SHAREHOLDERS' REPORT

Three-month period ended November 30, 2020

FINANCIAL HIGHLIGHTS

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency (1)(2)	Foreign exchange impact (1)
(In thousands of Canadian dollars, except percentages and per share data)	**$**	$	%	%	$
Operations					
Revenue	**618,913**	586,827	5.5	5.7	(1,171)
Adjusted EBITDA (2)	**311,093**	282,105	10.3	10.5	(510)
Adjusted EBITDA margin (2)	**50.3 %**	48.1 %			
Integration, restructuring and acquisition costs (3)	**1,215**	61	—		
Profit for the period	**114,896**	89,708	28.1		
Profit for the period attributable to owners of the Corporation	**106,679**	84,178	26.7		
Cash flow					
Cash flows from operating activities	**241,725**	149,192	62.0		
Acquisition of property, plant and equipment (4)	**116,222**	121,302	(4.2)	(3.9)	(391)
Free cash flow (2)	**140,616**	102,844	36.7	36.9	(151)
Capital intensity (2)	**18.8 %**	20.7 %			
Financial condition (5)					
Cash and cash equivalents	**428,982**	366,497	17.0		
Total assets	**6,853,579**	6,804,197	0.7		
Indebtedness (6)	**3,148,868**	3,179,926	(1.0)		
Equity attributable to owners of the Corporation	**2,341,846**	2,268,246	3.2		
Per share data (7)					
Earnings per share					
Basic	**2.24**	1.71	31.0		
Diluted	**2.22**	1.70	30.6		
Dividends	**0.64**	0.58	10.3		

(1) 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 comparable period of the prior year. For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.

(2) 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.

(3) For the three-month period ended November 30, 2020, integration, restructuring and acquisition costs resulted mostly from due diligence costs and legal fees related to the acquisition of DERYtelecom, which was completed on December 14, 2020.

(4) For the three-month period ended November 30, 2020, acquisition of property, plant and equipment in constant currency amounted to $116.6 million.

(5) At November 30, 2020 and August 31, 2020.

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

(7) Per multiple and subordinate voting share.

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

Three-month period ended November 30, 2020

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2021 Financial Guidelines" sections of the Corporation's 2020 annual MD&A and the "Fiscal 2021 Revised Financial Guidelines" of the current 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 (including cybersecurity risk), 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" sections of the Corporation's 2020 annual MD&A and of the current MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2020 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the Corporation's 2020 Annual Report.

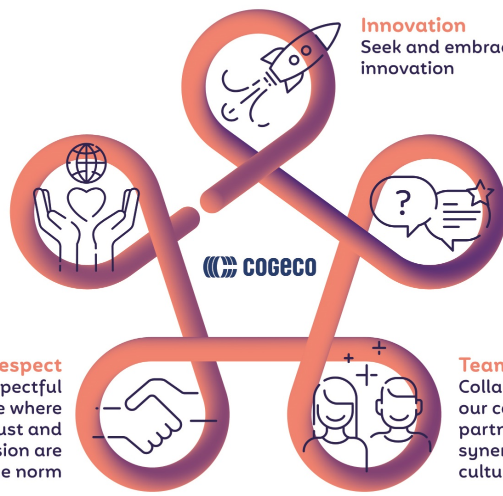
In preparing this MD&A, the Corporation has taken into account information available up to January 14, 2021, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

2. 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. For further details on the key areas of focus of those strategic plans, please refer to the Corporation's 2020 Annual Report available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

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

2.1 KEY PERFORMANCE INDICATORS

REVENUE

Fiscal 2021 first-quarter revenue increased by 5.5% (5.7% in constant currency) resulting from:

- growth of 9.4% (9.8% in constant currency) in the American broadband services segment; and
- an increase of 2.2% (2.2% in constant currency) in the Canadian broadband services segment.

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

ADJUSTED EBITDA (1)

Fiscal 2021 first-quarter adjusted EBITDA increased by 10.3% (10.5% in constant currency) as a result of:

- an increase of 13.9% (14.3% in constant currency) in the American broadband services segment, mainly due to an increase in revenue, the impact of the Thames Valley Communications acquisition and the timing of certain initiatives deferred to the second half of the year; and
- an increase of 8.9% (8.8% in constant currency) in the Canadian broadband services segment, mainly resulting from an increase in revenue combined with a decrease in operating expenses, due to the timing of certain initiatives deferred to the second half of the year; partly offset by
- higher corporate costs.

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

FREE CASH FLOW (1)

Fiscal 2021 first-quarter free cash flow increased by 36.7% (36.9% in constant currency) mainly due to:

- higher adjusted EBITDA;
- the decrease in acquisition of property, plant and equipment in the Canadian broadband segment mainly due to the timing of certain initiatives, partly offset by the increase in the American broadband services segment; and
- decreases in financial expense and current income taxes.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY (1)

Fiscal 2021 first-quarter acquisition of property, plant and equipment decreased by 4.2% (3.9% in constant currency) mainly due to:

- lower capital expenditures in the Canadian broadband services segment, resulting from the timing of certain initiatives; partly offset by
- higher capital expenditures in the American broadband services segment in order to support the segment's revenue growth driven by increased demand for the high speed Internet product and additional investments to improve and expand the network infrastructure in Florida.

Fiscal 2021 first-quarter capital intensity reached 18.8% compared to 20.7% for the same period of the prior year mainly as a result of overall lower capital expenditures.

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

In light of the financial results for the first quarter of fiscal 2021, and considering the acquisition of DERYtelecom, the Corporation is revising its fiscal 2021 financial guidelines.

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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.

2.2 FISCAL 2021 REVISED FINANCIAL GUIDELINES

Cogeco Communications revised its fiscal 2021 financial guidelines as issued on October 27, 2020 giving effect to the impact from the acquisition of DERYtelecom which was completed on December 14, 2020, and considering the strong fiscal 2021 first-quarter financial results. The financial guidelines exclude possible acquisitions and 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. 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.

The following table outlines fiscal 2021 revised financial guidelines on a consolidated basis, compared to the fiscal 2021 financial guidelines as issued on October 27, 2020:

	Revised projections	Original projections
	Fiscal 2021 (constant currency) (1)	Fiscal 2021 (constant currency)
	$	$
Financial guidelines		
Revenue	**Mid to high single-digit percentage growth (2)**	Low single-digit percentage growth
Adjusted EBITDA	**Mid to high single-digit percentage growth (2)**	Low single-digit percentage growth
Capital intensity	**Approximately 20%**	Approximately 20%
Free cash flow	**Low double-digit percentage growth (3)**	Low single-digit percentage growth

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

(2) The acquisition of DERYtelecom is expected to have a positive impact of approximately 3% on fiscal 2021 revenue and adjusted EBITDA.

(3) The assumed current income tax effective rate is approximatively 11%.

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

The COVID-19 pandemic continued to impact our day-to-day operations. Our priority remained on ensuring the well-being of our employees, customers and business partners. During the quarter, we continued to experience some of the trends from past quarters. Those primarily relate to sustained demand for our residential high speed Internet product and a reduction of certain expenses due to a more stable customer base (fewer connections and disconnections). In these unusual circumstances, we have also decided to delay certain sales and marketing expenses to the second half of the year in both countries.

Although we are pleased with the financial results to date under the circumstances, we remain cautious in our management of this situation as uncertainties remain on the potential human, operating and financial impact of the pandemic. The Corporation's results discussed herein may not be indicative of future operational trends and financial performance. Please refer to the "Fiscal 2021 revised financial guidelines" section for more details.

3. BUSINESS DEVELOPMENTS

Acquisition of DERYtelecom

On December 14, 2020, Cogeco Connexion, completed the acquisition of DERYtelecom, the third largest cable operator in the province of Québec, for a purchase price of $403 million, subject to customary post-closing adjustments. The transaction was executed essentially through an asset purchase. This acquisition enables Cogeco Connexion to expand its activities in more than 200 municipalities in Québec, including in the Estrie, Lanaudière, Montérégie and Laurentians regions, and adds approximately 100,000 customers to its client base. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility.

CRTC's wholesale Internet services 2019 rate decision

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a 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 "Telecommunications Service Providers"), 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. While leave to appeal and an interlocutory stay of the CRTC order were both granted, the FCA ultimately dismissed the appeal and lifted the stay on September 10, 2020. On November 12, 2020, the Telecommunications Service Providers sought leave to appeal the Federal Court of Appeal decision to the Supreme Court of Canada.

In parallel, on December 13, 2019, the Telecommunications Service Providers 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 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, on November 13, 2019, the Telecommunications Service Providers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Governor in Council rendered an order on August 15, 2020 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.

Due to the stay issued by the CRTC and the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has not recorded the impact of the reduced rates as at November 30, 2020. Refer to the 2020 Annual Report for more 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 publicly rejected in a press release 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. The revised proposal expired on November 18, 2020.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**618,913**	586,827	5.5	5.7	(1,171)
Operating expenses	**301,968**	299,332	0.9	1.1	(661)
Management fees – Cogeco Inc.	**5,852**	5,390	8.6	8.6	—
Adjusted EBITDA	**311,093**	282,105	10.3	10.5	(510)
Adjusted EBITDA margin	**50.3 %**	48.1%			

(1) For the three-month period ended November 30, 2020, the average foreign exchange rate used for translation was 1.3170 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3223 USD/CDN.

REVENUE

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**328,009**	320,807	2.2	2.2	—
American broadband services	**290,904**	266,020	9.4	9.8	(1,171)
	618,913	586,827	5.5	5.7	(1,171)

Fiscal 2021 first-quarter revenue increased by 5.5% (5.7% in constant currency) resulting from organic growth in both the Canadian broadband services and the American broadband services segments, resulting mainly from growth in the Internet service customers given the increased demand for high speed offerings in the context of the COVID-19 pandemic, rate increases implemented for certain services, combined with the impact of the Thames Valley Communications acquisition completed on March 10, 2020 and increased political advertising revenue related to the United States' presidential election, which contributed to revenue growth in the American broadband services segment.

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

OPERATING EXPENSES

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**141,895**	149,845	(5.3)	(5.3)	(28)
American broadband services	**152,378**	144,370	5.5	6.0	(633)
Corporate and eliminations	**7,695**	5,117	50.4	50.4	—
	301,968	299,332	0.9	1.1	(661)

Fiscal 2021 first-quarter operating expenses increased by 0.9% (1.1% in constant currency) resulting from higher operating expenses in the American broadband services segment driven by the revenue growth, including higher operating expenses resulting from the impact of the Thames Valley Communications acquisition, combined with higher corporate costs, partly offset by lower sales and marketing expenses in the Canadian broadband services segment as certain operating activities were deferred to the second half of the fiscal year 2021 in the context of the COVID-19 pandemic.

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

MANAGEMENT FEES

Fiscal 2021 first-quarter management fees paid to Cogeco Inc. ("Cogeco") reached $5.9 million compared to $5.4 million for the same period of fiscal 2020. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**186,114**	170,962	8.9	8.8	28
American broadband services	**138,526**	121,650	13.9	14.3	(538)
Corporate and eliminations	**(13,547)**	(10,507)	28.9	28.9	—
	311,093	282,105	10.3	10.5	(510)

Fiscal 2021 first-quarter adjusted EBITDA increased by 10.3% (10.5% in constant currency) as a result of:

- an increase in the Canadian broadband services segment mainly due to an increase in revenue combined with a decrease in operating expenses; and
- an increase in the American broadband services segment mainly as a result of an increase in revenue, partly offset by a lower increase in operating expenses due to the timing of certain initiatives deferred to the second half of the year; partly offset by
- higher corporate costs.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2021 first-quarter integration, restructuring and acquisition costs amounted to $1.2 million, resulting mostly from due diligence costs and legal fees related to the acquisition of DERYtelecom, which was completed on December 14, 2020. Fiscal 2020 first-quarter integration, restructuring and acquisition costs amounted to $0.1 million.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended		
	November 30, 2020	November 30, 2019	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%
Depreciation of property, plant and equipment (1)	**109,415**	108,827	0.5
Amortization of intangible assets	**14,835**	14,308	3.7
	124,250	123,135	0.9

(1) Includes depreciation of right-of-use assets amounting to $1.5 million ($1.6 million in fiscal 2020) for the three-month period of fiscal 2021.

Fiscal 2021 first-quarter depreciation and amortization expense remained comparable to the same period of the prior year.

4.4 FINANCIAL EXPENSE

	Three months ended		
	November 30, 2020	November 30, 2019	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**33,325**	40,079	(16.9)
Interest on lease liabilities	**338**	381	(11.3)
Net foreign exchange loss	**806**	20	—
Amortization of deferred transaction costs	**211**	464	(54.5)
Capitalized borrowing costs	**(50)**	(151)	(66.9)
Other	**580**	(1,523)	—
	35,210	39,270	(10.3)

Fiscal 2021 first-quarter financial expense decreased by 10.3% mainly due to:

- lower interest rates and lower outstanding debt on the First Lien Credit Facilities;
- the early redemption of the Senior Secured Debentures Series 2 in July 2020; and
- the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year; partly offset by
- lower interest revenue resulting from investments given lower excess cash.

4.5 INCOME TAXES

	Three months ended		
	November 30, 2020	November 30, 2019	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%
Current	**19,862**	23,597	(15.8)
Deferred	**15,660**	6,334	—
	35,522	29,931	18.7

	Three months ended		
	November 30, 2020	November 30, 2019	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%
Profit before income taxes	**150,418**	119,639	25.7
Combined Canadian income tax rate	**26.5 %**	26.5 %	—
Income taxes at combined Canadian income tax rate	**39,861**	31,704	25.7
Difference in operations' statutory income tax rates	**631**	707	(10.7)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**114**	(229)	—
Tax impacts related to foreign operations	**(5,143)**	(6,510)	(21.0)
Other	**59**	4,259	(98.6)
Income taxes at effective income tax rate	**35,522**	29,931	18.7
Effective income tax rate	23.6 %	25.0 %	(5.6)

Fiscal 2021 first-quarter income taxes expense increased by 18.7% mainly due to the increase in profit before income taxes.

4.6 PROFIT FOR THE PERIOD

	Three months ended		
	November 30, 2020	November 30, 2019	Change
(In thousands of Canadian dollars, except percentages and earnings per share)	**$**	$	%
Profit for the period	**114,896**	89,708	28.1
Profit for the period attributable to owners of the Corporation	**106,679**	84,178	26.7
Profit for the period attributable to non-controlling interest [1]	**8,217**	5,530	48.6
Basic earnings per share	**2.24**	1.71	31.0

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

Fiscal 2021 first-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 28.1% and 26.7%, respectively, as a result of:

- higher adjusted EBITDA; and
- lower financial expense; partly offset by
- the increase in income taxes.

5. RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of Cogeco, which as of November 30, 2020 held 32.8% 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 is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three-month period ended November 30, 2020, management fees paid to Cogeco amounted to $5.9 million compared to $5.4 million for the same period of fiscal 2020.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first quarters of fiscal 2021 and 2020, the Corporation granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

	Three months ended	
(In number of units)	**November 30, 2020**	November 30, 2019
Stock options	**69,200**	110,875
PSUs	**10,375**	14,375

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:

	Three months ended	
	November 30, 2020	November 30, 2019
(In thousands of Canadian dollars)	**$**	$
Stock options	**345**	309
ISUs	**6**	13
PSUs	**(150)**	312
DSUs	**(25)**	132
	176	766

6. CASH FLOWS ANALYSIS

	Three months ended		
	November 30, 2020	November 30, 2019	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%
Cash flows from operating activities	**241,725**	149,192	62.0
Cash flows used in investing activities	**(125,234)**	(121,117)	3.4
Cash flows used in financing activities	**(51,700)**	(44,259)	16.8
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(2,306)**	99	—
Net change in cash and cash equivalents	**62,485**	(16,085)	—
Cash and cash equivalents, beginning of the period	**366,497**	556,504	(34.1)
Cash and cash equivalents, end of the period	**428,982**	540,419	(20.6)

6.1 OPERATING ACTIVITIES

Fiscal 2021 first-quarter cash flows from operating activities increased by 62.0% mainly from:

- changes in non-cash operating activities primarily due to higher cash flow from changes in working capital;
- higher adjusted EBITDA; and
- the decrease in financial expense paid; partly offset by
- the increase in income taxes paid, mainly due to the timing of year-end income tax installments.

6.2 INVESTING ACTIVITIES

Fiscal 2021 first-quarter cash flows used in investing activities remained comparable to the same period of the prior year.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

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

	Three months ended			
	November 30, 2020	November 30, 2019	Change	Change in constant currency (1)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%
Canadian broadband services	**65,610**	75,130	(12.7)	(12.5)
Capital intensity	**20.0 %**	23.4 %		
American broadband services	**49,347**	45,833	7.7	8.2
Capital intensity	**17.0 %**	17.2 %		
Corporate and eliminations	**1,265**	339	—	—
Consolidated	**116,222**	121,302	(4.2)	(3.9)
Capital intensity	**18.8 %**	20.7 %		

(1) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3223 USD/CDN.

Fiscal 2021 first-quarter acquisition of property, plant and equipment decreased by 4.2% (3.9% in constant currency) mainly due to:

- lower capital expenditures in the Canadian broadband services segment, resulting from the timing of certain initiatives; partly offset by
- higher capital expenditures in the American broadband services segment in order to support the segment's revenue growth driven by increased demand for the high speed Internet product and additional investments to improve and expand the network infrastructure in Florida.

Fiscal 2021 first-quarter capital intensity reached 18.8% compared to 20.7% for the same period of the prior year mainly as a result of overall lower capital expenditures.

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

6.3 FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

Fiscal 2021 first-quarter changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

	Three months ended		
	November 30, 2020	November 30, 2019	Explanations
(In thousands of Canadian dollars)	**$**	$	
(Decrease) increase in bank indebtedness	**(7,610)**	11,172	Timing of payments made to suppliers.
Repayment of notes, debentures and credit facilities	**(5,554)**	(5,648)	Comparable.
Repayment of lease liabilities	**(1,088)**	(1,196)	Comparable.
Repayment of balance due on business combinations	**(1,258)**	(3,228)	Repayment of the balance related to the FiberLight acquisition.
	(15,510)	1,100	

DIVIDENDS

During the first quarter of fiscal 2021, a quarterly eligible dividend of $0.64 per share was paid to the holders of multiple and subordinate voting shares, totalling $30.5 million, compared to a quarterly eligible dividend of $0.58 per share, or $28.5 million, in the first quarter of fiscal 2020.

NORMAL COURSE ISSUER BID ("NCIB")

During the first quarter of fiscal 2021, Cogeco Communications purchased and cancelled 14,900 subordinate voting shares with a weighted average price per share repurchased of $99.24 for a total consideration of $1.5 million. During the first quarter of fiscal 2020, Cogeco Communications had purchased and cancelled 143,100 subordinate voting shares with a weighted average price per share repurchased of $109.64 for a total consideration of $15.7 million.

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.

On September 2, 2020, Cogeco Communications ceased repurchasing shares under the ASPP as a result of the Altice-Rogers proposal.

6.4 FREE CASH FLOW

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA [(3)]	**311,093**	282,105	10.3	10.5	(510)
Amortization of deferred transaction costs and discounts on long-term debt	**2,278**	2,537	(10.2)	(10.5)	(8)
Share-based payment	**883**	2,142	(58.8)	(58.8)	—
(Gain) loss on disposals and write-offs of property, plant and equipment	**(481)**	994	—	—	—
Defined benefit plans expense, net of contributions	**440**	492	(10.6)	(10.6)	—
Integration, restructuring and acquisition costs	**(1,215)**	(61)	—	—	—
Financial expense	**(35,210)**	(39,270)	(10.3)	(10.6)	110
Current income taxes	**(19,862)**	(23,597)	(15.8)	(15.2)	(137)
Acquisition of property, plant and equipment	**(116,222)**	(121,302)	(4.2)	(3.9)	391
Repayment of lease liabilities	**(1,088)**	(1,196)	(9.0)	(9.3)	3
Free cash flow [(3)]	**140,616**	102,844	36.7	36.9	(151)

(1) For the three-month period ended November 30, 2020, the average foreign exchange rate used for translation was 1.3170 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3223 USD/CDN.

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

Fiscal 2021 first-quarter free cash flow increased by 36.7% (36.9% in constant currency) mainly due to the following:

- higher adjusted EBITDA;
- the decrease in acquisition of property, plant and equipment in the Canadian broadband segment mainly due to the timing of certain initiatives, partly offset by the increase in the American broadband services segment; and
- decreases in financial expense and current income taxes.

6.5 DIVIDEND DECLARATION

At its January 14, 2021 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 February 11, 2021 to shareholders of record on January 28, 2021. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. SEGMENTED OPERATING AND FINANCIAL RESULTS

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

7.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**328,009**	320,807	2.2	2.2	—
Operating expenses	**141,895**	149,845	(5.3)	(5.3)	(28)
Adjusted EBITDA	**186,114**	170,962	8.9	8.8	28
Adjusted EBITDA margin	**56.7 %**	53.3 %			
Acquisition of property, plant and equipment	**65,610**	75,130	(12.7)	(12.5)	(139)
Capital intensity	**20.0 %**	23.4 %			

(1) For the three-month period ended November 30, 2020, the average foreign exchange rate used for translation was 1.3170 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3223 USD/CDN.

REVENUE

Fiscal 2021 first-quarter revenue increased by 2.2% as reported and in constant currency mainly as a result of:

- the cumulative effect of sustained demand for residential high speed Internet since the beginning of the pandemic due to customers spending more time at home for work, online education and entertainment purposes, resulting in customer additions and a higher product mix for the overall base; and
- rate increases implemented for certain services; partly offset by
- a decline in video service customers.

OPERATING EXPENSES

Fiscal 2021 first-quarter operating expenses decreased by 5.3% (5.3% in constant currency) mainly due to:

- sales and marketing activity deferred to the second half of the year in the context of the COVID-19 pandemic; and
- lower compensation expenses resulting from an operational optimization program implemented during the fourth quarter of fiscal 2020.

ADJUSTED EBITDA

Fiscal 2021 first-quarter adjusted EBITDA increased by 8.9% (8.8% in constant currency) due to an increase in revenue combined with a decrease in operating expenses, as discussed above.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

Fiscal 2021 first-quarter acquisition of property, plant and equipment decreased by 12.7% (12.5% in constant currency) resulting mainly from:

- lower purchases of customer premise equipment due to the timing of certain initiatives; and
- lower capitalized installations costs due to increased self installations in the context of the COVID-19 pandemic; partly offset by
- higher costs related to the maintenance, growth and expansion of our network infrastructure due to the timing of certain initiatives.

Fiscal 2021 first-quarter capital intensity reached 20.0% compared to 23.4% for the same period of fiscal 2020 mainly resulting from the decrease of capital expenditures spending in addition to the revenue growth.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended		% of penetration (1)	
	November 30, 2020	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019
Primary service units	**1,790,783**	**(8,923)**	8,366		
Internet service customers	**815,248**	**3,232**	6,652	**45.8**	45.0
Video service customers	**612,297**	**(6,952)**	(3,257)	**34.4**	36.6
Telephony service customers	**363,238**	**(5,203)**	4,971	**20.4**	21.4

(1) As a percentage of homes passed.

INTERNET

Fiscal 2021 first-quarter Internet service customers net additions amounted to 3,232 compared to 6,652 for the same period of the prior year. The additions in fiscal 2021 first-quarter were due to:

- the ongoing interest in high speed offerings due to customers spending more time at home for work, online education and entertainment purposes in the context of the COVID-19 pandemic; partly offset by
- competitive offers in the industry.

VIDEO

Fiscal 2021 first-quarter video service customers net losses amounted to 6,952 compared to 3,257 for the same period of the prior year. The losses in fiscal 2021 first-quarter were due to:

- highly competitive offers in the industry; and
- the continuous change in the video consumption environment; partly offset by
- customers' ongoing interest in digital advanced video services.

TELEPHONY

Fiscal 2021 first-quarter telephony service customers net losses amounted to 5,203 compared to net additions of 4,971 for the same period of the prior year. The losses in fiscal 2021 first-quarter were 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.

In addition, the growth in the prior year included unusual telephony additions as a result of more telephony bundles being actively marketed during the first quarter of fiscal 2020.

DISTRIBUTION OF CUSTOMERS

At November 30, 2020, 68% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

7.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**290,904**	266,020	9.4	9.8	(1,171)
Operating expenses	**152,378**	144,370	5.5	6.0	(633)
Adjusted EBITDA	**138,526**	121,650	13.9	14.3	(538)
Adjusted EBITDA margin	**47.6 %**	45.7 %			
Acquisition of property, plant and equipment	**49,347**	45,833	7.7	8.2	(252)
Capital intensity	**17.0 %**	17.2 %			

(1) For the three-month period ended November 30, 2020, the average foreign exchange rate used for translation was 1.3170 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3223 USD/CDN.

REVENUE

Fiscal 2021 first-quarter revenue increased by 9.4% (9.8% in constant currency). In local currency, revenue amounted to US$220.9 million compared to US$201.2 million for the same period of fiscal 2020. The increase resulted mainly from:

- strong residential Internet service additions;
- rate increases implemented for certain services;
- the impact of the Thames Valley Communications acquisition completed on March 10, 2020; and
- increased political advertising revenue related to the United States' presidential election.

Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 8.2% for the first quarter of fiscal 2021.

OPERATING EXPENSES

Fiscal 2021 first-quarter operating expenses increased by 5.5% (6.0% in constant currency) mainly as a result of:

- higher compensation expenses and costs related to additional headcount to support growth;
- higher operating expenses resulting from the impact of the Thames Valley Communications acquisition; and
- higher customer levels combined with annual video programming rate increases.

ADJUSTED EBITDA

Fiscal 2021 first-quarter adjusted EBITDA increased by 13.9% (14.3% in constant currency). In local currency, adjusted EBITDA amounted to US$105.2 million compared to US$92.0 million for the same period of fiscal 2020.

Excluding adjusted EBITDA from Thames Valley Communications, adjusted EBITDA in constant currency increased by 12.8% for the first quarter of fiscal 2021.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

Fiscal 2021 first-quarter acquisition of property, plant and equipment increased by 7.7% (8.2% in constant currency) resulting mainly from:

- higher purchases of customer premise equipments and other related costs in order to support increased demand for the high speed Internet product, combined with equipment upgrades and the timing of certain initiatives;
- additional investments to improve and expand the network infrastructure in Florida; and
- accelerated purchases of certain equipment to prevent potential supply chain shortages given the impact of the COVID-19 pandemic.

Fiscal 2021 first-quarter capital intensity reached 17.0% compared to 17.2% for the same period of fiscal 2020, mainly resulting from revenue growth, partly offset by higher capital expenditures.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended		% of penetration [1]	
	November 30, 2020	**November 30, 2020**	November 30, 2019	**November 30, 2020**	November 30, 2019
Primary service units	**972,683**	**14,758**	2,124		
Internet service customers	**504,621**	**12,409**	5,326	**54.4**	51.3
Video service customers	**318,387**	**1,000**	(3,917)	**34.3**	35.1
Telephony service customers	**149,675**	**1,349**	715	**16.1**	16.3

(1) As a percentage of homes passed.

INTERNET

Fiscal 2021 first-quarter Internet service customers net additions amounted to 12,409 compared to 5,326 for the same period of the prior year. The additions in fiscal 2021 first-quarter were mainly due to:

- growth in the residential sector primarily resulting from the increased demand for high speed offerings due to customers spending more time at home for work, online education and entertainment purposes in the context of the COVID-19 pandemic;
- increased bulk residential customers' activations related to the Florida expansion initiatives; and
- growth in the commercial sector.

VIDEO

Fiscal 2021 first-quarter video service customers net additions amounted to 1,000 compared to net losses of 3,917 for the same period of the prior year. The additions in fiscal 2021 first-quarter were mainly due to:

- increased bulk residential customers' activations related to the Florida expansion initiatives; partly offset by
- a changing video consumption environment; and
- competitive offers in the industry.

TELEPHONY

Fiscal 2021 first-quarter telephony service customers net additions amounted to 1,349 compared to 715 for the same period of the prior year. The additions in fiscal 2021 first-quarter were 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 November 30, 2020, 49% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco Communications generally maintains a working capital deficiency, when excluding cash and cash equivalents and bank indebtedness, 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. The Corporation has however recently maintained working capital surpluses due to cash and cash equivalents significantly exceeding bank indebtedness.

The variations are as follows:

	November 30, 2020	August 31, 2020	Change	Explanations
(In thousands of Canadian dollars)	**$**	$	$	
Current assets				
Cash and cash equivalents	**428,982**	366,497	62,485	Please refer to the "Cash flows analysis" section.
Trade and other receivables	**82,029**	83,013	(984)	Not significant.
Income taxes receivable	**5,442**	3,283	2,159	Not significant.
Prepaid expenses and other	**50,507**	29,266	21,241	Mainly related to the increase in prepayments for annual maintenance agreements.
	566,960	482,059	84,901	
Current liabilities				
Bank indebtedness	**—**	7,610	(7,610)	Timing of payments made to suppliers.
Trade and other payables	**230,564**	211,052	19,512	Timing of payments made to suppliers.
Provisions	**34,100**	33,864	236	Not significant.
Income tax liabilities	**20,022**	39,897	(19,875)	Related to the payment of income tax installments, partly offset by the current income taxes expense for the period.
Contract liabilities and other liabilities	**42,514**	47,162	(4,648)	Not significant.
Derivative financial instruments	**1,820**	3,834	(2,014)	Not significant.
Current portion of long-term debt	**27,738**	29,569	(1,831)	Not significant.
	356,758	372,988	(16,230)	
Working capital surplus	**210,202**	109,071	101,131	

8.2 OTHER SIGNIFICANT CHANGES

(In thousands of Canadian dollars)	November 30, 2020 $	August 31, 2020 $	Change $	Explanations
Non-current assets				
Intangible assets	**2,775,173**	2,800,401	(25,228)	Depreciation of the US dollar against the Canadian dollar and amortization for the period.
Goodwill	**1,372,923**	1,381,024	(8,101)	Depreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	**3,067,051**	3,087,033	(19,982)	Depreciation of the US dollar against the Canadian dollar combined with the quarterly repayment on the Senior Secured Term Loan B Facility.
Deferred tax liabilities	**625,413**	610,596	14,817	Timing of reversals of temporary differences.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at December 31, 2020 is presented in the table below. Additional details are provided in note 11 B) of the condensed interim 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	**32,220,398**	**902,793**
Options to purchase subordinate voting shares		
Outstanding options	**915,984**	
Exercisable options	**431,754**	

8.4 FINANCING

In the normal course of business, Cogeco Communications has incurred financial obligations, primarily in the form of long-term debt, lease contracts and guarantees. Cogeco Communications' obligations, as reported in the 2020 Annual Report, have not materially changed since August 31, 2020.

At November 30, 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 $194.5 million (US$150 million), of which $3.1 million (US$2.4 million) was used at November 30, 2020 for a remaining availability of $191.3 million (US$147.6 million).

8.5 CREDIT RATINGS

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

At November 30, 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.

8.6 FINANCIAL RISK MANAGEMENT

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

Credit risk

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 condensed interim consolidated statements of financial position.

The Corporation reduces the credit risk with regards to the derivative financial instruments by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. At November 30, 2020, management believes this credit risk to be 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.

To mitigate the credit risk in relation to its trade accounts receivable, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. 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. Furthermore, a large portion of the Corporation's customers are billed and pay before the services are rendered. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. 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.

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2020, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 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 $6.8 million based on the outstanding debt and swap agreements at November 30, 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 the annual financial expense by approximately $9.5 million based on the outstanding debt and swap agreements at November 30, 2020.

Furthermore, 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 a portion is economically hedged by its subsidiary's US dollar denominated First Lien Credit Facilities.

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at November 30, 2020 was $1.2965 ($1.3042 at August 31, 2020) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $92 million.

8.7 FOREIGN CURRENCY

For the three-month period ended November 30, 2020, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

	Three months ended			
	November 30, 2020	November 30, 2019	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	**1.3170**	1.3223	(0.01)	(0.4)

The following table highlights in Canadian dollars, the impact of a $0.01 variation of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the three-month period ended November 30, 2020:

	Canadian broadband services	**American broadband services**	**Consolidated** (1)
Three months ended November 30, 2020	Exchange rate impact	Exchange rate impact	Exchange rate impact
(In thousands of Canadian dollars)	**$**	**$**	**$**
Revenue	**—**	**(1,171)**	**(1,171)**
Operating expenses	**(28)**	**(633)**	**(661)**
Management fees - Cogeco Inc.			**—**
Adjusted EBITDA	**28**	**(538)**	**(510)**
Acquisition of property, plant and equipment	**(139)**	**(252)**	**(391)**
Free cash flow			**(151)**

(1) The consolidated results do not correspond to the addition of the operating segment's results as the "Corporate and eliminations" information is not presented.

9. CONTROLS AND PROCEDURES

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

On September 1, 2020, the Corporation's subsidiary, Atlantic Broadband, implemented a new financial system, which resulted in changes to internal controls related to financial reporting for the three-month period ended November 30, 2020. In addition, a new human capital management system was implemented on January 1, 2021 by the Corporation and its subsidiaries.

The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR at November 30, 2020, and concluded that they are adequate.

10. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2020 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2020 Annual Report, which are hereby incorporated by reference.

Potential impact of a new US administration on our business

It is understood that the newly elected US administration intends to increase the corporate tax rate and potentially add a minimum corporate tax on book income. If these changes were to be implemented, the Corporation would incur a one-time non-cash deferred tax expense on the re-evaluation of the deferred tax liabilities and its future tax expenses and cash tax outflows would increase.

As for regulatory changes in our industry, not enough information is available at this point to assess their potential impact on our business.

11. ACCOUNTING POLICIES

ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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. Effective September 1, 2020, the Corporation adopted these amendments, which had no impact on the consolidated financial statements. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future acquisitions and they may affect whether those future acquisitions are accounted for as business combinations or as asset acquisitions, along with the allocation of the purchase price between the net identifiable assets acquired and goodwill.

12. NON-IFRS FINANCIAL MEASURES

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

This MD&A also makes reference to key performance indicators on a constant currency basis, including revenue, "adjusted EBITDA", 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 similar 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 4 of the condensed interim consolidated financial statements.	Adjusted EBITDA: - Profit for the period add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period
		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.	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.

12.1 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	
	November 30, 2020	November 30, 2019
(In thousands of Canadian dollars, except percentages)	**$**	$
Profit for the period	**114,896**	89,708
Income taxes	**35,522**	29,931
Financial expense	**35,210**	39,270
Depreciation and amortization	**124,250**	123,135
Integration, restructuring and acquisition costs	**1,215**	61
Adjusted EBITDA	**311,093**	282,105
Revenue	**618,913**	586,827
Adjusted EBITDA margin	**50.3 %**	48.1 %

12.2 FREE CASH FLOW RECONCILIATION

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

	Three months ended	
	November 30, 2020	November 30, 2019
(In thousands of Canadian dollars)	**$**	$
Cash flows from operating activities	**241,725**	149,192
Amortization of deferred transaction costs and discounts on long-term debt	**2,278**	2,537
Changes in non-cash operating activities	**5,362**	81,213
Income taxes paid	**41,781**	16,152
Current income taxes	**(19,862)**	(23,597)
Financial expense paid	**21,852**	39,115
Financial expense	**(35,210)**	(39,270)
Acquisition of property, plant and equipment	**(116,222)**	(121,302)
Repayment of lease liabilities	**(1,088)**	(1,196)
Free cash flow	**140,616**	102,844

12.3 CAPITAL INTENSITY RECONCILIATION

The calculation of capital intensity is as follows:

	Three months ended	
	November 30, 2020	November 30, 2019
(In thousands of Canadian dollars, except percentages)	**$**	$
Acquisition of property, plant and equipment	**116,222**	121,302
Revenue	**618,913**	586,827
Capital intensity	**18.8 %**	20.7 %

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	November 30,		August 31,		May 31,		February 29,	February 28,
(In thousands of Canadian dollars, except percentages and per share data)	**2020**	2019	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$	$	$
Operations								
Revenue	**618,913**	586,827	605,168	583,673	605,821	587,345	586,467	584,129
Adjusted EBITDA	**311,093**	282,105	294,535	275,610	294,717	283,927	277,372	280,552
Adjusted EBITDA margin	**50.3 %**	48.1 %	48.7 %	47.2 %	48.6 %	48.3 %	47.3 %	48.0 %
Integration, restructuring and acquisition costs	**1,215**	61	3,955	712	12	1,003	5,458	3,722
Profit for the period from continuing operations	**114,896**	89,708	96,148	92,403	96,724	99,571	114,011	86,128
Profit (loss) for the period from discontinued operations	**—**	—	—	1,920	—	82,451	—	(5,369)
Profit for the period	**114,896**	89,708	96,148	94,323	96,724	182,022	114,011	80,759
Profit for the period from continuing operations attributable to owners of the Corporation	**106,679**	84,178	90,834	87,850	90,771	96,613	109,391	81,718
Profit for the period attributable to owners of the Corporation	**106,679**	84,178	90,834	89,770	90,771	179,064	109,391	76,349
Cash flow								
Cash flows from operating activities	**241,725**	149,192	254,745	304,702	282,229	265,551	231,653	199,462
Acquisition of property, plant and equipment	**116,222**	121,302	128,195	145,099	123,653	96,116	110,840	92,773
Free cash flow (1)	**140,616**	102,844	111,372	84,250	116,158	136,999	125,062	125,307
Capital intensity	**18.8 %**	20.7 %	21.2 %	24.9 %	20.4 %	16.4 %	18.9 %	15.9 %
Per share data (2)								
Earnings (loss) per share								
Basic								
From continuing operations	**2.24**	1.71	1.90	1.78	1.89	1.96	2.24	1.65
From discontinued operations	**—**	—	—	0.04	—	1.67	—	(0.11)
From continuing and discontinued operations	**2.24**	1.71	1.90	1.82	1.89	3.62	2.24	1.55
Diluted								
From continuing operations	**2.22**	1.70	1.88	1.77	1.87	1.94	2.22	1.64
From discontinued operations	**—**	—	—	0.04	—	1.65	—	(0.11)
From continuing and discontinued operations	**2.22**	1.70	1.88	1.80	1.87	3.59	2.22	1.53
Dividends per share	**0.64**	0.58	0.58	0.525	0.58	0.525	0.58	0.525

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

(2) Per multiple and subordinate voting share.

13.1 SEASONAL VARIATIONS

Cogeco Communications' operating results are not generally subject to material seasonal fluctuations except as follows. In the Canadian and American broadband services segments, the number of Internet and video services customers are generally lower in the second half of a 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 during the winter and summer seasons.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2020

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

		Three months ended November 30,	
	Notes	**2020**	2019
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue	*3*	**618,913**	586,827
Operating expenses	*5*	**301,968**	299,332
Management fees – Cogeco Inc.	*15*	**5,852**	5,390
Integration, restructuring and acquisition costs	*4*	**1,215**	61
Depreciation and amortization	*6*	**124,250**	123,135
Financial expense	*7*	**35,210**	39,270
Profit before income taxes		**150,418**	119,639
Income taxes	*8*	**35,522**	29,931
Profit for the period		**114,896**	89,708
Profit for the period attributable to:			
Owners of the Corporation		**106,679**	84,178
Non-controlling interest		**8,217**	5,530
		114,896	89,708
Earnings per share			
Basic	*9*	**2.24**	1.71
Diluted	*9*	**2.22**	1.70

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended November 30,	
	2020	2019
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**114,896**	89,708
Other comprehensive income		
Items to be subsequently reclassified to profit or loss		
Cash flow hedging adjustments		
Net change in fair value of hedging derivative financial instruments	**8,392**	15,129
Related income taxes	**(2,223)**	(3,985)
	6,169	11,144
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**(11,556)**	(669)
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**3,003**	234
Related income taxes	**25**	—
	(8,528)	(435)
	(2,359)	10,709
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability or asset	**2,719**	3,473
Related income taxes	**(721)**	(920)
	1,998	2,553
	(361)	13,262
Comprehensive income for the period	**114,535**	102,970
Comprehensive income for the period attributable to:		
Owners of the Corporation	**108,670**	97,576
Non-controlling interest	**5,865**	5,394
	114,535	102,970

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 11)		*(Note 12)*			
Balance at August 31, 2019	1,023,390	13,526	31,028	1,131,845	359,689	2,559,478
Profit for the period	—	—	—	84,178	5,530	89,708
Other comprehensive income (loss) for the period	—	—	10,845	2,553	(136)	13,262
Comprehensive income for the period	—	—	10,845	86,731	5,394	102,970
Issuance of subordinate voting shares under the Stock Option Plan	4,495	—	—	—	—	4,495
Share-based payment (Notes 11 D) and 15)	—	1,422	—	—	—	1,422
Share-based payment previously recorded in share-based payment reserve for options exercised	701	(701)	—	—	—	—
Dividends (Note 11 C))	—	—	—	(28,521)	—	(28,521)
Purchase and cancellation of subordinate voting shares	(3,988)	—	—	(11,702)	—	(15,690)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,643)	—	—	—	—	(5,643)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,671	(2,958)	—	(713)	—	—
Total distributions to shareholders	(764)	(2,237)	—	(40,936)	—	(43,937)
Balance at November 30, 2019	1,022,626	11,289	41,873	1,177,640	365,083	2,618,511
Balance at August 31, 2020	**984,963**	**16,347**	**(7,117)**	**1,274,053**	**373,504**	**2,641,750**
Profit for the period	**—**	**—**	**—**	**106,679**	**8,217**	**114,896**
Other comprehensive income (loss) for the period	**—**	**—**	**(7)**	**1,998**	**(2,352)**	**(361)**
Comprehensive income for the period	**—**	**—**	**(7)**	**108,677**	**5,865**	**114,535**
Issuance of subordinate voting shares under the Stock Option Plan	**272**	**—**	**—**	**—**	**—**	**272**
Share-based payment (Notes 11 D) and 15)	**—**	**1,120**	**—**	**—**	**—**	**1,120**
Share-based payment previously recorded in share-based payment reserve for options exercised	**43**	**(43)**	**—**	**—**	**—**	**—**
Dividends (Note 11 C))	**—**	**—**	**—**	**(30,544)**	**—**	**(30,544)**
Purchase and cancellation of subordinate voting shares	**(418)**	**—**	**—**	**(1,061)**	**—**	**(1,479)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(4,439)**	**—**	**—**	**—**	**—**	**(4,439)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**4,655**	**(4,504)**	**—**	**(151)**	**—**	**—**
Total contributions by (distributions to) shareholders	**113**	**(3,427)**	**—**	**(31,756)**	**—**	**(35,070)**
Balance at November 30, 2020	**985,076**	**12,920**	**(7,124)**	**1,350,974**	**379,369**	**2,721,215**

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

(In thousands of Canadian dollars)	*Notes*	**November 30, 2020** **$**	August 31, 2020 $
Assets			
Current			
Cash and cash equivalents	*13 B)*	**428,982**	366,497
Trade and other receivables		**82,029**	83,013
Income taxes receivable		**5,442**	3,283
Prepaid expenses and other		**50,507**	29,266
		566,960	482,059
Non-current			
Other assets		**45,447**	45,109
Property, plant and equipment		**2,088,238**	2,088,930
Intangible assets		**2,775,173**	2,800,401
Goodwill		**1,372,923**	1,381,024
Deferred tax assets		**4,838**	6,674
		6,853,579	6,804,197
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**—**	7,610
Trade and other payables		**230,564**	211,052
Provisions		**34,100**	33,864
Income tax liabilities		**20,022**	39,897
Contract liabilities and other liabilities		**42,514**	47,162
Derivative financial instruments		**1,820**	3,834
Current portion of long-term debt	*10*	**27,738**	29,569
		356,758	372,988
Non-current			
Long-term debt	*10*	**3,067,051**	3,087,033
Derivative financial instruments		**61,175**	67,375
Contract liabilities and other liabilities		**10,993**	10,965
Pension plan liabilities and accrued employee benefits		**10,974**	13,490
Deferred tax liabilities		**625,413**	610,596
		4,132,364	4,162,447
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*11 B)*	**985,076**	984,963
Share-based payment reserve		**12,920**	16,347
Accumulated other comprehensive loss	*12*	**(7,124)**	(7,117)
Retained earnings		**1,350,974**	1,274,053
		2,341,846	2,268,246
Equity attributable to non-controlling interest		**379,369**	373,504
		2,721,215	2,641,750
		6,853,579	6,804,197

Contingencies (Note 16)
Subsequent event (Note 17)

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Notes	Three months ended November 30, 2020	2019
(In thousands of Canadian dollars)		$	$
Cash flows from operating activities			
Profit for the period		**114,896**	89,708
Adjustments for:			
Depreciation and amortization	*6*	**124,250**	123,135
Financial expense	*7*	**35,210**	39,270
Income taxes	*8*	**35,522**	29,931
Share-based payment		**883**	2,142
(Gain) loss on disposals and write-offs of property, plant and equipment		**(481)**	994
Defined benefit plans expense, net of contributions		**440**	492
		310,720	285,672
Changes in non-cash operating activities	*13 A)*	**(5,362)**	(81,213)
Financial expense paid		**(21,852)**	(39,115)
Income taxes paid		**(41,781)**	(16,152)
		241,725	149,192
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(116,222)**	(121,302)
Advance payment related to a business combination		**(10,000)**	—
Proceeds on disposals of property, plant and equipment		**988**	185
		(125,234)	(121,117)
Cash flows from financing activities			
(Decrease) increase in bank indebtedness		**(7,610)**	11,172
Repayment of notes, debentures and credit facilities		**(5,554)**	(5,648)
Repayment of lease liabilities		**(1,088)**	(1,196)
Repayment of balance due on business combinations		**(1,258)**	(3,228)
Issuance of subordinate voting shares	*11 B)*	**272**	4,495
Purchase and cancellation of subordinate voting shares	*11 B)*	**(1,479)**	(15,690)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*11 B)*	**(4,439)**	(5,643)
Dividends paid	*11 C)*	**(30,544)**	(28,521)
		(51,700)	(44,259)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(2,306)**	99
Net change in cash and cash equivalents		**62,485**	(16,085)
Cash and cash equivalents, beginning of the period		**366,497**	556,504
Cash and cash equivalents, end of the period		**428,982**	540,419

NATURE OF OPERATIONS

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

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which as of November 30, 2020 held 32.8% 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and do not include all the information required for annual financial statements. Certain information and footnote disclosure normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2020 annual consolidated financial statements.

The condensed interim consolidated financial statements have been prepared with the same accounting policies and methods of computation followed by the Corporation in its 2020 annual consolidated financial statements. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements. Certain comparative amounts in the condensed interim consolidated financial statements have been reclassified in order to conform to the fiscal 2021 consolidated financial statements presentation.

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results, except that the number of Internet and video services customers are generally lower in the second half of a 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 during the winter and summer seasons.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on January 14, 2021.

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

2. ACCOUNTING POLICY DEVELOPMENTS

ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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. Effective September 1, 2020, the Corporation adopted these amendments, which had no impact on the consolidated financial statements. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future acquisitions and they may affect whether those future acquisitions are accounted for as business combinations or as asset acquisitions, along with the allocation of the purchase price between the net identifiable assets acquired and goodwill.

3. REVENUE

						Three months ended November 30,
	Canadian broadband services		American broadband services		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
	$	$	**$**	$	**$**	$
Residential [(1)]	**293,426**	286,754	**248,865**	227,314	**542,291**	514,068
Commercial	**34,017**	33,963	**34,417**	32,000	**68,434**	65,963
Other	**566**	90	**7,622**	6,706	**8,188**	6,796
	328,009	320,807	**290,904**	266,020	**618,913**	586,827

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

4. OPERATING SEGMENTS

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

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

The 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.

The column entitled "Corporate and eliminations" is comprised of the corporate activities and consolidation elimination entries.

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

	Three months ended November 30, 2020			
	Canadian broadband services	American broadband services	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	**328,009**	**290,904**	**—**	**618,913**
Operating expenses	**141,895**	**152,378**	**7,695**	**301,968**
Management fees – Cogeco Inc.	**—**	**—**	**5,852**	**5,852**
Segment profit (loss)	**186,114**	**138,526**	**(13,547)**	**311,093**
Integration, restructuring and acquisition costs (1)				**1,215**
Depreciation and amortization				**124,250**
Financial expense				**35,210**
Profit before income taxes				**150,418**
Income taxes				**35,522**
Profit for the period				**114,896**
Acquisition of property, plant and equipment	**65,610**	**49,347**	**1,265**	**116,222**

(1) Comprised primarily of due diligence costs and legal fees related to the acquisition of DERYtelecom (see Note 17).

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

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

5. OPERATING EXPENSES

	Three months ended November 30,	
	2020	2019
	$	$
Salaries, employee benefits and outsourced services	**91,827**	91,265
Service delivery costs	**165,964**	162,495
Customer related costs	**19,607**	22,007
Other external purchases	**24,570**	23,565
	301,968	299,332

6. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2020	2019
	$	$
Depreciation of property, plant and equipment (1)	**109,415**	108,827
Amortization of intangible assets	**14,835**	14,308
	124,250	123,135

(1) Includes depreciation of right-of-use assets amounting to $1.5 million ($1.6 million in fiscal 2020) for the three-month period of fiscal 2021.

7. FINANCIAL EXPENSE

	Three months ended November 30,	
	2020	2019
	$	$
Interest on long-term debt, excluding interest on lease liabilities	**33,325**	40,079
Interest on lease liabilities	**338**	381
Net foreign exchange loss	**806**	20
Amortization of deferred transaction costs	**211**	464
Capitalized borrowing costs	**(50)**	(151)
Other	**580**	(1,523)
	35,210	39,270

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

8. INCOME TAXES

	Three months ended November 30,	
	2020	2019
	$	$
Current	**19,862**	23,597
Deferred	**15,660**	6,334
	35,522	29,931

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

	Three months ended November 30,	
	2020	2019
	$	$
Profit before income taxes	**150,418**	119,639
Combined Canadian income tax rate	**26.5 %**	26.5 %
Income taxes at combined Canadian income tax rate	**39,861**	31,704
Difference in operations' statutory income tax rates	**631**	707
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**114**	(229)
Tax impacts related to foreign operations	**(5,143)**	(6,510)
Other	**59**	4,259
Income taxes at effective income tax rate	**35,522**	29,931
Effective income tax rate	**23.6 %**	25.0 %

9. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2020	2019
	$	$
Profit for the period attributable to owners of the Corporation	**106,679**	84,178
Weighted average number of multiple and subordinate voting shares outstanding	**47,725,287**	49,154,736
Effect of dilutive stock options [(1)]	**209,698**	282,446
Effect of dilutive incentive share units	**75,909**	71,990
Effect of dilutive performance share units	**105,682**	107,837
Weighted average number of diluted multiple and subordinate voting shares outstanding	**48,116,576**	49,617,009

(1) For the first quarter of fiscal 2021, 200,900 stock options (205,150 in fiscal 2020) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

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

10. LONG-TERM DEBT

	November 30, 2020	August 31, 2020
	$	$
Notes, debentures and credit facilities	3,055,043	3,072,511
Lease liabilities	38,146	41,235
Balance due on business combinations	1,600	2,856
	3,094,789	3,116,602
Less current portion	27,738	29,569
	3,067,051	3,087,033

Notes, debentures and credit facilities

	Maturity	Interest rate	November 30, 2020	August 31, 2020
		%	$	$
Corporation				
Senior Secured Notes				
Series A - US$25 million	September 2024	4.14	32,349	32,538
Series B - US$150 million	September 2026	4.29	193,987	195,123
Senior Secured Notes - US$215 million	June 2025	4.30	278,066	279,687
Senior Secured Debentures Series 3	February 2022	4.93	199,727	199,671
Senior Secured Debentures Series 4	May 2023	4.18	299,112	299,027
Subsidiaries				
First Lien Credit Facilities				
Senior Secured Term Loan B Facility - US$1,622.5 million (US$1,626.8 million at August 31, 2020)	January 2025	2.15 (1) (2)	2,051,802	2,066,465
			3,055,043	3,072,511
Less current portion			22,040	22,171
			3,033,003	3,050,340

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

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

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

11. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

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

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	November 30, 2020	August 31, 2020
	$	$
15,691,100 multiple voting shares	98,346	98,346
32,220,398 subordinate voting shares (32,231,433 at August 31, 2020)	902,793	902,896
	1,001,139	1,001,242
76,930 subordinate voting shares held in trust under the Incentive Share Unit Plan (76,957 at August 31, 2020)	(6,655)	(6,346)
106,792 subordinate voting shares held in trust under the Performance Share Unit Plan (115,222 at August 31, 2020)	(9,408)	(9,933)
	985,076	984,963

During the first three months of fiscal 2021, subordinate voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2020	32,231,433	902,896
Shares issued for cash under the Stock Option Plan	3,865	272
Share-based payment previously recorded in share-based payment reserve for options exercised	—	43
Purchase and cancellation of subordinate voting shares (1)	(14,900)	(418)
Balance at November 30, 2020	32,220,398	902,793

(1) During the first three months of fiscal 2021, under its Normal Course Issuer Bid ("NCIB") program, the Corporation purchased and cancelled 14,900 (143,100 in 2020) subordinate voting shares with an average stated value of $0.4 million ($4 million in 2020), for consideration of $1.5 million ($15.7 million in 2020). The excess of the purchase price over the average stated value of the shares totaled $1.1 million ($11.7 million in 2020) 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.

On September 2, 2020, Cogeco Communications ceased repurchasing shares under the ASPP as a result of the Altice-Rogers proposal.

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

During the first three months of fiscal 2021, the transactions pertaining to the subordinate voting shares held in trust under the Incentive Share Unit Plan were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2020	76,957	6,346
Subordinate voting shares acquired	24,255	2,311
Subordinate voting shares distributed to employees	(24,282)	(2,002)
Balance at November 30, 2020	76,930	6,655

During the first three months of fiscal 2021, the transactions pertaining to the subordinate voting shares held in trust under the Performance Share Unit Plan were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2020	115,222	9,933
Subordinate voting shares acquired	22,337	2,128
Subordinate voting shares distributed to employees	(30,767)	(2,653)
Balance at November 30, 2020	106,792	9,408

C) DIVIDENDS

For the three-month period ended November 30, 2020, a quarterly eligible dividend of $0.64 per share, for a total of $30.5 million, was paid to the holders of multiple and subordinate voting shares, compared to a quarterly eligible dividend of $0.58 per share, for a total of $28.5 million for the three-month period ended November 30, 2019.

	Three months ended November 30,	
	2020	2019
	$	$
Dividends on multiple voting shares	10,042	9,101
Dividends on subordinate voting shares	20,502	19,420
	30,544	28,521

At its January 14, 2021 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.64 per share for multiple and subordinate voting shares, payable on February 11, 2021 to shareholders of record on January 28, 2021.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries and a Stock Option Plan to its executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors. A detailed description of these plans can be found in the 2020 annual consolidated financial statements of the Corporation.

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

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at November 30, 2020:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2020	786,799	78.49
Granted	153,425	94.27
Exercised [(1)]	(3,865)	70.45
Cancelled	(7,445)	76.66
Outstanding at November 30, 2020	**928,914**	**81.15**
Exercisable at November 30, 2020	**431,754**	**67.87**

(1) The weighted average share price for options exercised during the period was $95.79.

The weighted average fair value of stock options granted for the three-month period ended November 30, 2020 was $14.74 per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	%
Expected dividend yield	2.76
Expected volatility	24.79
Risk-free interest rate	0.42
Expected life (in years)	5.9

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at November 30, 2020:

Outstanding at August 31, 2020	76,141
Granted [(1)]	24,900
Distributed	(24,282)
Cancelled	(2,409)
Outstanding at November 30, 2020	**74,350**

(1) The weighted average fair value of the ISUs granted during the period was $94.23.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at November 30, 2020:

Outstanding at August 31, 2020	112,886
Granted [(1)]	32,325
Distributed	(30,767)
Cancelled	(10,768)
Dividend equivalents	696
Outstanding at November 30, 2020	**104,372**

(1) The weighted average fair value of the PSUs granted during the period was $94.26.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at November 30, 2020:

Outstanding at August 31, 2020	50,958
Dividend equivalents	339
Outstanding at November 30, 2020	**51,297**

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

The following table shows the compensation expense recorded with regards to the Corporation's share-based payment plans:

	Three months ended November 30,	
	2020	2019
	$	$
Stock options	**268**	160
ISUs	**473**	321
PSUs	**178**	307
DSUs	**(212)**	588
	707	1,376

12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2019	(33,842)	64,870	31,028
Other comprehensive income (loss)	11,144	(299)	10,845
Balance at November 30, 2019	(22,698)	64,571	41,873
Balance at August 31, 2020	**(52,184)**	**45,067**	**(7,117)**
Other comprehensive income (loss)	**6,169**	**(6,176)**	**(7)**
Balance at November 30, 2020	**(46,015)**	**38,891**	**(7,124)**

13. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2020	2019
	$	$
Trade and other receivables	**(2,365)**	(3,131)
Prepaid expenses and other	**(11,376)**	(12,589)
Other assets	**(714)**	(2,756)
Trade and other payables	**15,060**	(63,835)
Provisions	**(604)**	(1,827)
Contract liabilities and other liabilities	**(5,363)**	2,925
	(5,362)	(81,213)

B) CASH AND CASH EQUIVALENTS

	November 30, 2020	August 31, 2020
	$	$
Cash	**364,157**	366,497
Cash equivalents [(1)]	**64,825**	—
	428,982	366,497

(1) Comprised of high interest bank deposits.

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

14. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Credit risk

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 condensed interim consolidated statements of financial position.

The Corporation reduces the credit risk with regards to the derivative financial instruments by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. At November 30, 2020, management believes this credit risk to be 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.

To mitigate the credit risk in relation to its trade accounts receivable, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. 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. Furthermore, a large portion of the Corporation's customers are billed and pay before the services are rendered. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. 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.

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2020, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 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 $6.8 million based on the outstanding debt and swap agreements at November 30, 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 the annual financial expense by approximately $9.5 million based on the outstanding debt and swap agreements at November 30, 2020.

Furthermore, 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 a portion is economically hedged by its subsidiary's US dollar denominated First Lien Credit Facilities.

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at November 30, 2020 was $1.2965 ($1.3042 at August 31, 2020) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $92 million.

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

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	November 30, 2020		August 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Notes, debentures and credit facilities	3,055,043	3,208,153	3,072,511	3,224,816

C) CAPITAL MANAGEMENT

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

The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, bank indebtedness and long-term debt.

At November 30, 2020 and August 31, 2020, 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:

	November 30, 2020	August 31, 2020
Net indebtedness (1) / adjusted EBITDA (2)	2.3	2.4
Adjusted EBITDA (2) / financial expense (2)	7.9	7.5

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended November 30, 2020 and for the year ended August 31, 2020. Financial expense for the twelve-month period ended November 30, 2020 and for the year ended August 31, 2020 excludes the gain on debt modification of $22.9 million, which is consistent with the covenants calculation.

15. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which as of November 30, 2020 held 32.8% 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 is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three-month period of fiscal 2021, management fees paid to Cogeco amounted to $5.9 million ($5.4 million for the same period of fiscal 2020).

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the three-month periods ended November 30, 2020 and 2019, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

	Three months ended November 30,	
	2020	2019
Stock options	69,200	110,875
PSUs	10,375	14,375

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

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

	Three months ended November 30,	
	2020	2019
	$	$
Stock options	**345**	309
ISUs	**6**	13
PSUs	**(150)**	312
DSUs	**(25)**	132
	176	766

16. CONTINGENCIES

CRTC's wholesale Internet services 2019 rate decision

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a 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 "Telecommunications Service Providers"), 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. While leave to appeal and an interlocutory stay of the CRTC order were both granted, the FCA ultimately dismissed the appeal and lifted the stay on September 10, 2020. On November 12, 2020, the Telecommunications Service Providers sought leave to appeal the Federal Court of Appeal decision to the Supreme Court of Canada.

In parallel, on December 13, 2019, the Telecommunications Service Providers 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 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, on November 13, 2019, the Telecommunications Service Providers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Governor in Council rendered an order on August 15, 2020 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.

Due to the stay issued by the CRTC and the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has not recorded the impact of the reduced rates as at November 30, 2020.

17. SUBSEQUENT EVENT

Acquisition of DERYtelecom

On December 14, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of DERYtelecom, the third largest cable operator in the province of Québec, for a purchase price of $403 million, subject to customary post-closing adjustments. The transaction was executed essentially through an asset purchase. This acquisition enables Cogeco Connexion to expand its activities in more than 200 municipalities in Québec, including in the Estrie, Lanaudière, Montérégie and Laurentians regions, and adds approximately 100,000 customers to its client base. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility.

PRIMARY SERVICE UNIT STATISTICS

	November 30, 2020	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019
CONSOLIDATED					
Primary service units	**2,763,466**	2,757,631	2,739,903	2,719,347	2,722,302
Internet service customers	**1,319,869**	1,304,228	1,281,762	1,253,183	1,246,358
Video service customers	**930,684**	936,636	939,453	945,085	954,964
Telephony service customers	**512,913**	516,767	518,688	521,079	520,980
CANADA					
Primary service units	**1,790,783**	1,799,706	1,802,631	1,812,140	1,818,732
Internet service customers	**815,248**	812,016	803,073	795,950	794,895
Penetration as a percentage of homes passed	**45.8%**	45.7%	45.3%	44.9%	45.0%
Video service customers	**612,297**	619,249	627,608	638,833	646,326
Penetration as a percentage of homes passed	**34.4%**	34.9%	35.4%	36.1%	36.6%
Telephony service customers	**363,238**	368,441	371,950	377,357	377,511
Penetration as a percentage of homes passed	**20.4%**	20.7%	21.0%	21.3%	21.4%
UNITED STATES					
Primary service units	**972,683**	957,925	937,272	907,207	903,570
Internet service customers	**504,621**	492,212	478,689	457,233	451,463
Penetration as a percentage of homes passed	**54.4%**	53.3%	52.2%	51.8%	51.3%
Video service customers	**318,387**	317,387	311,845	306,252	308,638
Penetration as a percentage of homes passed	**34.3%**	34.4%	34.0%	34.7%	35.1%
Telephony service customers	**149,675**	148,326	146,738	143,722	143,469
Penetration as a percentage of homes passed	**16.1%**	16.1%	16.0%	16.3%	16.3%