization expense	53,706	3,587	—	—	—	57,293
Foreign currency translation adjustments	3,047	—	—	—	—	3,047
Discontinued operations	(142,168)	—	(749)	—	—	(142,917)
Balance at August 31, 2019	223,515	4,484	—	—	—	227,999
Amortization expense	55,096	3,921	—	—	—	59,017
Foreign currency translation adjustments	(5,838)	—	—	—	—	(5,838)
Balance at August 31, 2020	272,773	8,405	—	—	—	281,178
Carrying amounts						
At August 31, 2019	209,701	27,822	—	2,613,321	—	2,850,844
At August 31, 2020	161,163	33,901	—	2,605,337	—	2,800,401

B) GOODWILL

During fiscal 2020 and 2019, goodwill variations were as follows:

Years ended August 31, 2020 and 2019 *(In thousands of Canadian dollars)*	$
Cost	
Balance at August 31, 2018	2,031,679
Acquisitions through business combinations	11,093
Foreign currency translation adjustments	24,903
Discontinued operations	(694,236)
Balance at August 31, 2019	**1,373,439**
Acquisitions through business combinations	**34,889**
Foreign currency translation adjustments	**(27,304)**
Balance at August 31, 2020	**1,381,024**
Accumulated impairment losses	
Balance at August 31, 2018	423,233
Discontinued operations	(423,233)
Balance at August 31, 2019	**—**
Balance at August 31, 2020	**—**
Carrying amounts	
At August 31, 2019	1,373,439
At August 31, 2020	**1,381,024**

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

At August 31,	**2020**		2019	
Operating segments / CGUs	**Goodwill**	**Cable Distribution Licenses**	Goodwill	Cable Distribution Licenses
(In thousands of Canadian dollars)	**$**	**$**	$	$
Canadian broadband services	**8,807**		4,662	
Ontario		**857,696**		857,696
Québec		**109,304**		109,304
American broadband services	**1,372,217**		1,368,777	
Southern Florida		**243,885**		248,617
South Carolina		**40,430**		41,215
Pennsylvania		**499,770**		509,465
Delaware/Maryland/Virginia		**410,432**		418,394
Eastern Connecticut		**117,248**		95,723
New Hampshire/Maine		**326,572**		332,907
Total	**1,381,024**	**2,605,337**	1,373,439	2,613,321

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

At June 30, 2020 and 2019, the Corporation performed impairment tests for all its CGUs within the Canadian and American broadband services segments. The recoverable amount of each CGU was calculated based on the value in use and was determined to be higher than its carrying amount and no impairment loss has been recognized for the years ended August 31, 2020 and 2019.

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

	2020		2019	
	Pre-tax discount rate	**Terminal growth rate**	Pre-tax discount rate	Terminal growth rate
Operating segments	**%**	**%**	%	%
Canadian broadband services	**8.3**	**2.0**	10.0	2.0
American broadband services	**8.1 to 9.3**	**2.5 to 3.0**	7.8 to 9.1	2.5 to 3.0

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

	Increase in pre-tax discount rate	**Decrease in terminal growth rate**
Operating segments	**%**	**%**
Canadian broadband services	(1)	(1)
American broadband services	**0.6 to 11.0**	**0.9 to 48.0**

(1) The recoverable amount of the Canadian broadband services CGUs exceeds the corresponding carrying value. No reasonable changes in the discount rate or in the terminal growth rate, used in the impairment test performed, would have caused the recoverable amount to equal the carrying value of the Canadian broadband services CGUs.

16. PROVISIONS

During fiscal 2020, provisions variations were as follows:

Year ended August 31, 2020	Withholding and stamp taxes (1)	Programming and content costs (2)	Other (3)	Total
(In thousands of Canadian dollars)	$	$	$	$
Balance, beginning of the year	6,977	13,585	15,991	36,553
Provisions made during the year	—	11,225	1,437	12,662
Provisions used during the year	—	(1,313)	(70)	(1,383)
Provisions reversed during the year	—	(9,438)	(4,935)	(14,373)
Foreign currency translation adjustments	450	(30)	(15)	405
Balance, end of the year	7,427	14,029	12,408	33,864

(1) The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a subsidiary by the Corporation.

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

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

17. CONTRACT LIABILITIES AND OTHER LIABILITIES

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Advance billings	38,629	36,085
Deferred customer connection fees	18,005	17,642
Customer deposits and prepayments	1,221	536
Contract liabilities	57,855	54,263
Other liabilities	272	251
	58,127	54,514
Current	47,162	43,395
Non-current	10,965	11,119

During fiscal 2020 and 2019, contract liabilities variations were as follows:

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	54,263	77,744
Revenue deferred in the previous period and recognized in the current period	(43,200)	(38,879)
Net additions arising from operations	46,815	40,044
Additions arising from business combinations	718	454
Foreign currency translation adjustments	(741)	584
Discontinued operations	—	(25,684)
Balance, end of the year	57,855	54,263

18. LONG-TERM DEBT

At August 31, *(In thousands of Canadian dollars)*	2020 $	2019 $
Notes, debentures and credit facilities	**3,072,511**	3,404,859
Lease liabilities	**41,235**	—
Balance due on business combinations	**2,856**	4,520
	3,116,602	3,409,379
Less current portion	**29,569**	27,121
	3,087,033	3,382,258

A) Notes, debentures and credit facilities

At August 31, *(In thousands of Canadian dollars, except percentages)*	Maturity	Interest rate %	2020 $	2019 $
Corporation				
Term Revolving Facility [a)]	January 2025	—	**—**	—
Senior Secured Notes [b)]				
Series A - US$25 million	September 2024	4.14	**32,538**	33,155
Series B - US$150 million	September 2026	4.29	**195,123**	198,845
Senior Secured Notes - US$215 million [c)]	June 2025	4.30	**279,687**	284,996
Senior Secured Debentures Series 2 [d)]	—	—	**—**	199,744
Senior Secured Debentures Series 3 [e)]	February 2022	4.93	**199,671**	199,457
Senior Secured Debentures Series 4 [f)]	May 2023	4.18	**299,027**	298,697
Subsidiaries				
First Lien Credit Facilities [g)]				
Senior Secured Term Loan B Facility - US$1,626.8 million (US$1,678.8 million in 2019)	January 2025	2.16 [(1) (2)]	**2,066,465**	2,189,965
Senior Secured Revolving Facility	July 2024	—	**—**	—
			3,072,511	3,404,859
Less current portion			**22,171**	22,601
			3,050,340	3,382,258

(1) Interest rate on debt includes applicable credit spread. On February 3, 2020, a US subsidiary of 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%.

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

a) The Corporation has a Term Revolving Facility of $750 million with a syndicate of lenders. On December 6, 2019, the Corporation reduced the facility from $800 million to $750 million and the maturity was extended until January 24, 2025 and can be further extended annually. The amended and restated Term Revolving Facility is available in Canadian dollars, US dollars, Euros and British Pounds and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds, plus the applicable credit spread. The Term Revolving Facility provides access to a swingline with a limit of $30 million. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of the Corporation and its subsidiaries, except for the unrestricted subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of the Corporation and its subsidiaries, except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as the incurrence and maintenance of certain financial ratios primarily linked to EBITDA from continuing operations, adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA").

b) On August 27, 2014, the Corporation completed pursuant to a private placement, the issuance of US$25 million Senior Secured Notes Series A and of US$150 million Senior Secured Notes Series B. The Senior Secured Notes Series A bear interest at 4.14% per annum payable semi-annually and mature on September 1, 2024, and the Senior Secured Notes Series B bear interest at 4.29% per annum payable semi-annually and mature on September 1, 2026. The Senior Secured Notes Series A and B are redeemable at any time at Cogeco Communications' option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

c) On June 27, 2013, the Corporation completed pursuant to a private placement, the issuance of US$215 million Senior Secured Notes. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2025. The Senior Secured Notes are redeemable at the Corporation's option at any time, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

d) On November 16, 2010, the Corporation completed pursuant to a public debt offering, the issuance of $200 million Senior Secured Debentures Series 2. These debentures bore interest at 5.15% per annum payable semi-annually and were maturing on November 16, 2020. On July 20, 2020, the Corporation proceeded with the early redemption of these debentures. A redemption premium of $2.8 million was charged to financial expense in fiscal 2020, in connection with the early redemption.

e) On February 14, 2012, the Corporation completed pursuant to a public debt offering, the issuance of $200 million Senior Secured Debentures Series 3. These debentures mature on February 14, 2022 and bear interest at 4.93% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

f) On May 27, 2013, the Corporation completed pursuant to a public debt offering, the issuance of $300 million Senior Secured Debentures Series 4. These debentures mature on May 26, 2023 and bear interest at 4.18% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

g) On January 4, 2018, in connection with the financing of the MetroCast acquisition, a $2.1 billion (US$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a $188 million (US$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' US subsidiaries. On December 6, 2019, the maturity date of the US$150 million Senior Secured Revolving Facility was extended by an additional 18 months until July 4, 2024.

The interest rate on these First Lien Credit Facilities is based on LIBOR plus an applicable credit spread. Commencing in August 2018, the Senior Secured Term Loan B is subject to a quarterly amortization of 0.25% until its maturity date. In addition to the quarterly amortization, the loan shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year as defined below and such payments are starting in fiscal 2020, if applicable.

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

Atlantic Broadband's leverage ratio was below 4.6 as of August 31, 2020, therefore no excess cash flow prepayments are applicable in fiscal 2021. The First Lien Credit Facilities are non-recourse to the Corporation and most of its Canadian subsidiaries, and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

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% and the weighted average lease term was approximately 6.7 years, as at August 31, 2020.

At August 31, 2020	
(In thousands of Canadian dollars)	**$**
Lease liabilities	**41,235**
Less current portion	**4,542**
	36,693

Total expenses of $16.4 million have been recognized during fiscal 2020 relating primarily to variable lease payments not included in the measurement of lease liabilities.

19. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

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

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

At August 31,	**2020**	2019
(In thousands of Canadian dollars, except number of shares)	**$**	$
15,691,100 multiple voting shares	**98,346**	98,346
32,231,433 subordinate voting shares (33,717,668 at August 31, 2019)	**902,896**	939,633
	1,001,242	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)
115,222 subordinate voting shares held in trust under the Performance Share Unit Plan (118,667 at August 31, 2019)	**(9,933)**	(9,180)
	984,963	1,023,390

During fiscal 2020 and 2019, subordinate voting share transactions were as follows:

Years ended August 31,		**2020**		2019
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**33,717,668**	**939,633**	33,874,114	937,226
Shares issued for cash under the Stock Option Plan	**105,765**	**6,670**	170,754	9,780
Share-based payment previously recorded in share-based payment reserve for options exercised	**—**	**1,129**	—	1,717
Purchase and cancellation of subordinate voting shares (1)	**(1,592,000)**	**(44,536)**	(327,200)	(9,090)
Balance, end of the year	**32,231,433**	**902,896**	33,717,668	939,633

(1) During fiscal 2020, under its Normal Course Issuer Bid ("NCIB") program, the Corporation purchased and cancelled 1,592,000 (327,200 in 2019) subordinate voting shares with an average stated value of $44.5 million ($9.1 million in 2019), for consideration of $165.5 million ($32.4 million in 2019). The excess of the purchase price over the average stated value of the shares totaled $121.0 million ($23.3 million in 2019) and was charged to retained earnings.

NORMAL COURSE ISSUER BID

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.

During fiscal 2020 and 2019, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		2020		2019
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	76,935	5,409	111,717	7,569
Subordinate voting shares acquired	21,290	2,437	9,688	864
Subordinate voting shares distributed to employees	(21,268)	(1,500)	(44,470)	(3,024)
Balance, end of the year	76,957	6,346	76,935	5,409

During fiscal 2020 and 2019, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Years ended August 31,		2020		2019
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	118,667	9,180	143,377	10,831
Subordinate voting shares acquired	28,005	3,206	18,609	1,640
Subordinate voting shares distributed to employees	(31,450)	(2,453)	(43,319)	(3,291)
Balance, end of the year	115,222	9,933	118,667	9,180

C) DIVIDENDS

For the year ended August 31, 2020, quarterly eligible dividends of $0.58 per share, for a total of $2.32 per share or $112.3 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.525 per share, for a total of $2.10 per share or $103.7 million, for the year ended August 31, 2019.

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Dividends on multiple voting shares	36,403	32,951
Dividends on subordinate voting shares	75,872	70,757
	112,275	103,708

At its October 27, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.64 per share for multiple voting and subordinate voting shares, payable on November 24, 2020 to shareholders of record on November 10, 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 ("Board").

Stock purchase plan

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

Stock option plan

A total of 3,432,500 subordinate voting shares are reserved for the purpose of the Stock Option Plan. The minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

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

Years ended August 31,		2020		2019
	Options	Weighted average exercise price	Options	Weighted average exercise price
(In Canadian dollars, except number of options)		$		$
Outstanding, beginning of the year	715,614	65.93	819,393	65.27
Granted [(1)]	207,150	114.19	201,525	65.62
Exercised [(2)]	(105,765)	63.07	(170,754)	57.28
Cancelled	(30,200)	79.67	(134,550)	72.43
Outstanding, end of the year	786,799	78.49	715,614	65.93
Exercisable, end of the year	291,294	59.99	264,374	55.99

(1) For the year ended August 31, 2020, the Corporation granted 110,875 (97,725 in 2019) stock options to Cogeco's executive officers as executive officers of the Corporation.

(2) The weighted average share price for options exercised during the year was $110.44 ($92.43 in 2019).

At August 31, 2020, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

At August 31, 2020			Options outstanding		Options exercisable
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$		(years)	$		$
38.08 to 50.10	115,199	2.42	45.68	115,199	45.68
50.11 to 64.20	130,075	5.58	61.89	78,185	61.66
64.21 to 85.00	184,465	7.34	65.91	52,085	66.80
85.01 to 114.30	357,060	8.32	101.63	45,825	85.36
	786,799	6.77	78.49	291,294	59.99

The weighted average fair value of stock options granted for the period ended August 31, 2020 was $18.43 ($9.60 in 2019) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

Years ended August 31,	2020	2019
	%	%
Expected dividend yield	2.07	3.18
Expected volatility [(1)]	20.51	20.37
Risk-free interest rate	1.53	2.42
Expected life (in years)	5.9	6.0

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

A compensation expense of $0.8 million ($0.4 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

ISU plan

The Corporation offers to its executive officers and designated employees an Incentive Share Unit ("ISU") Plan. According to this plan, executive officers and designated employees periodically receive a given number of ISUs which entitle the participants to receive subordinate voting shares of the Corporation after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is consolidated in the Corporation’s consolidated financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plan presented in reduction of share capital.

Changes in the outstanding number of ISUs are as follows:

Years ended August 31,	2020	2019
Outstanding, beginning of the year	71,825	105,475
Granted (1)	29,200	37,600
Distributed	(21,268)	(44,470)
Cancelled	(3,616)	(26,780)
Outstanding, end of the year	76,141	71,825

(1) The weighted average fair value of the ISUs granted was $113.02 in 2020 ($65.55 in 2019).

A compensation expense of $2.0 million ($2.0 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

PSU plan

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

Changes in the outstanding number of PSUs are as follows:

Years ended August 31,	2020	2019
Outstanding, beginning of the year	107,551	133,181
Granted (1)	39,425	45,800
Performance-based additional units granted	—	200
Distributed	(31,450)	(43,319)
Cancelled	(5,102)	(31,889)
Dividend equivalents	2,462	3,578
Outstanding, end of the year	112,886	107,551

(1) For the year ended August 31, 2020, the Corporation granted 14,375 (14,625 in 2019) PSUs to Cogeco's executive officers as executive officers of the Corporation. The weighted average fair value of the PSUs granted was $114.15 in 2020 ($65.75 in 2019).

A compensation expense of $1.7 million ($1.4 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

DSU plan

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

Changes in the outstanding number of DSUs are as follows:

Years ended August 31,	2020	2019
Outstanding, beginning of the year	42,679	42,607
Issued (1)	7,233	11,328
Redeemed	—	(12,351)
Dividend equivalents	1,046	1,095
Outstanding, end of the year	50,958	42,679

(1) The weighted average fair value of the DSUs issued was $113.75 in 2020 ($65.85 in 2019).

A compensation expense of $0.7 million ($1.8 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

20. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

During fiscal 2020 and 2019, accumulated other comprehensive (loss) income variations were as follows:

Years ended August 31, 2020 and 2019	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2018	25,818	87,956	113,774
Other comprehensive loss for the year	(59,660)	(23,086)	(82,746)
Balance at August 31, 2019	**(33,842)**	**64,870**	**31,028**
Other comprehensive loss for the year	**(18,342)**	**(19,803)**	**(38,145)**
Balance at August 31, 2020	**(52,184)**	**45,067**	**(7,117)**

21. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	**2020**	2019
(In thousands of Canadian dollars)	**$**	$
Trade and other receivables	**(8,550)**	(1,734)
Prepaid expenses and other	**(6,337)**	(1,100)
Other assets	**(6,384)**	(8,665)
Trade and other payables	**(35,513)**	(24,143)
Provisions	**(4,460)**	10,103
Contract liabilities and other liabilities	**6,050**	431
	(55,194)	(25,108)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Years ended August 31, 2020 and 2019	Bank indebtedness	Long-term debt: Notes, debentures and credit facilities	Long-term debt: Lease liabilities	Long-term debt: Balance due on business combinations	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Balance at August 31, 2018	5,949	3,858,208	—	—	3,864,157
Decrease in bank indebtedness	(5,949)	—	—	—	(5,949)
Net decrease under the revolving facilities	—	(443,955)	—	—	(443,955)
Repayment of notes, debentures and credit facilities	—	(77,639)	—	—	(77,639)
Increase in deferred transaction costs	—	(1,778)	—	—	(1,778)
Repayment of balance due on business combinations	—	—	—	(655)	(655)
Total cash flows used in financing activities excluding equity	(5,949)	(523,372)	—	(655)	(529,976)
Effect of changes in foreign exchange rates	—	62,405	—	170	62,575
Amortization of discounts, transaction costs and other	—	7,618	—	—	7,618
Increase in balance due on business combinations	—	—	—	5,005	5,005
Total non-cash changes	—	70,023	—	5,175	75,198
Balance at August 31, 2019	**—**	**3,404,859**	**—**	**4,520**	**3,409,379**
Increase in bank indebtedness	**7,610**	**—**	**—**	**—**	**7,610**
Repayment of notes, debentures and credit facilities	**—**	**(269,169)**	**—**	**—**	**(269,169)**
Repayment of lease liabilities	**—**	**—**	**(4,905)**	**—**	**(4,905)**
Increase in deferred transaction costs	**—**	**(98)**	**—**	**—**	**(98)**
Repayment of balance due on business combinations	**—**	**—**	—	**(3,228)**	**(3,228)**
Total cash flows from (used in) financing activities excluding equity	**7,610**	**(269,267)**	**(4,905)**	**(3,228)**	**(269,790)**
Interest paid on lease liabilities	**—**	**—**	**(1,094)**	**—**	**(1,094)**
Total cash flow changes	**7,610**	**(269,267)**	**(5,999)**	**(3,228)**	**(270,884)**
IFRS 16 transition	**—**	**—**	**44,443**	**—**	**44,443**
Gain on debt modification	**—**	**(22,898)**	**—**	**—**	**(22,898)**
Effect of changes in foreign exchange rates	**—**	**(50,094)**	**(226)**	**(36)**	**(50,356)**
Amortization of discounts, transaction costs and other	**—**	**9,911**	**—**	**—**	**9,911**
Net increase in lease liabilities	**—**	**—**	**3,017**	**—**	**3,017**
Increase in balance due on business combinations	**—**	**—**	**—**	**1,600**	**1,600**
Total non-cash changes	**—**	**(63,081)**	**47,234**	**1,564**	**(14,283)**
Balance at August 31, 2020	**7,610**	**3,072,511**	**41,235**	**2,856**	**3,124,212**

22. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to certain employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounted to $8.2 million ($8.0 million in 2019) for the year ended August 31, 2020 and is included in the Corporation's consolidated statement of profit and loss under *Salaries, employee benefits and outsourced services.*

B) DEFINED BENEFIT PLANS

The Corporation and its subsidiaries sponsor a defined benefit plan for the benefit of certain employees and a separate defined benefit plan for the benefit of their executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers a supplementary pension plan. The defined benefit plans are registered with the Office of the Superintendent of Financial Institutions and are subject to the

Federal Pension Benefits Standards Act. The plans are also registered with the Canada Revenue Agency and are subject to the Income Tax Act (Canada). The Corporation's funding policy is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. The defined benefit plans are funded by the Corporation's and the participants' contributions. The defined benefits plans funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations.

Each year at August 31 the Corporation and its subsidiaries measure plan assets at fair value, as well as the defined benefit obligation for all plans. The most recent actuarial valuation of the pension plan for the benefit of the employees was at August 31, 2019 and the next required valuation is at August 31, 2020, which is expected to be completed in February 2021. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2017 and the next required valuation is at August 31, 2020, which is expected to be completed in February 2021.

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

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Defined benefit obligation (1)		
Defined benefit obligation, beginning of the year	57,686	51,183
Current service cost	1,963	1,788
Past service cost	—	(131)
Interest cost	1,686	1,854
Contributions by plan participants	226	280
Benefits paid	(1,750)	(1,635)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	(148)	(513)
Changes in financial assumptions	1,694	6,541
Defined benefit obligation reallocated to Cogeco's pension plans (2)	—	(1,681)
Defined benefit obligation, end of the year	61,357	57,686
Plan assets at fair value		
Plan assets at fair value, beginning of the year	47,650	51,777
Interest income	1,376	1,848
Return on plan assets, except amounts included in interest income	2,971	(3,713)
Administrative expense	(202)	(303)
Contributions by plan participants	226	280
Employer contributions	2,740	1,038
Benefits paid	(1,750)	(1,635)
Plan assets reallocated to Cogeco's pension plans (2)	—	(1,642)
Plan assets at fair value, end of the year	53,011	47,650
Funded status		
Plan assets at fair value	53,011	47,650
Defined benefit obligation	61,357	57,686
Net defined benefit liability	(8,346)	(10,036)

(1) The weighted average duration of the defined benefit obligation at August 31, 2020 and 2019 is 14 years.

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

The net defined benefit liability is included in the Corporation's consolidated statements of financial position under *Pension plan liabilities and accrued employee benefits*.

Pension plan liabilities and accrued employee benefits

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Pension plan liabilities	8,346	10,036
Accrued employee benefits - DSU liability	5,144	4,319
	13,490	14,355

Defined benefit costs recognized in profit or loss

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	1,963	1,788
Past service cost	—	(131)
Administrative expense	202	303
Recognized in financial expense (other)		
Net interest	310	6
	2,475	1,966

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Actuarial losses (gains) arising from:		
Experience adjustments	(148)	(513)
Change in financial assumptions	1,694	6,541
Return on plan assets, except amounts included in interest income	(2,971)	3,713
	(1,425)	9,741

The expected employer contributions to the Corporation's defined benefit plans should be approximately $3.2 million in 2021.

Plan assets consist of:

At August 31,	2020	2019
	%	%
Equity securities (1)	48	58
Debt securities (1)	35	19
Deposits in trust (2)	16	17
Other	1	6
Total	100	100

(1) All equity and debt securities have a quoted price in active markets and do not include securities issued by the Corporation.

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

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

At August 31,	2020	2019
	%	%
Defined benefit obligation		
Discount rate	2.65	2.85
Rate of compensation increase	2.60 (1)	2.75
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	2.85	3.00
Rate of compensation increase	2.75	2.75
Mortality table	CPM-2014	CPM-2014

(1) Increase of 1.67% for 2021 and 2.60% from January 1, 2022.

C) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

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

Interest rate risk

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

Salary risk

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

D) SENSITIVITY ANALYSIS

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

At August 31, 2020	Change in assumption	Increase in the defined benefit obligation
(In thousands of Canadian dollars, except percentages)	%	$
Discount rate decrease	0.10	913
Expected rate of compensation increase	0.25	146

23. 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.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statements of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2020, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor’s rating services ("S&P").

Cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. At August 31, 2020 and 2019, cash and cash equivalents consisted solely of cash in banks.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer’s balance outstanding as well as the customer's collection history) are examined. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and the United States, there is no significant concentration of credit risk.

The following table provides further details on trade and other receivables, net of allowance for doubtful accounts:

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Trade accounts receivable	79,821	74,021
Allowance for doubtful accounts	(6,235)	(6,759)
	73,586	67,262
Other accounts receivable	7,673	8,390
Receivable from Cogeco	1,754	—
	83,013	75,652

Trade accounts receivable past due is defined as the amount outstanding beyond normal credit terms and conditions for the respective customers. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. A large portion of the Corporation's customers are billed and pay before the services are rendered.

The following table provides further details on trade accounts receivable past due, net of allowance for doubtful accounts:

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Less than 60 days past due	13,075	18,645
60 to 90 days past due	362	899
More than 90 days past due	—	3,074
	13,437	22,618

The following table shows changes in the allowance for doubtful accounts:

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	6,759	6,497
Provision for impaired receivables	20,418	24,059
Net use	(20,695)	(23,176)
Foreign currency translation adjustments	(247)	21
Discontinued operations	—	(642)
Balance, end of the year	6,235	6,759

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2020, the Corporation had used $0.02 million of its $750 million amended and restated Term Revolving Facility for a remaining availability of $749.98 million. Management believes that the committed Term Revolving Facility will, until its maturity in 2025, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Senior Secured Revolving Facility of $195.6 million (US$150 million), of which $3.2 million (US$2.4 million) was used at August 31, 2020 for a remaining availability of $192.5 million (US$147.6 million).

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2020:

	Contractual cash flows						
	2021	2022	2023	2024	2025	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Bank indebtedness	7,610	—	—	—	—	—	7,610
Trade and other payables [(1)]	203,633	—	—	—	—	—	203,633
Notes, debentures and credit facilities	22,171	222,171	322,171	22,171	335,179	2,206,382	3,130,245
Lease liabilities	4,115	3,297	3,047	2,851	2,626	23,279	39,215
Balance due on business combinations	2,856	—	—	—	—	—	2,856
	240,385	225,468	325,218	25,022	337,805	2,229,661	3,383,559

(1) Excluding accrued interest on notes, debentures and credit facilities.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter:

	2021	2022	2023	2024	2025	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on notes, debentures and credit facilities (1)	89,745	84,342	78,939	65,936	39,371	12,589	370,922
Interest payments on lease liabilities	1,573	1,178	1,070	971	873	4,632	10,297
Interest receipts on derivative financial instruments (1)	(1,851)	(1,570)	(1,297)	(756)	(127)	—	(5,601)
Interest payments on derivative financial instruments (1)	25,270	21,415	17,673	10,212	1,698	—	76,268
	114,737	105,365	96,385	76,363	41,815	17,221	451,886

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2020 and their respective maturities.

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2020, all of the Corporation's notes, debentures and credit facilities were 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 August 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 $6.9 million based on the outstanding debt and swap agreements at August 31, 2020.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities 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 $9.6 million based on the outstanding debt and swap agreements at August 31, 2020.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents and trade and other payables denominated mainly in US dollars. The Corporation's exposure to foreign currency risk on cash and cash equivalents and trade and other payables is not significant as at August 31, 2020 and 2019.

A foreign currency exposure arises from the Corporation's net investment in its US subsidiary, as a result of the translation of the net investment into the Corporation's functional currency. A portion of the Corporation's net investment in its US subsidiary is hedged by the Corporation's US dollar denominated Senior Secured Notes, which the Corporation has designated as hedges of the net investment, while the remaining portion is economically hedged by its subsidiary's US dollar denominated First Lien Credit Facilities.

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

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US$390 million	US$1,077 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2020 was $1.3042 ($1.3295 as 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 $89.6 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 August 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 August 31, 2020, the fair value of the equity swap was $0.2 million and recognized as a liability. A 10% increase in the market price of the subordinate voting shares 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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Term Revolving Facility and First Lien Credit Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds plus applicable credit spread. The fair value of these instruments is based on current trading values for similar financial instruments;
- The fair value of the Senior Secured Debentures Series 3 and 4, and Senior Secured Notes is based on current trading values for similar financial instruments.

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

At August 31,	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Notes, debentures and credit facilities	**3,072,511**	**3,224,816**	3,404,859	3,521,418

All financial instruments recognized at fair value on the consolidated statements of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

C) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt, 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.

The provisions of financing agreements provide for restrictions on the activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2020 and 2019, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

Years ended August 31,	2020	2019
Net indebtedness (1) / adjusted EBITDA	**2.4**	2.6
Adjusted EBITDA / financial expense (2)	**7.5**	6.3

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

(2) Financial expense for fiscal 2020 excludes the gain on debt modification of $22.9 million, which is consistent with the covenants calculation.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31, *(In thousands of Canadian dollars)*	2020 $	2019 $
Financial assets		
Financial assets measured and classified at amortized cost	**449,510**	632,156
	449,510	632,156
Financial liabilities		
Financial liabilities measured and classified at amortized cost	**3,294,029**	3,669,860
Derivative financial instruments in designated hedge relationships	**70,998**	46,044
	3,365,027	3,715,904

24. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which as of August 31, 2020 held 32.7% of the Corporation's equity shares, representing 83% 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, which was modified on May 1, 2019, 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 fiscal 2020, management fees paid to Cogeco amounted to $24.1 million ($19.9 million in 2019).

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during fiscal 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:

Years ended August 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:

Years ended August 31, *(In thousands of Canadian dollars)*	2020 $	2019 $
Stock options	**1,205**	1,046
ISUs	**39**	61
PSUs	**1,386**	981
DSUs	**217**	631
	2,847	2,719

B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board and of the Management Committee of the Corporation. The compensation paid or payable to key management personnel for employee services, which excludes the compensation to executive officers of Cogeco paid under the Management Services Agreement (included in *Management fees - Cogeco inc.*), is as follows:

Years ended August 31, *(In thousands of Canadian dollars)*	2020 $	2019 $
Salaries and other short-term employee benefits	**2,706**	2,729
Share-based payments and post-employment benefits	**2,189**	1,908
	4,895	4,637

25. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

The following table presents the Corporation's commitments that are not recognized as liabilities at August 31, 2020, and are due in each of the next five years and thereafter:

	2021	2022	2023	2024	2025	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Acquisition of property, plant and equipment (1)	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**
Other long-term contracts (2)	**41,902**	**30,967**	**24,947**	**23,579**	**20,632**	**36,855**
	43,702	**32,767**	**26,747**	**25,379**	**22,432**	**38,655**

(1) Include minimum spend commitments for acquisition of customer premise equipment.

(2) Include long-term commitments under service and product contracts for operating expenditures, including minimum spend commitments.

B) CONTINGENCIES

CRTC's wholesale Internet services 2019 costing decision

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, the Corporation, together 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 did not have to implement the new rates nor to make the retroactive payments pending final decision of the Court. A decision dismissing the appeal of the Cable Carriers was rendered by the FCA on September 10, 2020, repealing the stay order of the Court.

In parallel, 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. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the Cable Carriers' request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition to the FCA appeal and the review and variance process, 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. Interested parties filed comments on February 14, 2020 and a decision was issued on August 15, 2020. The Governor in Council rendered an order confirming that the rates set by the CRTC decision do not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

As at August 31, 2020, the total retroactive payments based on the CRTC's final aggregated wholesale service rates' 2019 costing decision, if not otherwise modified, is estimated at approximately $43 million, of which approximately $25 million relates to fiscal years from 2016 to 2019, and approximately $18 million relates to fiscal year 2020. Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has therefore not recorded the impact of the reduced rates as at August 31, 2020 and 2019.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to these consolidated financial statements. At August 31, 2020 and 2019, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those disclosed in Note 16.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2020 and 2019, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16.

Sale of a business

In connection with the sale of a business, the Corporation has agreed to indemnify the purchaser against claims related to events that occurred prior to the date of sale.

Long-term debt

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

Sale of services

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

Purchase and development of assets

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

26. SUBSEQUENT EVENTS

Acquisition of DERYtelecom

On October 21, 2020, Cogeco Communications announced that its subsidiary, Cogeco Connexion, had entered into a definitive agreement to purchase DERYtelecom, the third largest cable provider in the province of Québec, for $405 million. DERYtelecom offers Internet, television and telephony services to approximately 100,000 customers in over 200 municipalities across several regions in Québec.

The purchase price will be financed with a combination of cash on hand and Cogeco Communications' Term Revolving Facility. The transaction, which will be executed essentially through an asset purchase, is subject to regulatory approvals under the Competition Act along with other customary closing conditions and is expected to close no later than the end of the second quarter of the fiscal year 2021.

Altice USA, Inc. and Rogers Communications Inc.'s proposal

On September 1, 2020, Cogeco and Cogeco Communications received an unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. to acquire all of the issued and outstanding multiple and subordinate voting shares of both companies. On September 2, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications rejected the proposal after Gestion Audem, the Audet family's holding company, had stated that its shares were not for sale. On October 18, 2020, Cogeco and Cogeco Communications received a revised unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. That same day, Gestion Audem rejected this revised proposal, stating again that it was not interested in selling its shares. The revised proposal was submitted for review to the Board of Directors of both companies. On October 20, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications announced that they had unanimously rejected the revised proposal.

INVESTOR INFORMATION

CREDIT RATINGS

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

At August 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 Lien Credit Facilities from BB- to BB on the basis that its strategic importance to the Corporation has increased over time.

SHARE INFORMATION

At August 31, 2020		Registrar / Transfer agent
Number of multiple voting shares (10 votes per share) outstanding	**15,691,100**	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1-800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	**32,231,433**	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CCA	

DIVIDENDS

DIVIDEND DECLARATION

At its October 27, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.64 per share for multiple voting and subordinate voting shares, payable on November 24, 2020 to shareholders of record on November 10, 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.

TRADING STATISTICS

					2020
Quarters ended	**Nov. 30**	**Feb. 29**	**May 31**	**Aug. 31**	**Total**
(in Canadian dollars, except subordinate voting share volumes)	**$**	**$**	**$**	**$**	
The Toronto Stock Exchange					
High	**120.20**	**117.49**	**111.46**	**107.28**	
Low	**103.18**	**101.11**	**87.57**	**94.88**	
Close	**114.73**	**106.22**	**102.82**	**97.78**	
Volume (subordinate voting shares)	**6,489,012**	**8,608,568**	**9,911,064**	**6,313,799**	**31,322,443**

					2019
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
(in Canadian dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	69.51	82.82	93.63	107.34	
Low	61.68	62.78	82.29	90.84	
Close	64.60	82.29	92.70	104.64	
Volume (subordinate voting shares)	4,895,169	5,098,057	5,196,782	6,448,128	21,638,136

PRIMARY SERVICE UNIT STATISTICS

	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019
CONSOLIDATED					
Primary service units	**2,757,631**	**2,739,903**	**2,719,347**	**2,722,302**	2,711,812
Internet service customers	**1,304,228**	**1,281,762**	**1,253,183**	**1,246,358**	1,234,380
Video service customers	**936,636**	**939,453**	**945,085**	**954,964**	962,138
Telephony service customers	**516,767**	**518,688**	**521,079**	**520,980**	515,294
CANADA					
Primary service units	**1,799,706**	**1,802,631**	**1,812,140**	**1,818,732**	1,810,366
Internet service customers	**812,016**	**803,073**	**795,950**	**794,895**	788,243
Penetration as a percentage of homes passed	**45.7%**	**45.3%**	**44.9%**	**45.0%**	44.7%
Video service customers	**619,249**	**627,608**	**638,833**	**646,326**	649,583
Penetration as a percentage of homes passed	**34.9%**	**35.4%**	**36.1%**	**36.6%**	36.8%
Telephony service customers	**368,441**	**371,950**	**377,357**	**377,511**	372,540
Penetration as a percentage of homes passed	**20.7%**	**21.0%**	**21.3%**	**21.4%**	21.1%
UNITED STATES					
Primary service units	**957,925**	**937,272**	**907,207**	**903,570**	901,446
Internet service customers	**492,212**	**478,689**	**457,233**	**451,463**	446,137
Penetration as a percentage of homes passed	**53.3%**	**52.2%**	**51.8%**	**51.3%**	50.8%
Video service customers	**317,387**	**311,845**	**306,252**	**308,638**	312,555
Penetration as a percentage of homes passed	**34.4%**	**34.0%**	**34.7%**	**35.1%**	35.6%
Telephony service customers	**148,326**	**146,738**	**143,722**	**143,469**	142,754
Penetration as a percentage of homes passed	**16.1%**	**16.0%**	**16.3%**	**16.3%**	16.2%

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

✪ **LOUIS AUDET**, Eng., MBA, C.M., **Executive Chairman of the Board**

Westmount (Québec)

✪ **JAMES C. CHERRY**, B.Com, FCPA, FCA, **Lead Director**

Elizabethtown (Ontario)

Corporate Director

●■ **COLLEEN ABDOULAH**, MBA, APR

Denver (Colorado)

Corporate director

◆ **PIPPA DUNN**, LL.B

London (UK)

Founder and partner of Broody (an incubator for startups and accelerator to more established businesses)

●★ **JOANNE FERSTMAN**, CPA, CA, B.Com

Toronto (Ontario)

Corporate Director

●◆ **LIB GIBSON**, M.Sc., B.Sc., ICD.D

Toronto (Ontario)

Corporate Director

★ **PHILIPPE JETTÉ**, Eng.

Montréal (Québec)

President and Chief Executive Officer of Cogeco and Cogeco Communications

◆ **BERNARD LORD**, LL.B., B.Soc.Sc.

Moncton (New Brunswick)

Chief Executive Officer of Medavie (Canadian health company)

■◆★ **DAVID MCAUSLAND**, B.C.L., LL.B.

Baie-D'Urfé (Québec)

Counsel of McCarthy Tétrault (Major law firm in Canada)

■◆ **CAROLE J. SALOMON,** B.A., MBA

Toronto (Ontario)

President and Chief Executive Officer of Cardavan Corporation (Management consultancy)

Legend :

✪ Attends as an observer and participates in meetings of all the committees

● Member of the Audit Committee

■ Member of the Human Resources Committee

◆ Member of the Corporate Governance Committee

★ Member of the Strategic Opportunities Committee

CORPORATE HEAD OFFICE

1 Place Ville Marie
Suite 3301
Montréal (Québec)
H3B 3N2
corpo.cogeco.com

CORPORATE MANAGEMENT

LOUIS AUDET

Executive Chairman of the Board

PHILIPPE JETTÉ

President and Chief Executive Officer

ELIZABETH ALVES

Vice President, Enterprise Strategy and Social Responsibility

PHILIPPE BONIN

Vice President, Finance

NATHALIE DORVAL

Vice President, Regulatory Affairs and Copyright

CHANTAL FRAPPIER

Vice President, Internal Audit

MARTIN GRENIER

Vice President, Procurement

CHRISTIAN JOLIVET

Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary

MARIE-HÉLÈNE LABRIE

Senior Vice President and Chief Public Affairs, Communications and Strategy Officer

STÉPHANE LACOMBE

Vice President, Information Technology

MARIE GINETTE LEPAGE

Vice President, Wireless Solutions and Innovation

DIANE NYISZTOR

Senior Vice President and Chief Human Resources Officer

PATRICE OUIMET

Senior Vice President and Chief Financial Officer

ANDRÉE PINARD

Vice President and Treasurer

JÉRÔME PRAT

Vice President, Total Compensation and HR Systems

ELINA TEA

Vice President, Corporate Development

LIETTE VIGNEAULT

Vice President, Talent and Employee Experience

OPERATIONS INFORMATION

CANADIAN BROADBAND SERVICES

COGECO CONNEXION

FRÉDÉRIC PERRON
President

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L7L 5S2
www.cogeco.ca

AMERICAN BROADBAND SERVICES

ATLANTIC BROADBAND

FRANK VAN DER POST
President

2 Batterymarch Park
Suite 205
Quincy, MA 02169
www.atlanticbb.com

CORPORATE INFORMATION

ANNUAL MEETING
January 15, 2021
Additional information on Cogeco Communications Inc. and press releases are available on the Corporation's website at:
corpo.cogeco.com

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LEGAL COUNSEL
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TRANSFER AGENT FOR SUBORDINATE VOTING AND MULTIPLE VOTING SHARES, AND TRUSTEE FOR SENIOR SECURED DEBENTURES AND NOTES
Computershare Trust Company of Canada

QUARTER ENDS
November, February, May

YEAR END
August 31

INQUIRIES

The Annual Report, Annual Information Form, Quarterly Reports and Information Circular are available in the Investors section of the Corporation's website (corpo.cogeco.com) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle, des rapports trimestriels et de la circulaire d'information sont disponibles sous la section « Investisseurs » du site Internet de la société (corpo.cogeco.com) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

For financial information about the Corporation, please contact the Finance Department of the Corporation.

SHAREHOLDERS

For any inquiries regarding a change of address or a change of registration of shares, please contact Computershare Trust Company of Canada. For any other inquiries please refer to the Shareholder Engagement Policy which can be found on the "Information for Shareholders" section on the Corporation's website at corpo.cogeco.com.

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

ETHICS LINE

The Corporation's parent company, Cogeco Inc., makes available an anonymous and confidential Ethics Line for its employees and the employees of all of its business units and other individuals who wish to report any perceived or actual instances of violations of the Cogeco Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is operated by a specialized external provider that is independent of Cogeco Inc. Reports can be made through secured confidential toll-free telephone lines or the web site described below. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and/or the Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting truthfully and in good faith.

By telephone:

Canada or United States: **1-877-706-2640**

Web site of ClearView Connects: www.clearviewconnects.com corpo.cogeco.com

COGECO COMMUNICATIONS

A world of your **very own**