COGECO
COMMUNICATIONS

News Release

FOR IMMEDIATE RELEASE

COGECO COMMUNICATIONS RELEASES ITS FINANCIAL RESULTS FOR THE THIRD QUARTER OF FISCAL 2021

- **Revenue increased by 3.1% (8.8% in constant currency[(1)]) compared to the same period of the prior year to reach $624.3 million;**
- **Adjusted EBITDA[(1)] reached $297.0 million, an increase of 0.8% (5.8% in constant currency);**
- **Free cash flow[(1)] reached $132.1 million, an increase of 13.7% (14.0% in constant currency);**
- **Cogeco Communications announced the acquisition of WideOpenWest's Ohio broadband systems; and**
- **A quarterly eligible dividend of $0.64 was declared.**

Montréal, July 14, 2021 – Today, Cogeco Communications Inc. (TSX: CCA) ("Cogeco Communications" or the "Corporation") announced its financial results for the third quarter ended May 31, 2021, in accordance with International Financial Reporting Standards ("IFRS").

OPERATING RESULTS

For the third quarter of fiscal 2021:

- Revenue increased by 3.1% to reach $624.3 million. On a constant currency basis, revenue increased by 8.8%, mainly explained as follows:
    - Canadian broadband services revenue increased by 10.2% as a result of the DERYtelecom acquisition completed on December 14, 2020, the cumulative effect of sustained demand for residential high-speed Internet since the beginning of the pandemic and rate increases implemented for certain services, partly offset by a retroactive adjustment of $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates during the third quarter of fiscal 2021 and a decline in video and telephony service customers as some customers have migrated to Internet-only services. Excluding the acquisition of DERYtelecom and the impact of the $4.6 million adjustment mentioned above, revenue in constant currency increased by 3.0%.
    - American broadband services revenue increased by 7.2% in constant currency resulting mainly from a higher Internet service customer base, rate increases implemented for certain services and last year's temporary waiving of late fees charged to customers as a relief measure in the context of the COVID-19 pandemic, which were reinstated in all states by September 2020.

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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 this press release, including reconciliation to the most comparable IFRS financial measures.

- Adjusted EBITDA increased by 0.8% to reach $297.0 million. On a constant currency basis, adjusted EBITDA increased by 5.8%, mainly explained as follows:

    - Canadian broadband services adjusted EBITDA increased by 6.4% in constant currency mainly resulting from revenue growth and the impact of the DERYtelecom acquisition, partly offset by the $4.6 million retroactive adjustment following the CRTC's decision on aggregated wholesale Internet rates, combined with higher sales and marketing initiatives deferred to the second half of the year in the context of the COVID-19 pandemic. Excluding the acquisition of DERYtelecom and the impact of the $4.6 million adjustment mentioned above, adjusted EBITDA in constant currency increased by 1.6%.

    - American broadband services adjusted EBITDA increased by 5.9% in constant currency mainly resulting from revenue growth driven by a continued increase in customer demand for high-speed offerings Internet service and by rate increases implemented for certain services, partly offset by a non-recurring gain on disposal of property, plant and equipment amounting to US$1.7 million recorded during the third quarter of fiscal 2020, combined with higher sales and marketing initiatives deferred to the second half of the year in the context of the COVID-19 pandemic. Excluding the non-recurring gain on disposal of property, plant and equipment, adjusted EBITDA in constant currency increased by 8.0%.

- Profit for the period amounted to $102.8 million, of which $95.7 million, or $2.02 per share, was attributable to owners of the Corporation compared to $96.7 million, $90.8 million, and $1.89 per share, respectively, in the comparable period of fiscal 2020. The increases resulted mainly from a lower financial expense and a higher adjusted EBITDA, partly offset by the depreciation of the US dollar and a higher total income taxes expense.

- Free cash flow increased by 13.7% (14.0% in constant currency) to reach $132.1 million as a result of higher adjusted EBITDA, the decrease in current income taxes, mainly following the harmonization of the Québec tax legislation with the federal's accelerated tax depreciation measure, and the decrease in financial expense, partly offset by higher capital expenditures.

- Cash flows from operating activities decreased by 6.2% to reach $264.6 million, mainly due to the increase in income taxes paid and the depreciation of the US dollar, partly offset by the decrease in interest paid.

- Cogeco Communications purchased and cancelled 414,000 subordinate voting shares for a total consideration of $49.0 million.

- Cogeco Communications maintains its fiscal 2021 revised financial guidelines as issued on January 14, 2021.

- Cogeco Communications released its fiscal 2022 preliminary financial guidelines. On a constant currency basis, the Corporation expects fiscal 2022 revenue and adjusted EBITDA to grow between 3.5% and 5.5%. Acquisition of property, plant and equipment should reach between $690 and $720 million, including net investments of approximately $230 to $240 million in network expansions which will increase the Corporation's footprint in Canada and the United States. As a result of these growth initiatives, free cash flow is expected to decrease between 30% and 35%. Excluding the fiscal year 2022 network expansion projects, free cash flow on a constant currency and consolidated basis would otherwise increase between 13% and 18%.

- At its July 14, 2021 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.64 per share compared to $0.58 per share in the comparable quarter of fiscal 2020.

"Overall, we are satisfied with Cogeco Communications' performance for the third quarter of fiscal 2021, which is in line with expected results in constant currency," declared Philippe Jetté, President and Chief Executive Officer of Cogeco Communications Inc.

"In Canada, we continue to see positive trends with our Internet services and growth in our residential business, with the changes over the past year in how Canadians work and live," said Mr. Jetté. "Over the course of the quarter, Cogeco Connexion announced several network expansion projects in collaboration with the governments of Québec and Ontario to expand its high-speed Internet services to underserved and unserved areas. The CRTC's decision to maintain the 2016 wholesale rates for broadband services, rather than adopting the even lower rates of 2019, provides a more stable regulatory framework pending the CRTC's review of the methodology to establish these rates. This helps ensure continuity in our current investments to increase access to high-speed Internet in communities outside large urban centres. In addition, Cogeco welcomed the CRTC's decision on mobile wireless to allow regional players investing in telecommunications infrastructure and spectrum to access the wireless networks of Canada's dominant providers. This regulatory framework provides more clarity as we develop our plans to offer mobile wireless services in a financially disciplined way."

"At Atlantic Broadband, we are seeing a continued increase in revenue and adjusted EBITDA results and an overall trend to more high-speed Internet subscribers propelled by our Broadband First offer strategy launched in the second quarter," added

Mr. Jetté. "We also recently announced Atlantic Broadband's acquisition of the WOW Ohio systems, representing a strong strategic fit that allows us to continue adding scale to our growing and profitable U.S. broadband business."

"We recently unveiled Cogeco's commitment on diversity and inclusion, which can be consulted on our corporate website. While Cogeco has long had social inclusion at its core, we are now making public our stance on the importance of diversity and inclusion and committing to continued action on this front. In addition, we were honoured to be recognized by Corporate Knights as one of Canada's top 50 Corporate Citizens for the fourth consecutive year, with a new high ranking of 22 on the list. For a second year, Cogeco also recently received the Caring Company Certification from Imagine Canada, which recognizes outstanding leadership in community investment and social responsibility in Canada. We are proud of these recognitions as we continue to strengthen and invest in our corporate social responsibility practices, ensuring the company operates responsibly and sustainably, while being a good corporate citizen," concluded Mr. Jetté.

ACQUISITION OF WIDEOPENWEST'S OHIO BROADBAND SYSTEMS

On June 30, 2021, Cogeco Communications announced that Atlantic Broadband had entered into a definitive agreement with WideOpenWest, Inc. ("WOW") to purchase all of its broadband systems located in Ohio ("Ohio broadband systems"). The Ohio broadband systems are valued at US$1.125 billion, plus transaction and financing costs. The Ohio broadband systems pass approximately 688,000 homes and businesses in Cleveland and Columbus and served approximately 196,000 Internet, 61,000 video and 35,000 telephony customers, as of March 31, 2021. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to Atlantic Broadband's existing footprint and capitalizes on its existing platform. The purchase price and transaction costs will be financed through US$900 million of committed secured debt financing provided to Atlantic Broadband, and excess cash on hand. The acquisition is subject to regulatory approvals along with other customary closing conditions and is expected to close in the first quarter of fiscal 2022.

COVID-19 PANDEMIC

The COVID-19 pandemic continues to impact our day-to-day operations although public health restrictions are starting to be lifted in part as vaccines are continuing to be rolled out, in both Canada and the United States. Our priority remains on ensuring the well-being of our employees, customers and business partners. During the first nine months of fiscal 2021, we continued to experience some of the trends from past quarters. Those primarily relate to sustained demand for our residential high-speed Internet product, due to customers spending more time at home for work, online education and entertainment purposes, and a reduction of certain expenses due to a more stable customer base (fewer connections and disconnections) and not being able to use all usual sales channels. In these unusual circumstances, we have also decided to delay during the first half of fiscal 2021, certain sales and marketing expenses to the second half of the year in both countries. We expect that the current "work-from-home" trend will continue after the COVID-19 pandemic, where more workers will work from home than pre-pandemic on a partial or full-time basis. This trend should benefit our various network expansion projects, especially in underserved and unserved areas. 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.

ABOUT COGECO COMMUNICATIONS

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

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Conference Call: **Thursday, July 15, 2021 at 11:00 a.m.** (Eastern Daylight Time)

A live audio webcast will be available on Cogeco Communications' website at https://corpo.cogeco.com/cca/en/investors/investor-relations/. Members of the financial community will be able to access the conference call and ask questions. Media representatives may attend as listeners only. The webcast will be available on Cogeco Communications' website for a three-month period.

Please use the following dial-in number to have access to the conference call 5 to 10 minutes before the start of the conference:

Canada/United States Access Number: **1-877-291-4570**
International Access Number: **1-647-788-4919**

In order to join this conference, participants are required to provide the operator with the name of the company hosting the call, that is, Cogeco Inc. or Cogeco Communications Inc.

COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2021

FINANCIAL HIGHLIGHTS

	Three months ended May 31,					Nine months ended May 31,				
	2021	2020	Change	Change in constant currency (1)(2)	Foreign exchange impact (1)	**2021**	2020	Change	Change in constant currency (1)(2)	Foreign exchange impact (1)
(In thousands of Canadian dollars, except percentages and per share data)	**$**	$	%	%	$	**$**	$	%	%	$
Operations										
Revenue	**624,308**	605,821	3.1	8.8	(34,874)	**1,877,769**	1,779,115	5.5	8.1	(45,642)
Adjusted EBITDA (2)	**296,999**	294,717	0.8	5.8	(14,700)	**915,086**	854,194	7.1	9.4	(19,402)
Adjusted EBITDA margin (2)	**47.6 %**	48.6 %				**48.7 %**	48.0 %			
Integration, restructuring and acquisition costs (3)	**1,225**	12	—			**4,770**	5,531	(13.8)		
Profit for the period	**102,786**	96,724	6.3			**328,241**	300,443	9.3		
Profit for the period attributable to owners of the Corporation	**95,702**	90,771	5.4			**305,317**	284,340	7.4		
Cash flow										
Cash flows from operating activities	**264,621**	282,229	(6.2)			**737,512**	663,074	11.2		
Acquisition of property, plant and equipment (4)	**126,570**	123,653	2.4	11.3	(11,093)	**358,006**	355,795	0.6	4.6	(14,187)
Free cash flow (2)	**132,070**	116,158	13.7	14.0	(386)	**415,454**	344,064	20.7	21.1	(1,070)
Capital intensity (2)	**20.3 %**	20.4 %				**19.1 %**	20.0 %			
Financial condition (5)										
Cash and cash equivalents						**305,440**	366,497	(16.7)		
Total assets						**7,020,030**	6,804,197	3.2		
Indebtedness (6)						**3,128,047**	3,179,926	(1.6)		
Equity attributable to owners of the Corporation						**2,348,645**	2,268,246	3.5		
Per share data (7)										
Earnings per share										
Basic	**2.02**	1.89	6.9			**6.42**	5.84	9.9		
Diluted	**2.01**	1.87	7.5			**6.36**	5.78	10.0		
Dividends	**0.64**	0.58	10.3			**1.92**	1.74	10.3		

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. For the three and nine-month periods ended May 31, 2020, the average foreign exchange rates used for translation were 1.3994 USD/CDN and 1.3466 USD/CDN, respectively.

(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 and nine-month periods ended May 31, 2021, integration, restructuring and acquisition costs resulted mostly from due diligence costs related to the acquisition of WideOpenWest's Ohio broadband systems, announced on June 30, 2021, and costs related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020. For the three and nine-month periods ended May 31, 2020, integration, restructuring and acquisition costs resulted primarily from organizational changes initiated across the Corporation resulting in cost optimization, as well as the acquisition and integration of Thames Valley Communications, which was completed on March 10, 2020.

(4) For the three and nine-month periods ended May 31, 2021, acquisition of property, plant and equipment in constant currency amounted to $137.7 million and $372.2 million, respectively.

(5) At May 31, 2021 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 and nine-month periods ended May 31, 2021

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" and "Fiscal 2022 preliminary financial guidelines" sections 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 and nine-month periods ended May 31, 2021 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the Corporation's 2020 Annual Report.

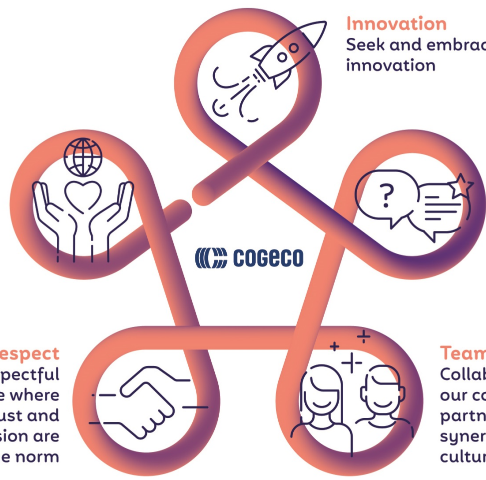
In preparing this MD&A, the Corporation has taken into account information available up to July 14, 2021, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at 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

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

Customer Commitment
Put customers at the heart of all our actions

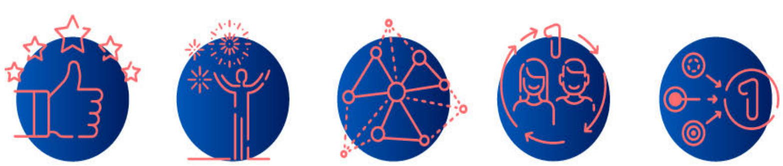
Respect
Foster a respectful workplace where integrity, trust and inclusion are the norm

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

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, engaging and inclusive 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 financial 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

Overall, fiscal 2021 third-quarter financial results were in line with Cogeco Communications' revised financial guidelines as issued on January 14, 2021. Accordingly, Cogeco Communications maintains its fiscal 2021 revised financial guidelines.

Please refer to the "Fiscal 2021 revised financial guidelines" section for further details.

REVENUE

For the first nine months of fiscal 2021, revenue increased by 5.5% (8.1% in constant currency) resulting from:

- growth of 3.2% (8.8% in constant currency) in the American broadband services segment; and
- an increase of 7.5% (7.5% in constant currency) in the Canadian broadband services segment, mainly from revenue generated from the DERYtelecom acquisition completed on December 14, 2020; partly offset by
- a retroactive adjustment of $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates during the third quarter of fiscal 2021, within the Canadian broadband services segment.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications, and the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, revenue in constant currency increased by 5.0% for the first nine months of fiscal 2021.

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

ADJUSTED EBITDA [(1)]

For the first nine months of fiscal 2021, adjusted EBITDA increased by 7.1% (9.4% in constant currency) as a result of:

- an increase of 9.0% (8.8% in constant currency) in the Canadian broadband services segment, mainly resulting from revenue growth and the impact of the DERYtelecom acquisition, partly offset by a retroactive adjustment of $4.6 million recognized as a reduction of revenue during the third quarter following the CRTC's decision on aggregated wholesale Internet rates; and
- an increase of 5.2% (10.8% in constant currency) in the American broadband services segment, mainly resulting from revenue growth and the impact of the Thames Valley Communications acquisition, partly offset by a non-recurring gain on disposal of property, plant and equipment amounting to US$1.7 million recorded during the third quarter of fiscal 2020.

In addition, adjusted EBITDA for the first nine months of fiscal 2021 was favorably impacted by the timing of certain sales and marketing activities deferred, in both the Canadian and American broadband services segments, in the context of the COVID-19 pandemic.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications, the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, and the non-recurring gain on disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 7.0% for the first nine months of fiscal 2021.

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

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

For the first nine months of fiscal 2021, acquisition of property, plant and equipment remained comparable to same period of the prior year, with an overall increase of 0.6% (4.6% in constant currency) resulting from:

- 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, combined with equipment upgrades, the timing of certain initiatives and accelerated purchases of certain equipment to prevent potential supply chain shortages given the impact of the COVID-19 pandemic; partly offset by
- lower capital expenditures in the Canadian broadband services segment, resulting mainly from the timing of certain initiatives.

For the first nine months of fiscal 2021, capital intensity reached 19.1% compared to 20.0% for the same period of the prior year, mainly as a result of revenue growth combined with lower capital expenditures in the Canadian broadband services segment, partly offset by higher capital expenditures in the American broadband services segment.

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

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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.

FREE CASH FLOW [(1)]

For the first nine months of fiscal 2021, free cash flow increased by 20.7% (21.1% in constant currency) mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense, when excluding the fiscal 2020 non-cash gain on debt modification of $22.9 million; partly offset by
- higher capital expenditures.

2.2 FISCAL 2021 REVISED FINANCIAL GUIDELINES AND FISCAL 2022 PRELIMINARY FINANCIAL GUIDELINES

The following sections contains forward-looking statements concerning the business outlook for Cogeco Communications. For a description of risk factors that could cause actual results to differ materially from what Cogeco Communications expects, please refer to the "Uncertainties and main risk factors" section of the present MD&A and of the Corporation's 2020 annual MD&A.

FISCAL 2021 REVISED FINANCIAL GUIDELINES

Cogeco Communications maintains its fiscal 2021 revised financial guidelines as issued on January 14, 2021.

During the first quarter of fiscal 2021, Cogeco Communications revised its fiscal 2021 financial guidelines as issued on October 27, 2020 to incorporate 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 the impact from the acquisition of WideOpenWest's Ohio broadband systems and related transaction costs, which is expected to close during the first quarter of fiscal 2022, and other potential acquisitions. Capital intensity and free cash flow definitions do not include the acquisition of spectrum licenses (refer to section "Non-IFRS financial measures"). 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:

	January 14, 2021 Revised projections		October 27, 2020 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 constant 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 approximately 11%.

FISCAL 2022 PRELIMINARY FINANCIAL GUIDELINES

The Corporation presents its preliminary financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in a foreign currency rate. Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. The preliminary financial guidelines exclude the impact from the acquisition of WideOpenWest's Ohio broadband systems and related transactions costs, which is expected to close during the first quarter of fiscal 2022, and other possible acquisitions. Capital intensity and free cash flow definitions do not include the acquisition of spectrum licenses (refer to section "Non-IFRS financial measures"). 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.

(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.

On a constant currency and consolidated basis, Cogeco Communications expects fiscal 2022 revenue to grow between 3.5% and 5.5%, mainly as a result of organic growth in the American broadband services segment, expected continued demand for the residential Internet product resulting from the Broadband First strategy and growth in the business sector in a post-pandemic environment. In the Canadian broadband services segment, revenue growth should stem primarily from strong demand for the residential Internet product, the upselling of customers to higher tiers of service, the recent launch of the IPTV product, as well as the full-year impact of the DERYtelecom acquisition.

On a constant currency and consolidated basis, fiscal 2022 adjusted EBITDA should grow between 3.5% and 5.5%, mainly as a result of revenue growth exceeding operating expenses in both the American and Canadian broadband services segments.

Acquisition of property, plant and equipment should amount between $690 and $720 million, including approximately $230 to $240 million in network expansion projects net of government subsidies, resulting in capital intensity of approximately 27%, or 18% excluding growth-oriented network expansion projects. The Canadian broadband services segment expects higher capital intensity primarily due to government sponsored network expansion projects which will increase the Corporation's footprint in the provinces of Québec and Ontario and, to a lesser extent, investments in DERYtelecom's infrastructure in order to offer higher Internet speeds and the IPTV product. The American broadband services segment also expects higher capital intensity entirely due to network expansion projects which will increase the Corporation's footprint in several areas adjacent to its network. Since the projects will take most of the fiscal year to build, both business segments expect growth in homes passed towards the end of the year and to benefit from additional revenue in the following fiscal year.

Free cash flow on a constant currency and consolidated basis should decrease between 30% and 35%, mainly due to the growth of adjusted EBITDA more than offset by higher capital intensity, financial expense and current income taxes. Excluding the fiscal year 2022 growth-oriented network expansion projects, free cash flow on a constant currency and consolidated basis would otherwise increase between 13% and 18%.

The following table outlines the Corporation's fiscal 2022 preliminary financial guidelines ranges on a consolidated basis:

(In millions of dollars, except percentages)	**Preliminary projections** (1) **Fiscal 2022 (constant currency)**
Financial guidelines	
Revenue	**Increase of 3.5% to 5.5%** (2)
Adjusted EBITDA	**Increase of 3.5% to 5.5%** (2)
Acquisition of property, plant and equipment	**$690 to $720** (3)
Capital intensity	**Approximately 27%**
Free cash flow	**Decrease of 30% to 35%** (4)

(1) Fiscal 2022 preliminary financial guidelines presented as percentages reflect increases over projections for fiscal 2021.

(2) The acquisition of DERYtelecom is expected to have a positive impact of approximately 1% on fiscal 2022 revenue and adjusted EBITDA.

(3) Fiscal 2022 preliminary financial guidelines are based on a USD/CDN constant exchange rate of 1.2700 USD/CDN.

(4) The assumed current income tax effective rate is approximately 13%.

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

The COVID-19 pandemic continues to impact our day-to-day operations although public health restrictions are starting to be lifted in part as vaccines are continuing to be rolled out, in both Canada and the United States. Our priority remains on ensuring the well-being of our employees, customers and business partners. During the first nine months of fiscal 2021, we continued to experience some of the trends from past quarters. Those primarily relate to sustained demand for our residential high-speed Internet product, due to customers spending more time at home for work, online education and entertainment purposes, and a reduction of certain expenses due to a more stable customer base (fewer connections and disconnections) and not being able to use all usual sales channels. In these unusual circumstances, we have also decided to delay during the first half of fiscal 2021, certain sales and marketing expenses to the second half of the year in both countries.

We expect that the current "work-from-home" trend will continue after the COVID-19 pandemic, where more workers will work from home than pre-pandemic on a partial or full-time basis. This trend should benefit our various network expansion projects, especially in underserved and unserved areas.

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" and the "Fiscal 2022 preliminary financial guidelines" sections for more details.

3. BUSINESS AND REGULATORY DEVELOPMENTS

Acquisition of WideOpenWest's Ohio broadband systems

On June 30, 2021, Cogeco Communications announced that Atlantic Broadband had entered into a definitive agreement with WideOpenWest, Inc. ("WOW") to purchase all of its broadband systems located in Ohio ("Ohio broadband systems"). The Ohio broadband systems are valued at US$1.125 billion, plus transaction and financing costs. The Ohio broadband systems pass approximately 688,000 homes and businesses in Cleveland and Columbus and served approximately 196,000 Internet, 61,000 video and 35,000 telephony customers, as of March 31, 2021. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to Atlantic Broadband's existing footprint and capitalizes on its existing platform.

The purchase price and transaction costs will be financed through US$900 million of committed secured debt financing provided to Atlantic Broadband, and excess cash on hand. The acquisition is subject to regulatory approvals along with other customary closing conditions and is expected to close in the first quarter of fiscal 2022.

Atlantic Broadband has entered into a Transition Service Agreement with WOW, which will ensure a smooth transition period and allow Atlantic Broadband to further upgrade the network and launch its products and services, including a state-of-the-art IPTV platform. In conjunction with the acquisition, Atlantic Broadband expects to realize tax benefits with a present value of approximately US$140 million. These benefits are mostly due to the tax amortization of intangible assets in an asset purchase transaction where such intangible assets are stepped up to current market value.

Final rates for aggregated wholesale Internet access services

On May 27, 2021, the Canadian Radio-television and Telecommunications Commission ("CRTC") released Telecom Decision 2021-181, which ruled on applications by cable carriers (including the Corporation) and telecommunications carriers to review and vary Telecom Order 2019-288, in which the CRTC had set new rates for aggregated wholesale Internet access services. In this decision, the CRTC overturned the 2019 rate reductions and made the interim rates it had previously established in 2016, with certain adjustments, final. The CRTC's decision provides a more stable regulatory environment, pending its review of the methodology to establish these rates, which helps ensure continuity in current investments aimed at increasing access to high-speed Internet in underserved and unserved areas. As a result of this decision, the Corporation will be required to make retroactive payments to wholesale Internet access customers for the period of March to October 2016 and has recognized an amount of $4.6 million as a reduction of revenue during the third quarter of fiscal 2021.

On May 28, 2021, TekSavvy Solutions Inc. ("TekSavvy") petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision. The Governor in Council has yet to issue its decision on this petition. On June 28, 2021, TekSavvy filed a motion for leave to appeal the decision before the Federal Court of Appeal, which is currently pending.

Federal Communications Commission's Emergency Broadband Benefit Program

On May 12, 2021, Atlantic Broadband announced it will provide broadband connectivity at discounted prices for financially struggling households through the Federal Communications Commission's Emergency Broadband Benefit ("EBB") program. Under the program, Atlantic Broadband will provide a discount of up to US$50 per month towards broadband services for eligible households (and up to US$75 per month for households on qualifying Tribal lands) so that they can be connected for distance learning, work from home, telehealth and other critical online destinations during the COVID-19 pandemic. New, existing and prior customers that meet financial eligibility requirements may choose from various Internet packages with speeds designed to meet a range of household needs. Atlantic Broadband will receive reimbursement for each eligible EBB customer who is credited during the EBB period, in accordance with the program, starting in July 2021 and until the program closes.

Wireless developments

CRTC MVNO framework

On April 15, 2021, the CRTC issued Telecom Regulatory Policy 2021-130, *Review of mobile wireless services*, which aims to provide Canadians with greater wireless choice, better services and affordable prices. This decision requires Bell, Rogers, TELUS and SaskTel to provide mobile virtual network operator ("MVNO") access to regional carriers that invest in infrastructure and spectrum. These national carriers must give access to regional wireless carriers in areas where they have Tier 4 spectrum licences or higher. Cogeco Connexion currently has Tier 4 spectrum in 37 of the 55 Tier 4 areas where it currently offers service in Ontario and Québec. MVNO access is for a period of seven years and rates are to be commercially negotiated, with final offer arbitration by the CRTC as a last resort.

The new framework provides more clarity as we develop our plans to offer mobile wireless services.

3500 MHz spectrum auction

Cogeco Connexion is a qualified bidder in the auction for spectrum licences in the 3500 MHz band, which started on June 15, 2021 and is still ongoing. 200 MHz of spectrum are available in the 3500 MHz band with 50 MHz set aside for smaller and regional competitors. In April 2021, Cogeco Connexion contracted a new unsecured letter of credit which was submitted to Innovation, Science and Economic Development ("ISED") Canada as a pre-auction deposit, with the application to bid. In accordance with the rules of confidentiality established by ISED Canada respecting communications during the auction process, the Corporation is forbidden from disclosing the amount of this letter of credit. The results of the auction are expected to be released in the next few weeks.

Canadian tax

The last federal budget introduced on April 19, 2021 included certain international measures relating to the Organisation for Economic Co-operation and Development's ("OECD") Base Erosion and Profit Shifting ("BEPS") project. Specifically, the budget includes proposals for new interest deductibility limits and anti-hybrid rules. From the limited information available, the new interest deductibility limits should not affect Cogeco Communications. The Corporation will monitor the release in the coming months of the draft rules, to assess any potential adverse impact on its global tax situation, which, if any, is not expected to occur before 2023.

United States tax

The US administration intends to increase the corporate tax rate and potentially add a minimum corporate tax on book income. If the changes related to corporate tax rates 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 would increase. With regards to the minimum corporate tax on book income, based on the most recent information available, the Corporation does not expect it will have any impact on its business.

Acceleration of Cogeco Connexion's high-speed Internet network expansion in Québec in collaboration with the provincial and federal governments

On March 22, 2021, Cogeco Communications announced that Cogeco Connexion will carry out 13 high-speed Internet network expansion projects in several regions of Québec, in collaboration with the provincial and federal governments. These regional infrastructure projects represent an investment of approximately $240 million, of which $208 million will come from the provincial and federal governments, in the form of government subsidies.

Once these projects are completed, more than 54,000 homes and businesses will be connected to Cogeco Connexion's high-speed Internet services. These digital infrastructure investment projects are scheduled to be completed by September 2022. On March 26, 2021, Cogeco Connexion received $187.5 million of the $208 million expected government subsidies, to be used to pay for a portion of the expansion projects, with the remainder expected to be received upon completion of the projects. The amount of subsidies may vary depending on actual construction scope and costs. The projects are also subject to penalties, except for events out of Cogeco Connexion's control, if their delivery extends beyond September 2022.

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 and adds approximately 100,000 customers to its customer base. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility. As the transaction was executed essentially through an asset purchase, Cogeco Connexion expects to realize tax benefits with a present value of approximately $40 million. These benefits are due to the tax amortization of tangible and intangible assets which are both stepped up to current market value in an asset purchase transaction.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended May 31,				
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**624,308**	605,821	3.1	8.8	(34,874)
Operating expenses	**321,457**	304,921	5.4	12.0	(20,174)
Management fees – Cogeco Inc.	**5,852**	6,183	(5.4)	(5.4)	—
Adjusted EBITDA	**296,999**	294,717	0.8	5.8	(14,700)
Adjusted EBITDA margin	**47.6 %**	48.6%			

(1) For the three-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2399 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3994 USD/CDN.

	Nine months ended May 31,				
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**1,877,769**	1,779,115	5.5	8.1	(45,642)
Operating expenses	**945,126**	907,694	4.1	7.0	(26,240)
Management fees – Cogeco Inc.	**17,557**	17,227	1.9	1.9	—
Adjusted EBITDA	**915,086**	854,194	7.1	9.4	(19,402)
Adjusted EBITDA margin	**48.7 %**	48.0%			

(1) For the nine-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2771 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3466 USD/CDN.

REVENUE

	Three months ended May 31,				
	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**353,336**	320,547	10.2	10.2	—
American broadband services	**270,972**	285,274	(5.0)	7.2	(34,874)
	624,308	605,821	3.1	8.8	(34,874)

	Nine months ended May 31,				
	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**1,036,247**	963,575	7.5	7.5	—
American broadband services	**841,522**	815,540	3.2	8.8	(45,642)
	1,877,769	1,779,115	5.5	8.1	(45,642)

For the third quarter and the first nine months of fiscal 2021, revenue increased by 3.1% and 5.5% (8.8% and 8.1% in constant currency), respectively, resulting mainly from:

- organic growth in both the Canadian broadband services and the American broadband services segments, resulting mainly from growth in Internet service customers given the increased demand for high-speed offerings in the context of the COVID-19 pandemic, and rate increases implemented for certain services; and
- the DERYtelecom acquisition completed on December 14, 2020, which contributed to the revenue growth in the Canadian broadband services segment; partly offset by
- a retroactive adjustment of $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates during the third quarter of fiscal 2021, within the Canadian broadband services segment.

For the first nine months of fiscal 2021, the increase is also explained by the Thames Valley Communications acquisition completed on March 10, 2020, which contributed to the revenue growth in the American broadband services segment.

Excluding the acquisition of DERYtelecom and the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, revenue in constant currency increased by 5.0% for the third quarter of fiscal 2021. Excluding the acquisitions of DERYtelecom and Thames Valley Communications, and the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, revenue in constant currency increased by 5.0% for the first nine months of fiscal 2021.

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

OPERATING EXPENSES

				Three months ended May 31,	
	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**164,351**	143,809	14.3	14.9	(897)
American broadband services	**149,458**	155,843	(4.1)	8.3	(19,277)
Corporate and eliminations	**7,648**	5,269	45.2	45.2	—
	321,457	304,921	5.4	12.0	(20,174)

				Nine months ended May 31,	
	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**471,440**	445,510	5.8	6.1	(1,162)
American broadband services	**451,953**	445,243	1.5	7.1	(25,078)
Corporate and eliminations	**21,733**	16,941	28.3	28.3	—
	945,126	907,694	4.1	7.0	(26,240)

For the third quarter of fiscal 2021, operating expenses increased by 5.4% (12.0% in constant currency), mainly resulting from:

- higher operating expenses in the Canadian broadband services segment resulting from the DERYtelecom acquisition;
- higher marketing and advertising expense, in both the Canadian broadband services and the American broadband services segments, to support our overall customer base growth, as these planned expenses were deferred during the first half of fiscal 2021 in the context of the COVID-19 pandemic; and
- higher operating expenses in the American broadband services segment driven by the revenue growth, combined with annual video programming rate increases.

For the first nine months of fiscal 2021, operating expenses increased by 4.1% (7.0% in constant currency), mainly resulting from:

- higher operating expenses in the Canadian broadband services segment resulting from the DERYtelecom acquisition; and
- higher operating expenses in the American broadband services segment driven by the revenue growth, including higher operating expenses resulting from the Thames Valley Communications acquisition, combined with annual video programming rate increases.

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

MANAGEMENT FEES

For the third quarter and the first nine months of fiscal 2021, management fees paid to Cogeco Inc. ("Cogeco") reached $5.9 million and $17.6 million, respectively, compared to $6.2 million and $17.2 million for the same periods 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 May 31,	
	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**188,985**	176,738	6.9	6.4	897
American broadband services	**121,514**	129,431	(6.1)	5.9	(15,597)
Corporate and eliminations	**(13,500)**	(11,452)	17.9	17.9	—
	296,999	294,717	0.8	5.8	(14,700)

				Nine months ended May 31,	
	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**564,807**	518,065	9.0	8.8	1,162
American broadband services	**389,569**	370,297	5.2	10.8	(20,564)
Corporate and eliminations	**(39,290)**	(34,168)	15.0	15.0	—
	915,086	854,194	7.1	9.4	(19,402)

For the third quarter and the first nine months of fiscal 2021, adjusted EBITDA increased by 0.8% and 7.1% (5.8% and 9.4% in constant currency), respectively, as a result of:

- an increase in the Canadian broadband services segment mainly resulting from revenue growth and the impact of the DERYtelecom acquisition, partly offset by a retroactive adjustment of $4.6 million recognized as a reduction of revenue during the third quarter following the CRTC's decision on aggregated wholesale Internet rates; and
- an increase in the American broadband services segment, mainly resulting from revenue growth, partly offset by a non-recurring gain on disposal of property, plant and equipment amounting to US$1.7 million recorded during the third quarter of fiscal 2020.

In addition, adjusted EBITDA for the first nine months of fiscal 2021 was favorably impacted by the timing of certain sales and marketing activities deferred, in both countries, in the context of the COVID-19 pandemic and the impact of the Thames Valley Communications acquisition within the American broadband services segment.

Excluding the acquisition of DERYtelecom, the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates and the previous year's non-recurring gain on disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 3.7% for the third quarter of fiscal 2021. Excluding the acquisitions of DERYtelecom and Thames Valley Communications, the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, and the non-recurring gain on disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 7.0% for the first nine months of fiscal 2021.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

For the third quarter and first nine months of fiscal 2021, integration, restructuring and acquisition costs amounted to $1.2 million and $4.8 million, respectively, mostly related to due diligence costs related to the acquisition of WideOpenWest's Ohio broadband systems, announced on June 30, 2021, and costs related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

For the third quarter and first nine months of fiscal 2020, integration, restructuring and acquisition costs amounted to nil and $5.5 million, respectively, resulting from organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended May 31,			Nine months ended May 31,		
	2021	2020	Change	**2021**	2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation of property, plant and equipment (1)	**118,489**	113,952	4.0	**345,097**	330,750	4.3
Amortization of intangible assets	**9,667**	15,089	(35.9)	**34,163**	43,663	(21.8)
	128,156	129,041	(0.7)	**379,260**	374,413	1.3

(1) Includes depreciation of right-of-use assets amounting to $1.5 million and $4.4 million ($1.8 million and $5.1 million in 2020) for the three and nine-month periods of fiscal 2021.

For the third quarter of fiscal 2021, depreciation and amortization expense decreased by 0.7%, mainly due to:

- the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year; and
- lower amortization of intangible assets related to previously acquired customer relationships; partly offset by
- an increase of depreciation of property, plant and equipment as a result of the acquisition of DERYtelecom combined with a higher level of capital expenditures.

For the first nine months of fiscal 2021, depreciation and amortization expense increased by 1.3%, mainly due to:

- an increase of depreciation of property, plant and equipment as a result of the acquisition of DERYtelecom combined with a higher level of capital expenditures; partly offset by
- the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year; and
- lower amortization of intangible assets in respect to previously acquired customer relationships.

4.4 FINANCIAL EXPENSE

	Three months ended May 31,			Nine months ended May 31,		
	2021	2020	Change	**2021**	2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**30,282**	39,484	(23.3)	**95,688**	118,531	(19.3)
Interest on lease liabilities	**326**	391	(16.6)	**988**	1,150	(14.1)
Gain on debt modification	**—**	—	—	**—**	(22,898)	(100.0)
Net foreign exchange loss	**1,669**	348	—	**992**	379	—
Amortization of deferred transaction costs	**183**	218	(16.1)	**579**	893	(35.2)
Capitalized borrowing costs	**(41)**	(169)	(75.7)	**(132)**	(462)	(71.4)
Other	**1,087**	84	—	**2,440**	(5,802)	—
	33,506	40,356	(17.0)	**100,555**	91,791	9.5

For the third quarter of fiscal 2021, financial expense decreased by 17.0%, mainly due to:

- lower interest expense on the Senior Secured Term Loan B Facility resulting from the decrease in the interest rate and in the principal amount outstanding;
- 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.

For the first nine months of fiscal 2021, financial expense increased by 9.5%, mainly due to:

- the $22.9 million non-cash gain on debt modification recognized during the second quarter of fiscal 2020 related to the amendment made to the Senior Secured Term Loan B Facility on February 3, 2020 resulting from the reduction of the interest rate by 0.25%; and
- lower interest revenue resulting from investments given lower excess cash; partly offset by
- lower interest expense on the Senior Secured Term Loan B Facility resulting from the decrease in the interest rate and in the principal amount outstanding;
- 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.

4.5 INCOME TAXES

	Three months ended May 31,			Nine months ended May 31,		
	2021	2020	Change	**2021**	2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Current	**6,504**	15,845	(59.0)	**44,739**	43,919	1.9
Deferred	**24,822**	12,739	94.9	**57,521**	38,097	51.0
	31,326	28,584	9.6	**102,260**	82,016	24.7

(In thousands of Canadian dollars, except percentages)	Three months ended May 31, 2021 $	2020 $	Change %	Nine months ended May 31, 2021 $	2020 $	Change %
Profit before income taxes	**134,112**	125,308	7.0	**430,501**	382,459	12.6
Combined Canadian income tax rate	**26.5 %**	26.5 %	—	**26.5 %**	26.5 %	—
Income taxes at combined Canadian income tax rate	**35,540**	33,207	7.0	**114,083**	101,352	12.6
Difference in operations' statutory income tax rates	**600**	626	(4.2)	**2,366**	1,633	44.9
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**351**	385	(8.8)	**680**	(760)	—
Tax impacts related to foreign operations	**(4,765)**	(5,610)	(15.1)	**(14,800)**	(18,223)	(18.8)
Other	**(400)**	(24)	—	**(69)**	(1,986)	(96.5)
Income taxes at effective income tax rate	**31,326**	28,584	9.6	**102,260**	82,016	24.7
Effective income tax rate	**23.4 %**	22.8 %	2.6	**23.8 %**	21.4 %	11.2

For the third quarter and the first nine months of fiscal 2021, income taxes expense increased by 9.6% and 24.7%, respectively, mainly due to the increase in profit before income taxes. In addition, current income taxes were favorably impacted by a retroactive adjustment of $7.1 million recognized during the third quarter of fiscal 2021, and $4.1 million for the first nine months, following the harmonization of the Québec tax legislation with the federal's accelerated tax depreciation measure, which was considered substantively enacted on March 10, 2021.

4.6 PROFIT FOR THE PERIOD

(In thousands of Canadian dollars, except percentages and earnings per share)	Three months ended May 31, 2021 $	2020 $	Change %	Nine months ended May 31, 2021 $	2020 $	Change %
Profit for the period	**102,786**	96,724	6.3	**328,241**	300,443	9.3
Profit for the period attributable to owners of the Corporation	**95,702**	90,771	5.4	**305,317**	284,340	7.4
Profit for the period attributable to non-controlling interest (1)	**7,084**	5,953	19.0	**22,924**	16,103	42.4
Basic earnings per share	**2.02**	1.89	6.9	**6.42**	5.84	9.9

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

Fiscal 2021 third-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 6.3% and 5.4%, respectively, as a result of:

- higher adjusted EBITDA; and
- lower financial expense; partly offset by
- the depreciation of the US dollar; and
- higher income taxes expense.

For the first nine months of fiscal 2021, profit for the period and profit for the period attributable to owners of the Corporation increased by 9.3% and 7.4%, respectively, as a result of:

- higher adjusted EBITDA; partly offset by
- higher income taxes expense; and
- higher financial expense, mainly due to the $22.9 million non-cash gain on debt modification recognized during the second quarter of fiscal 2020, partly offset by lower interest expense.

5. RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of Cogeco, which as of May 31, 2021 held 33.2% of the Corporation's equity shares, representing 83.3% 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 third quarter and the first nine months of fiscal 2021, management fees paid to Cogeco amounted to $5.9 million and $17.6 million, respectively, compared to $6.2 million and $17.2 million for the same periods of fiscal 2020.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first nine months 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, and issued deferred share units ("DSUs") to Board directors of Cogeco, as shown in the following table:

	Nine months ended May 31,	
(In number of units)	**2021**	2020
Stock options	**69,200**	110,875
PSUs	**10,375**	14,375
DSUs	**792**	1,847

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 May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
(In thousands of Canadian dollars)	**$**	$	**$**	$
Stock options	**274**	331	**885**	901
ISUs	**—**	8	**6**	30
PSUs	**233**	351	**358**	1,048
DSUs	**61**	6	**249**	149
	568	696	**1,498**	2,128

6. CASH FLOWS ANALYSIS

	Three months ended May 31,			Nine months ended May 31,		
	2021	2020	Change	**2021**	2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Cash flows from operating activities	**264,621**	282,229	(6.2)	**737,512**	663,074	11.2
Cash flows used in investing activities	**(126,002)**	(200,113)	(37.0)	**(749,910)**	(430,376)	74.2
Cash flows used in financing activities	**(85,565)**	(93,204)	(8.2)	**(27,570)**	(300,685)	(90.8)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(13,787)**	2,987	—	**(21,089)**	5,277	—
Net change in cash and cash equivalents	**39,267**	(8,101)	—	**(61,057)**	(62,710)	(2.6)
Cash and cash equivalents, beginning of the period	**266,173**	501,895	(47.0)	**366,497**	556,504	(34.1)
Cash and cash equivalents, end of the period	**305,440**	493,794	(38.1)	**305,440**	493,794	(38.1)

6.1 OPERATING ACTIVITIES

Fiscal 2021 third-quarter cash flows from operating activities decreased by 6.2%, mainly due to:

- the increase in income taxes paid, mainly due to the timing of income tax instalments; and
- the depreciation of the US dollar; partly offset by
- the decrease in interest paid.

For the first nine months of fiscal 2021, cash flows from operating activities increased by 11.2% mainly from:

- higher adjusted EBITDA;
- changes in non-cash operating activities primarily due to timing of the payment of trade and other payables;
- the decrease in interest paid; partly offset by
- the depreciation of the US dollar; and
- the increase in income taxes paid, mainly due to the timing of year-end income tax instalments.

6.2 INVESTING ACTIVITIES

For the third quarter of fiscal 2021, cash flows used in investing activities decreased by 37.0%, mainly as a result of the acquisitions of Thames Valley Communications and iTéract completed during the third quarter last year.

For the first nine months of fiscal 2021, cash flows used in investing activities increased by 74.2%, mainly due to the acquisition of DERYtelecom completed during the second quarter of fiscal 2021, partly offset by cash flows used in connection with the acquisitions of Thames Valley Communications and iTéract last 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 May 31,				Nine months ended May 31,			
	2021	2020	Change	Change in constant currency (1)	**2021**	2020	Change	Change in constant currency (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	**$**	$	%	%
Canadian broadband services	**57,230**	61,217	(6.5)	(2.6)	**180,294**	202,108	(10.8)	(9.2)
Capital intensity	**16.2 %**	19.1 %			**17.4 %**	21.0 %		
American broadband services	**67,579**	61,184	10.5	24.7	**174,485**	151,965	14.8	22.0
Capital intensity	**24.9 %**	21.4 %			**20.7 %**	18.6 %		
Corporate and eliminations	**1,761**	1,252	40.7	40.7	**3,227**	1,722	87.4	87.4
Consolidated	**126,570**	123,653	2.4	11.3	**358,006**	355,795	0.6	4.6
Capital intensity	**20.3 %**	20.4 %			**19.1 %**	20.0 %		

(1) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3994 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3466 USD/CDN.

Fiscal 2021 third-quarter acquisition of property, plant and equipment increased by 2.4% (11.3% in constant currency), and for the first nine months of fiscal 2021, remained comparable to same period of the prior year, with an overall increase of 0.6% (4.6% in constant currency), mainly due to:

- 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, combined with equipment upgrades, the timing of certain initiatives and accelerated purchases of certain equipment to prevent potential supply chain shortages given the impact of the COVID-19 pandemic; partly offset by
- lower capital expenditures in the Canadian broadband services segment, resulting mainly from the timing of certain initiatives.

For the third quarter and the first nine months of fiscal 2021, capital intensity reached 20.3% and 19.1%, respectively, compared to 20.4% and 20.0% for the same periods of the prior year. Capital intensity decreases for both periods are explained mainly as a result of revenue growth combined with lower capital expenditures in the Canadian broadband services segment, partly offset by higher capital expenditures in the American broadband services segment.

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

For the third quarter and the first nine months of fiscal 2021, changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

	Three months ended May 31,		Nine months ended May 31,		
	2021	2020	**2021**	2020	Explanations
(In thousands of Canadian dollars)	**$**	$	**$**	$	
Increase (decrease) in bank indebtedness	**6,384**	—	**(1,226)**	—	Timing of payments made to suppliers.
Net (decrease) increase under the revolving facilities	**(8,740)**	—	**171,772**	—	Related to the DERYtelecom acquisition, which was financed in part through the Corporation's Term Revolving Facility. A portion was repaid during the third quarter as a result of free cash flow generated.
Repayment of notes, debentures and credit facilities	**(5,158)**	(5,859)	**(16,112)**	(63,603)	Mainly related to a repayment of US$35 million on the Senior Secured Term Loan B Facility during the second quarter of fiscal 2020.
Repayment of lease liabilities	**(1,196)**	(1,352)	**(3,339)**	(3,762)	Comparable.
Repayment of balance due on business combinations	**—**	—	**(1,258)**	(3,228)	Repayment of the balance related to the FiberLight acquisition.
	(8,710)	(7,211)	**149,837**	(70,593)	

DIVIDENDS

During the third 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 $30.2 million, compared to a quarterly eligible dividend of $0.58 per share or $27.8 million, in the third quarter of fiscal 2020. Dividend payment in the first nine months of fiscal 2021 totalled $1.92 per share or $91.2 million compared to $1.74 or $84.6 million in the prior year.

NORMAL COURSE ISSUER BID ("NCIB")

On April 30, 2021, 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 2,068,000 subordinate voting shares from May 4, 2021 to May 3, 2022. Under its previous NCIB that commenced on May 4, 2020 and ended on May 3, 2021, the Corporation could purchase for cancellation a maximum of 1,809,000 subordinate shares.

On September 2, 2020, Cogeco Communications ceased repurchasing shares under the NCIB as a result of an unsolicited proposal to acquire the Corporation. During the second quarter of fiscal 2021, Cogeco Communications resumed the repurchasing of shares.

The NCIB purchases were as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	**$**	$	**$**	$
Subordinate voting shares purchased and cancelled	**414,000**	601,900	**742,600**	1,397,400
Weighted average purchase price per share	**118.28**	98.73	**115.13**	104.41
Purchase costs	**48,967**	59,425	**85,492**	145,902

The Corporation 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.

6.4 FREE CASH FLOW

	Three months ended May 31,				
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Adjusted EBITDA (3)	**296,999**	294,717	0.8	5.8	(14,700)
Amortization of deferred transaction costs and discounts on long-term debt	**2,334**	2,383	(2.1)	9.0	(264)
Share-based payment	**2,177**	1,864	16.8	16.8	—
Gain on disposals and write-offs of property, plant and equipment	**(863)**	(1,593)	(45.8)	(45.8)	—
Defined benefit plans expense, net of contributions	**424**	5	—	—	—
Integration, restructuring and acquisition costs	**(1,225)**	(12)	—	—	110
Financial expense	**(33,506)**	(40,356)	(17.0)	(9.1)	3,160
Current income taxes	**(6,504)**	(15,845)	(59.0)	(58.1)	140
Acquisition of property, plant and equipment	**(126,570)**	(123,653)	2.4	11.3	11,093
Repayment of lease liabilities	**(1,196)**	(1,352)	(11.5)	(6.0)	75
Free cash flow (3)	**132,070**	116,158	13.7	14.0	(386)

(1) For the three-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2399 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3994 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.

	Nine months ended May 31,				
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Adjusted EBITDA (3)	**915,086**	854,194	7.1	9.4	(19,402)
Amortization of deferred transaction costs and discounts on long-term debt	**6,935**	7,159	(3.1)	1.7	(344)
Share-based payment	**5,931**	5,821	1.9	1.9	—
Gain on disposals and write-offs of property, plant and equipment	**(607)**	(338)	79.6	79.6	—
Defined benefit plans contributions, net of expense	**(482)**	924	—	—	—
Integration, restructuring and acquisition costs	**(4,770)**	(5,531)	(13.8)	(11.4)	130
Financial expense (4)	**(100,555)**	(114,689)	(12.3)	(8.7)	4,159
Current income taxes	**(44,739)**	(43,919)	1.9	2.1	101
Acquisition of property, plant and equipment	**(358,006)**	(355,795)	0.6	4.6	14,187
Repayment of lease liabilities	**(3,339)**	(3,762)	(11.2)	(8.6)	99
Free cash flow (3)	**415,454**	344,064	20.7	21.1	(1,070)

(1) For the nine-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2771 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3466 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.

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

Fiscal 2021 third-quarter free cash flow increased by 13.7% (14.0% in constant currency) mainly due to the following:

- higher adjusted EBITDA;
- the decrease in current income taxes, mainly following the harmonization of the Québec tax legislation with the federal's accelerated tax depreciation measure, which favorably impacted our current income taxes expense during the third quarter as legislation became substantively enacted on March 10, 2021; and
- the decrease in financial expense; partly offset by

- higher capital expenditures.

For the first nine months of fiscal 2021, free cash flow increased by 20.7% (21.1% in constant currency) mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense, when excluding the fiscal 2020 non-cash gain on debt modification of $22.9 million; partly offset by
- higher capital expenditures.

6.5 DIVIDEND DECLARATION

At its July 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 August 11, 2021 to shareholders of record on July 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 May 31,	
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**353,336**	320,547	10.2	10.2	—
Operating expenses	**164,351**	143,809	14.3	14.9	(897)
Adjusted EBITDA	**188,985**	176,738	6.9	6.4	897
Adjusted EBITDA margin	**53.5 %**	55.1 %			
Acquisition of property, plant and equipment	**57,230**	61,217	(6.5)	(2.6)	(2,392)
Capital intensity	**16.2 %**	19.1 %			

(1) For the three-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2399 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3994 USD/CDN.

				Nine months ended May 31,	
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**1,036,247**	963,575	7.5	7.5	—
Operating expenses	**471,440**	445,510	5.8	6.1	(1,162)
Adjusted EBITDA	**564,807**	518,065	9.0	8.8	1,162
Adjusted EBITDA margin	**54.5 %**	53.8 %			
Acquisition of property, plant and equipment	**180,294**	202,108	(10.8)	(9.2)	(3,296)
Capital intensity	**17.4 %**	21.0 %			

(1) For the nine-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2771 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3466 USD/CDN.

REVENUE

For the third quarter and first nine months of fiscal 2021, revenue increased by 10.2% and 7.5%, respectively, as reported and in constant currency mainly as a result of:

- the DERYtelecom acquisition completed on December 14, 2020;
- 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 retroactive adjustment of $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates during the third quarter of fiscal 2021; and
- a decline in video and telephony service customers as some customers have migrated to Internet-only services.

Excluding the acquisition of DERYtelecom and the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, revenue in constant currency increased by 3.0% and 2.7%, respectively, for the third quarter and the first nine months of fiscal 2021.

OPERATING EXPENSES

For the third quarter and first nine months of fiscal 2021, operating expenses increased by 14.3% and 5.8% (14.9% and 6.1% in constant currency), respectively, mainly due to higher operating expenses resulting from the DERYtelecom acquisition. For the third quarter of fiscal 2021, the operating expenses increase is also due to:

- higher marketing and advertising expense to support our overall customer base growth, as these planned expenses were deferred during the first half of fiscal 2021 in the context of the COVID-19 pandemic; partly offset by
- lower bad debt expenses compared to the third quarter of fiscal 2020 resulting from increased customers credit risk at the beginning of the COVID-19 pandemic following our commitment to not disconnect non-paying customers during that time.

ADJUSTED EBITDA

For the third quarter and first nine months of fiscal 2021, adjusted EBITDA increased by 6.9% and 9.0% (6.4% and 8.8% in constant currency), respectively, mainly resulting from:

- revenue growth; and
- the impact of the DERYtelecom acquisition; partly offset by
- a retroactive adjustment of $4.6 million recognized as a reduction of revenue during the third quarter following the CRTC's decision on aggregated wholesale Internet rates.

In addition, adjusted EBITDA for the first nine months of fiscal 2021 was favorably impacted by the timing of certain sales and marketing activities deferred in the context of the COVID-19 pandemic.

Excluding the acquisition of DERYtelecom and the impact of the $4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, adjusted EBITDA in constant currency increased by 1.6% and 5.0%, respectively, for the third quarter and the first nine months of fiscal 2021.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

For the third quarter and first nine months of fiscal 2021, acquisition of property, plant and equipment decreased by 6.5% and 10.8% (2.6% and 9.2% in constant currency), respectively, resulting mainly from:

- lower purchases of customer premise equipment due to the timing of certain initiatives; and
- lower costs for network congestion management; partly offset by
- higher costs related to the maintenance, growth and expansion of our network infrastructure and additional costs related to DERYtelecom's network infrastructure, as well as other purchases of property, plant and equipment related to the recent DERYtelecom acquisition.

For the first nine months of fiscal 2021, the acquisition of property, plant and equipment decrease is also explained by lower capitalized installations costs due to increased self installations in the context of the COVID-19 pandemic.

For the third quarter and first nine months of fiscal 2021, capital intensity reached 16.2% and 17.4% compared to 19.1% and 21.0% for the same periods of fiscal 2020. Capital intensity decreases for both periods is explained mainly by lower capital expenditures combined with the revenue growth.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended May 31,		Net additions (losses) Nine months ended May 31,		% of penetration (1)	
	May 31, 2021	2021	2020 (2)(4)	2021 (3)	2020 (2)(4)	May 31, 2021	May 31, 2020
Primary service units	**2,002,736**	**(7,313)**	(11,736)	**(21,009)**	(9,962)		
Internet service customers	**909,901**	**4,580**	5,252	**12,243**	12,959	**45.9**	45.3
Video service customers	**680,456**	**(7,030)**	(11,406)	**(19,011)**	(22,156)	**34.3**	35.4
Telephony service customers	**412,379**	**(4,863)**	(5,582)	**(14,241)**	(765)	**20.8**	21.0

(1) As a percentage of homes passed.

(2) Net of a provision related to non-paying customers who had not been disconnected as at May 31, 2020 in the context of the COVID-19 pandemic.

(3) Excludes 224,039 primary service units (85,642 Internet services, 80,218 video services and 58,179 telephony services) from the acquisition of DERYtelecom completed in the second quarter of fiscal 2021.

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

INTERNET

For the third quarter and first nine months of fiscal 2021, Internet service customers net additions amounted to 4,580 and 12,243, respectively, compared to 5,252 and 12,959 for the same periods of the prior year. The net additions for both periods of fiscal 2021 were mainly resulting from:

- 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

For the third quarter and first nine months of fiscal 2021, video service customers net losses amounted to 7,030 and 19,011, respectively, compared to 11,406 and 22,156 for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly due to certain customers deciding to not subscribe to video services, while subscribing to Internet services, partly offset by the EPICO roll-out.

TELEPHONY

For the third quarter and first nine months of fiscal 2021, telephony service customers net losses amounted to 4,863 and 14,241, respectively, compared to 5,582 and 765, respectively, for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly 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 lower net losses in the first nine months of last year included unusual telephony additions as a result of more telephony bundles being actively marketed during the first half of the year.

DISTRIBUTION OF CUSTOMERS

At May 31, 2021, 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 May 31,				
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**270,972**	285,274	(5.0)	7.2	(34,874)
Operating expenses	**149,458**	155,843	(4.1)	8.3	(19,277)
Adjusted EBITDA	**121,514**	129,431	(6.1)	5.9	(15,597)
Adjusted EBITDA margin	**44.8 %**	45.4 %			
Acquisition of property, plant and equipment	**67,579**	61,184	10.5	24.7	(8,701)
Capital intensity	**24.9 %**	21.4 %			

(1) For the three-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2399 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3994 USD/CDN.

	Nine months ended May 31,				
	2021 (1)	2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**841,522**	815,540	3.2	8.8	(45,642)
Operating expenses	**451,953**	445,243	1.5	7.1	(25,078)
Adjusted EBITDA	**389,569**	370,297	5.2	10.8	(20,564)
Adjusted EBITDA margin	**46.3 %**	45.4 %			
Acquisition of property, plant and equipment	**174,485**	151,965	14.8	22.0	(10,891)
Capital intensity	**20.7 %**	18.6 %			

(1) For the nine-month period ended May 31, 2021, the average foreign exchange rate used for translation was 1.2771 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3466 USD/CDN.

REVENUE

For the third quarter and first nine months of fiscal 2021, revenue decreased by 5.0% (increased by 7.2% in constant currency) and increased by 3.2% (8.8% in constant currency), respectively. In local currency, revenue amounted to US$218.6 million and US$658.9 million compared to US$203.9 million and US$605.5 million for the same periods of fiscal 2020. The increases in constant currency resulted mainly from:

- a higher Internet service customer base;
- rate increases implemented for certain services; and
- last year's temporary waiving of late fees charged to customers as a relief measure in the context of the COVID-19 pandemic, which were reinstated in all states by September 2020.

For the first nine months of fiscal 2021, the increase is also explained by revenue growth resulting from the Thames Valley Communications acquisition completed on March 10, 2020.

Excluding the acquisition of Thames Valley Communications, revenue in constant currency increased by 7.8% for the first nine months of fiscal 2021.

OPERATING EXPENSES

For the third quarter of fiscal 2021, operating expenses decreased by 4.1% (increased by 8.3% in constant currency). The increase in constant currency is mainly due to:

- higher video services costs resulting from annual video programming rate increases;
- a non-recurring gain on disposal of property, plant and equipment amounting to US$1.7 million recorded during the third quarter of fiscal 2020; and
- overall higher operating expenses to drive and support continued customer growth, including higher marketing and advertising expense to support our overall customer base growth, as these planned expenses were deferred during the first half of fiscal 2021 in the context of the COVID-19 pandemic; partly offset by

- lower bad debt expenses compared to the third quarter of fiscal 2020 resulting from increased customers credit risk at the beginning of the COVID-19 pandemic following our commitment to not disconnect non-paying customers during that time.

For the first nine months of fiscal 2021, operating expenses increased by 1.5% (7.1% in constant currency), mainly due to:

- higher video services costs resulting from annual video programming rate increases;
- higher operating expenses resulting from the Thames Valley Communications acquisition;
- a non-recurring gain on disposal of property, plant and equipment amounting to US$1.7 million recorded during the third quarter of fiscal 2020;
- increase in high-speed Internet direct costs given increased customer levels and higher bandwidth usage; and
- overall higher operating expenses to drive and support continued customer growth.

ADJUSTED EBITDA

For the third quarter and first nine months of fiscal 2021, adjusted EBITDA decreased by 6.1% (increased by 5.9% in constant currency) and increased by 5.2% (10.8% in constant currency), respectively. In local currency, adjusted EBITDA amounted to US$98.0 million and US$304.8 million compared to US$92.5 million and US$274.9 million for the same periods of fiscal 2020. The increases in constant currency in both periods are mainly resulting from:

- revenue growth driven by a continued increase in customer demand for high-speed offerings Internet service and by rate increases implemented for certain services; partly offset by
- a non-recurring gain on disposal of property, plant and equipment amounting to US$1.7 million recorded during the third quarter of fiscal 2020.

In addition, adjusted EBITDA for the first nine months of fiscal 2021 was favorably impacted by the timing of certain sales and marketing activities deferred in the context of the COVID-19 pandemic and the impact of the Thames Valley Communications acquisition.

Excluding the non-recurring gain on disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 8.0% for the third quarter of fiscal 2021. Excluding the acquisition of Thames Valley Communications and the non-recurring gain on disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 10.6% for the first nine months of fiscal 2021.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

For the third quarter and first nine months of fiscal 2021, acquisition of property, plant and equipment increased by 10.5% and 14.8% (24.7% and 22.0% in constant currency), respectively, resulting mainly from:

- higher purchases of customer premise equipment 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; and
- accelerated purchases of certain equipment to prevent potential supply chain shortages given the impact of the COVID-19 pandemic.

For the third quarter and first nine months of fiscal 2021, capital intensity reached 24.9% and 20.7% compared to 21.4% and 18.6% for the same periods of fiscal 2020. Capital intensity increases for both periods are explained mainly by higher capital expenditures.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended May 31,		Net additions (losses) Nine months ended May 31,		% of penetration (1)	
	May 31, 2021	**2021**	2020 (2)(3)	**2021**	2020 (2)(3)	**May 31, 2021**	May 31, 2020
Primary service units	**973,655**	**1,302**	14,088	**15,730**	19,849		
Internet service customers	**517,851**	**6,847**	12,379	**25,639**	23,475	**55.4**	52.2
Video service customers	**309,242**	**(4,349)**	482	**(8,145)**	(5,821)	**33.1**	34.0
Telephony service customers	**146,562**	**(1,196)**	1,227	**(1,764)**	2,195	**15.7**	16.0

(1) As a percentage of homes passed.

(2) Net of a provision related to non-paying customers who had not been disconnected as at May 31, 2020 in the context of the COVID-19 pandemic.

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

INTERNET

For the third quarter and first nine months of fiscal 2021, Internet service customers net additions amounted to 6,847 and 25,639, respectively, compared to 12,379 and 23,475 for the same periods of the prior year. The net additions for both periods of fiscal 2021 were mainly resulting from:

- 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, as well as sales effort activities being resumed in certain sales channels impacted by the pandemic combined with increased marketing effort towards Internet led offerings under the Broadband First strategy; and
- growth in the commercial sector.

VIDEO

For the third quarter and first nine months of fiscal 2021, video service customers net losses amounted to 4,349 and 8,145, respectively, compared to net additions and net losses of 482 and 5,821 for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly due to:

- a new emphasis since the beginning of the second quarter of fiscal 2021 on offers that are Internet led and the cessation of non-bulk residential video-only new offer;
- certain customers deciding to not subscribe to video services, while subscribing to Internet services; and
- competitive offers in the industry; partly offset by
- continued growth in the bulk residential customers' activations related to the Florida expansion initiatives.

TELEPHONY

For the third quarter and first nine months of fiscal 2021, telephony service customers net losses amounted to 1,196 and 1,764, respectively, compared to net additions of 1,227 and 2,195 for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly due to:

- a new emphasis since the beginning of the second quarter of fiscal 2021 on offers that are Internet led; partly offset by
- growth in the business sector mainly driven by Hosted Voice product offerings following the launch of its Hosted Voice 2.0 in January 2021.

DISTRIBUTION OF CUSTOMERS

At May 31, 2021, 47% 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 variations are as follows:

(In thousands of Canadian dollars)	May 31, 2021 $	August 31, 2020 $	Change $	Explanations
Current assets				
Cash and cash equivalents	**305,440**	366,497	(61,057)	Refer to the "Cash flows analysis" section. Mainly due to the acquisition of DERYtelecom completed during the second quarter of fiscal 2021, which was financed through a combination of cash on hand and borrowings under the Term Revolving Facility, partly offset by free cash flow generated from operations.
Restricted cash	**161,008**	—	161,008	Mainly related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Trade and other receivables	**83,022**	83,013	9	Not significant.
Income taxes receivable	**3,495**	3,283	212	Not significant.
Prepaid expenses and other	**35,580**	29,266	6,314	Mainly related to the increase in prepayments for annual maintenance agreements during the first quarter of fiscal 2021.
Derivative financial instruments	**1,178**	—	1,178	Not significant.
	589,723	482,059	107,664	
Current liabilities				
Bank indebtedness	**6,384**	7,610	(1,226)	Timing of payments made to suppliers.
Trade and other payables	**234,164**	211,052	23,112	Mainly related to timing of payments made to suppliers and a higher level of trade and other payables resulting from the DERYtelecom acquisition.
Provisions	**26,414**	33,864	(7,450)	Mainly related to a contract renegotiation with a content provider.
Income tax liabilities	**8,149**	39,897	(31,748)	Related to the payment of income tax instalments, partly offset by the current income taxes expense for the nine-month period.
Contract liabilities and other liabilities	**54,214**	47,162	7,052	Mainly from the DERYtelecom acquisition.
Government subsidies received in advance	**161,008**	—	161,008	Mainly related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Derivative financial instruments	**—**	3,834	(3,834)	Not significant.
Current portion of long-term debt	**225,933**	29,569	196,364	Mainly related to the Senior Secured Debentures Series 3 maturing in February 2022, which were classified as current.
	716,266	372,988	343,278	
Working capital (deficiency) surplus	**(126,543)**	109,071	(235,614)	

8.2 OTHER SIGNIFICANT CHANGES

(In thousands of Canadian dollars)	May 31, 2021 $	August 31, 2020 $	Change $	Explanations
Non-current assets				
Restricted cash	**27,000**	—	27,000	Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Property, plant and equipment	**2,263,435**	2,088,930	174,505	Mainly related to capital investments during the first nine months of fiscal 2021 and the acquisition of DERYtelecom, partly offset by the depreciation expense of the period, as well as the depreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,675,708**	2,800,401	(124,693)	Related to the depreciation of the US dollar against the Canadian dollar and amortization for the period, partly offset by intangible assets acquired as part of the acquisition of DERYtelecom.
Goodwill	**1,417,285**	1,381,024	36,261	Related to the DERYtelecom acquisition, partly offset by the depreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	**2,851,405**	3,087,033	(235,628)	Mainly related to the classification of the Senior Secured Debentures Series 3 as current portion of long-term debt combined with the depreciation of the US dollar against the Canadian dollar and the quarterly repayment on the Senior Secured Term Loan B Facility, partly offset by the acquisition of DERYtelecom which was financed in part with the Corporation's Term Revolving Facility.
Derivative financial instruments	**45,080**	67,375	(22,295)	Increase in market interest rates and the depreciation of the US dollar against the Canadian dollar.
Government subsidies received in advance	**27,000**	—	27,000	Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Pension plan liabilities and accrued employee benefits	**6,866**	13,490	(6,624)	Actuarial gains recorded in the first nine months of fiscal 2021.
Deferred tax liabilities	**648,864**	610,596	38,268	Timing of reversals of temporary differences, partly offset by the depreciation of the US dollar against the Canadian dollar.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at June 30, 2021 is presented in the table below. Additional details are provided in note 13 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	**31,349,898**	**880,921**
Options to purchase subordinate voting shares		
Outstanding options	**840,699**	
Exercisable options	**377,679**	

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 May 31, 2021, the Corporation had used $167.0 million of its $750 million Term Revolving Facility for a remaining availability of $583.0 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $181.1 million (US$150 million), of which $2.9 million (US$2.4 million) was used at May 31, 2021 for a remaining availability of $178.2 million (US$147.6 million).

8.5 CREDIT RATINGS

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

At May 31, 2021	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, restricted cash, 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 May 31, 2021, 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, and the restricted cash 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.

Liquidity risk

Refer to sub-section "Financing".

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2021, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2021:

Type of hedge	Notional amount [(1)]	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$770 million	US LIBOR base rate	2.017% - 2.262%	January 2023 - November 2024	Senior Secured Term Loan B

(1) Two tranches amounting to US$330 million have matured on January 31, 2021.

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 $11.8 million based on the outstanding debt and swap agreements at May 31, 2021.

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 $8.0 million based on the outstanding debt and swap agreements at May 31, 2021.

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 May 31, 2021 was $1.2072 ($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 $91 million.

8.7 FOREIGN CURRENCY

For the three and nine-month periods ended May 31, 2021, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

	Three months ended May 31,				Nine months ended May 31,			
	2021	2020	Change	Change	**2021**	2020	Change	Change
	$	$	$	%	**$**	$	$	%
US dollar vs Canadian dollar	**1.2399**	1.3994	(0.16)	(11.4)	**1.2771**	1.3466	(0.07)	(5.2)

The following table highlights in Canadian dollars, the impact of a $0.07 variation of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the nine-month period ended May 31, 2021:

	Canadian broadband services	**American broadband services**	**Consolidated** (1)
Nine months ended May 31, 2021	Exchange rate impact	Exchange rate impact	Exchange rate impact
(In thousands of Canadian dollars)	**$**	**$**	**$**
Revenue	**—**	**(45,642)**	**(45,642)**
Operating expenses	**(1,162)**	**(25,078)**	**(26,240)**
Management fees - Cogeco Inc.			**—**
Adjusted EBITDA	**1,162**	**(20,564)**	**(19,402)**
Acquisition of property, plant and equipment	**(3,296)**	**(10,891)**	**(14,187)**
Free cash flow			**(1,070)**

(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.

8.8 CONTRACTUAL OBLIGATIONS

Capital investments

During the nine-month period ended May 31, 2021, the Corporation entered into service contracts in connection with its high-speed Internet expansion projects. In addition, the Corporation has accelerated the purchases of certain equipment in order to avoid potential supply chain shortages and to support its network expansion projects. As at May 31, 2021, the Corporation's contractual commitments related to these capital investments amounted to approximately $201.6 million. The Corporation may terminate certain of these contracts by giving formal notice prior to an agreed upon period.

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. In addition, a new human capital management system was implemented on January 1, 2021 by the Corporation and its subsidiaries. These implementations resulted in changes to internal controls related to financial reporting for the nine-month period ended May 31, 2021. No significant changes to the internal controls over financial reporting occurred during the three-month period ended May 31, 2021.

The CEO and CFO, supported by management, evaluated the design of the Corporation's DC&P and ICFR at May 31, 2021, 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.

Mobile wireless services

As mentioned under the section "Business and regulatory developments", we are interested in offering mobile wireless services to complement our service offerings to customers and should we conclude that this is financially attractive, we would expect to make investments over time, in addition to making use of the MVNO regime. Launching a mobile wireless operation includes significant risks as investments would include the acquisition of spectrum licenses (including making use of past spectrum acquisitions), network infrastructure and systems, handheld devices, start-up costs, and MVNO rates which are still unknown. This may result in downward pressure on adjusted EBITDA, margins, profits and free cash flow. In the long term, a mobile wireless operation may not meet profitability expectations.

Internet wholesale rates

As mentioned under the section "Business and regulatory developments", TekSavvy petitioned the Governor in Council to overturn the CRTC's Telecom Decision 2021-181, which made the 2016 interim Internet wholesale rates final, and reinstate the CRTC's 2019 final rate decision. TekSavvy also filed a motion seeking leave to appeal the decision before the Federal Court of Appeal. Decisions on the petition and the motion for leave to appeal are pending. Any adverse decision could have a material adverse effect on our business and results of operations, and on our ability to further invest in network upgrades and expansions.

11. ACCOUNTING POLICIES

11.1 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.

11.2 NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Amendments to IAS 12

In May 2021, the IASB amended IAS 12, *Income taxes*, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences (e.g. leases and decommissioning provisions). The amendments narrow the scope of the initial recognition exemption so that it does not apply to these transactions. As a result, companies will need to recognize both a deferred tax asset and a deferred tax liability when accounting for such transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Corporation does not expect any impact on its consolidated financial statements upon adoption of these amendments.

Amendments to IAS 1

In February 2021, the IASB amended IAS 1, *Presentation of financial statements,* to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is in the process of determining the extent of the impact on its consolidated financial statements disclosure.

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	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: - 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; and - Defined benefit plans expense, net of contributions; deduct: - Integration, restructuring and acquisition costs; - Financial expense (1); - Current income taxes; - Acquisition of property, plant and equipment (2); 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 (2) divided by: - Revenue	No comparable IFRS financial measure

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

(2) Excludes the non-cash 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 May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
(In thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Profit for the period	**102,786**	96,724	**328,241**	300,443
Income taxes	**31,326**	28,584	**102,260**	82,016
Financial expense	**33,506**	40,356	**100,555**	91,791
Depreciation and amortization	**128,156**	129,041	**379,260**	374,413
Integration, restructuring and acquisition costs	**1,225**	12	**4,770**	5,531
Adjusted EBITDA	**296,999**	294,717	**915,086**	854,194
Revenue	**624,308**	605,821	**1,877,769**	1,779,115
Adjusted EBITDA margin	**47.6 %**	48.6 %	**48.7 %**	48.0 %

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 May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
(In thousands of Canadian dollars)	**$**	$	**$**	$
Cash flows from operating activities	**264,621**	282,229	**737,512**	663,074
Amortization of deferred transaction costs and discounts on long-term debt	**2,334**	2,383	**6,935**	7,159
Changes in non-cash operating activities	**(15,536)**	(19,512)	**9,779**	56,310
Income taxes paid (received)	**18,085**	(6,552)	**76,395**	27,414
Current income taxes	**(6,504)**	(15,845)	**(44,739)**	(43,919)
Interest paid	**30,342**	38,816	**91,472**	108,272
Financial expense (1)	**(33,506)**	(40,356)	**(100,555)**	(114,689)
Acquisition of property, plant and equipment	**(126,570)**	(123,653)	**(358,006)**	(355,795)
Repayment of lease liabilities	**(1,196)**	(1,352)	**(3,339)**	(3,762)
Free cash flow	**132,070**	116,158	**415,454**	344,064

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

12.3 CAPITAL INTENSITY RECONCILIATION

The calculation of capital intensity is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
(In thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**126,570**	123,653	**358,006**	355,795
Revenue	**624,308**	605,821	**1,877,769**	1,779,115
Capital intensity	**20.3 %**	20.4 %	**19.1 %**	20.0 %

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

	Fiscal 2021						Fiscal 2020	Fiscal 2019
Three months ended	**May 31, 2021**	**February 28, 2021**	**November 30, 2020**	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019
(In thousands of Canadian dollars, except percentages and per share data)	**$**	**$**	**$**	$	$	$	$	$
Operations								
Revenue	**624,308**	**634,548**	**618,913**	605,168	605,821	586,467	586,827	583,673
Adjusted EBITDA	**296,999**	**306,994**	**311,093**	294,535	294,717	277,372	282,105	275,610
Adjusted EBITDA margin	**47.6 %**	**48.4 %**	**50.3 %**	48.7 %	48.6 %	47.3 %	48.1 %	47.2 %
Integration, restructuring and acquisition costs	**1,225**	**2,330**	**1,215**	3,955	12	5,458	61	712
Profit for the period from continuing operations	**102,786**	**110,559**	**114,896**	96,148	96,724	114,011	89,708	92,403
Profit for the period from discontinued operations	**—**	**—**	**—**	—	—	—	—	1,920
Profit for the period	**102,786**	**110,559**	**114,896**	96,148	96,724	114,011	89,708	94,323
Profit for the period from continuing operations attributable to owners of the Corporation	**95,702**	**102,936**	**106,679**	90,834	90,771	109,391	84,178	87,850
Profit for the period attributable to owners of the Corporation	**95,702**	**102,936**	**106,679**	90,834	90,771	109,391	84,178	89,770
Cash flow								
Cash flows from operating activities	**264,621**	**231,166**	**241,725**	254,745	282,229	231,653	149,192	304,702
Acquisition of property, plant and equipment	**126,570**	**115,214**	**116,222**	128,195	123,653	110,840	121,302	145,099
Free cash flow (1)	**132,070**	**142,768**	**140,616**	111,372	116,158	125,062	102,844	84,250
Capital intensity	**20.3 %**	**18.2 %**	**18.8 %**	21.2 %	20.4 %	18.9 %	20.7 %	24.9 %
Per share data (2)								
Earnings per share								
Basic								
From continuing operations	**2.02**	**2.16**	**2.24**	1.90	1.89	2.24	1.71	1.78
From discontinued operations	**—**	**—**	**—**	—	—	—	—	0.04
From continuing and discontinued operations	**2.02**	**2.16**	**2.24**	1.90	1.89	2.24	1.71	1.82
Diluted								
From continuing operations	**2.01**	**2.14**	**2.22**	1.88	1.87	2.22	1.70	1.77
From discontinued operations	**—**	**—**	**—**	—	—	—	—	0.04
From continuing and discontinued operations	**2.01**	**2.14**	**2.22**	1.88	1.87	2.22	1.70	1.80
Dividends per share	**0.64**	**0.64**	**0.64**	0.58	0.58	0.58	0.58	0.525

(1) Excludes the non-cash gain on debt modification of $22.9 million recognized during 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 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 and nine-month periods ended May 31, 2021

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2021**	2020	**2021**	2020
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*3*	**624,308**	605,821	**1,877,769**	1,779,115
Operating expenses	*6*	**321,457**	304,921	**945,126**	907,694
Management fees – Cogeco Inc.	*17*	**5,852**	6,183	**17,557**	17,227
Integration, restructuring and acquisition costs	*4*	**1,225**	12	**4,770**	5,531
Depreciation and amortization	*7*	**128,156**	129,041	**379,260**	374,413
Financial expense	*8*	**33,506**	40,356	**100,555**	91,791
Profit before income taxes		**134,112**	125,308	**430,501**	382,459
Income taxes	*9*	**31,326**	28,584	**102,260**	82,016
Profit for the period		**102,786**	96,724	**328,241**	300,443
Profit for the period attributable to:					
Owners of the Corporation		**95,702**	90,771	**305,317**	284,340
Non-controlling interest		**7,084**	5,953	**22,924**	16,103
		102,786	96,724	**328,241**	300,443
Earnings per share					
Basic	*10*	**2.02**	1.89	**6.42**	5.84
Diluted	*10*	**2.01**	1.87	**6.36**	5.78

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**102,786**	96,724	**328,241**	300,443
Other comprehensive (loss) income				
Items to be subsequently reclassified to profit or loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**5,745**	(24,260)	**25,918**	(34,089)
Related income taxes	**(1,523)**	6,429	**(6,868)**	9,033
	4,222	(17,831)	**19,050**	(25,056)
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**(91,657)**	49,181	**(144,057)**	68,050
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**23,907**	(13,964)	**37,830**	(19,188)
Related income taxes	**228**	(176)	**365**	(244)
	(67,522)	35,041	**(105,862)**	48,618
	(63,300)	17,210	**(86,812)**	23,562
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**2,142**	3,871	**7,662**	3,839
Related income taxes	**(567)**	(1,025)	**(2,030)**	(1,017)
	1,575	2,846	**5,632**	2,822
	(61,725)	20,056	**(81,180)**	26,384
Comprehensive income for the period	**41,061**	116,780	**247,061**	326,827
Comprehensive income for the period attributable to:				
Owners of the Corporation	**52,598**	100,882	**253,394**	296,960
Non-controlling interest	**(11,537)**	15,898	**(6,333)**	29,867
	41,061	116,780	**247,061**	326,827

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 13)		*(Note 14)*			
Balance at August 31, 2019	1,023,390	13,526	31,028	1,131,845	359,689	2,559,478
Profit for the period	—	—	—	284,340	16,103	300,443
Other comprehensive income for the period	—	—	9,798	2,822	13,764	26,384
Comprehensive income for the period	—	—	9,798	287,162	29,867	326,827
Issuance of subordinate voting shares under the Stock Option Plan	6,670	—	—	—	—	6,670
Share-based payment (Notes 13 D) and 17)	—	5,218	—	—	—	5,218
Share-based payment previously recorded in share-based payment reserve for options exercised	1,129	(1,129)	—	—	—	—
Dividends (Note 13 C))	—	—	—	(84,597)	—	(84,597)
Purchase and cancellation of subordinate voting shares	(39,085)	—	—	(106,817)	—	(145,902)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,643)	—	—	—	—	(5,643)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,859	(3,126)	—	(733)	—	—
Total (distributions to) contributions by shareholders	(33,070)	963	—	(192,147)	—	(224,254)
Balance at May 31, 2020	990,320	14,489	40,826	1,226,860	389,556	2,662,051
Balance at August 31, 2020	**984,963**	**16,347**	**(7,117)**	**1,274,053**	**373,504**	**2,641,750**
Profit for the period	**—**	**—**	**—**	**305,317**	**22,924**	**328,241**
Other comprehensive income (loss) for the period	**—**	**—**	**(57,555)**	**5,632**	**(29,257)**	**(81,180)**
Comprehensive income (loss) for the period	**—**	**—**	**(57,555)**	**310,949**	**(6,333)**	**247,061**
Issuance of subordinate voting shares under the Stock Option Plan	**3,702**	**—**	**—**	**—**	**—**	**3,702**
Share-based payment (Notes 13 D) and 17)	**—**	**4,412**	**—**	**—**	**—**	**4,412**
Share-based payment previously recorded in share-based payment reserve for options exercised	**665**	**(665)**	**—**	**—**	**—**	**—**
Dividends (Note 13 C))	**—**	**—**	**—**	**(91,178)**	**—**	**(91,178)**
Purchase and cancellation of subordinate voting shares	**(20,826)**	**—**	**—**	**(64,666)**	**—**	**(85,492)**
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	**5,064**	**(4,891)**	**—**	**(173)**	**—**	**—**
Total distributions to shareholders	**(15,834)**	**(1,144)**	**—**	**(156,017)**	**—**	**(172,995)**
Balance at May 31, 2021	**969,129**	**15,203**	**(64,672)**	**1,428,985**	**367,171**	**2,715,816**

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

(In thousands of Canadian dollars)	*Notes*	**May 31, 2021** **$**	August 31, 2020 $
Assets			
Current			
Cash and cash equivalents	*15 B)*	**305,440**	366,497
Restricted cash	*11*	**161,008**	—
Trade and other receivables		**83,022**	83,013
Income taxes receivable		**3,495**	3,283
Prepaid expenses and other		**35,580**	29,266
Derivative financial instruments		**1,178**	—
		589,723	482,059
Non-current			
Restricted cash	*11*	**27,000**	—
Other assets		**43,239**	45,109
Property, plant and equipment		**2,263,435**	2,088,930
Intangible assets		**2,675,708**	2,800,401
Goodwill		**1,417,285**	1,381,024
Deferred tax assets		**3,640**	6,674
		7,020,030	6,804,197
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**6,384**	7,610
Trade and other payables		**234,164**	211,052
Provisions		**26,414**	33,864
Income tax liabilities		**8,149**	39,897
Contract liabilities and other liabilities		**54,214**	47,162
Government subsidies received in advance	*11*	**161,008**	—
Derivative financial instruments		**—**	3,834
Current portion of long-term debt	*12*	**225,933**	29,569
		716,266	372,988
Non-current			
Long-term debt	*12*	**2,851,405**	3,087,033
Derivative financial instruments		**45,080**	67,375
Contract liabilities and other liabilities		**8,733**	10,965
Government subsidies received in advance	*11*	**27,000**	—
Pension plan liabilities and accrued employee benefits		**6,866**	13,490
Deferred tax liabilities		**648,864**	610,596
		4,304,214	4,162,447
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*13 B)*	**969,129**	984,963
Share-based payment reserve		**15,203**	16,347
Accumulated other comprehensive loss	*14*	**(64,672)**	(7,117)
Retained earnings		**1,428,985**	1,274,053
		2,348,645	2,268,246
Equity attributable to non-controlling interest		**367,171**	373,504
		2,715,816	2,641,750
		7,020,030	6,804,197

Commitments and contingencies (Note 18)
Subsequent event (Note 19)

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2021**	2020	**2021**	2020
(In thousands of Canadian dollars)		**$**	$	**$**	$
Cash flows from operating activities					
Profit for the period		**102,786**	96,724	**328,241**	300,443
Adjustments for:					
Depreciation and amortization	*7*	**128,156**	129,041	**379,260**	374,413
Financial expense	*8*	**33,506**	40,356	**100,555**	91,791
Income taxes	*9*	**31,326**	28,584	**102,260**	82,016
Share-based payment		**2,177**	1,864	**5,931**	5,821
Gain on disposals and write-offs of property, plant and equipment		**(863)**	(1,593)	**(607)**	(338)
Defined benefit plans expense, net of contributions		**424**	5	**(482)**	924
		297,512	294,981	**915,158**	855,070
Changes in non-cash operating activities	*15 A)*	**15,536**	19,512	**(9,779)**	(56,310)
Interest paid		**(30,342)**	(38,816)	**(91,472)**	(108,272)
Income taxes (paid) received		**(18,085)**	6,552	**(76,395)**	(27,414)
		264,621	282,229	**737,512**	663,074
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(126,570)**	(123,653)	**(358,006)**	(355,795)
Business combinations, net of cash and cash equivalents acquired	5	**—**	(81,745)	**(394,296)**	(81,745)
Proceeds on disposals of property, plant and equipment		**568**	5,285	**2,392**	7,164
		(126,002)	(200,113)	**(749,910)**	(430,376)
Cash flows from financing activities					
Increase (decrease) in bank indebtedness		**6,384**	—	**(1,226)**	—
Net (decrease) increase under the revolving facilities		**(8,740)**	—	**171,772**	—
Repayment of notes, debentures and credit facilities		**(5,158)**	(5,859)	**(16,112)**	(63,603)
Repayment of lease liabilities		**(1,196)**	(1,352)	**(3,339)**	(3,762)
Repayment of balance due on business combinations		**—**	—	**(1,258)**	(3,228)
Increase in deferred transaction costs		**—**	(98)	**—**	(620)
Issuance of subordinate voting shares	*13 B)*	**2,265**	1,326	**3,702**	6,670
Purchase and cancellation of subordinate voting shares	*13 B)*	**(48,967)**	(59,425)	**(85,492)**	(145,902)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*13 B)*	**—**	—	**(4,439)**	(5,643)
Dividends paid	*13 C)*	**(30,153)**	(27,796)	**(91,178)**	(84,597)
		(85,565)	(93,204)	**(27,570)**	(300,685)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(13,787)**	2,987	**(21,089)**	5,277
Net change in cash and cash equivalents		**39,267**	(8,101)	**(61,057)**	(62,710)
Cash and cash equivalents, beginning of the period		**266,173**	501,895	**366,497**	556,504
Cash and cash equivalents, end of the period		**305,440**	493,794	**305,440**	493,794

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 May 31, 2021 held 33.2% of the Corporation's equity shares, representing 83.3% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

The Corporation's registered office is located at 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 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 July 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

A) 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.

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

Amendments to IAS 12

In May 2021, the IASB amended IAS 12, *Income taxes*, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences (e.g. leases and decommissioning provisions). The amendments narrow the scope of the initial recognition exemption so that it does not apply to these transactions. As a result, companies will need to recognize both a deferred tax asset and a deferred tax liability when accounting for such transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Corporation does not expect any impact on its consolidated financial statements upon adoption of these amendments.

Amendments to IAS 1

In February 2021, the IASB amended IAS 1, *Presentation of financial statements,* to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is in the process of determining the extent of the impact on its consolidated financial statements disclosure.

3. REVENUE

						Three months ended May 31,
	Canadian broadband services		**American broadband services**			**Consolidated**
	2021	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$
Residential [(1)]	**315,100**	287,547	**234,164**	245,361	**549,264**	532,908
Commercial	**37,623**	32,802	**32,819**	34,517	**70,442**	67,319
Other	**613**	198	**3,989**	5,396	**4,602**	5,594
	353,336	320,547	**270,972**	285,274	**624,308**	605,821

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

						Nine months ended May 31,
	Canadian broadband services		**American broadband services**			**Consolidated**
	2021	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$
Residential [(1)]	**926,473**	862,639	**725,174**	697,364	**1,651,647**	1,560,003
Commercial	**108,288**	100,199	**100,689**	98,739	**208,977**	198,938
Other	**1,486**	737	**15,659**	19,437	**17,145**	20,174
	1,036,247	963,575	**841,522**	815,540	**1,877,769**	1,779,115

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

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

4. OPERATING SEGMENTS

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

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

The 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.

				Three months ended May 31, 2021
	Canadian broadband services	**American broadband services**	**Corporate and eliminations**	**Consolidated**
	$	**$**	**$**	**$**
Revenue	**353,336**	**270,972**	**—**	**624,308**
Operating expenses	**164,351**	**149,458**	**7,648**	**321,457**
Management fees – Cogeco Inc.	**—**	**—**	**5,852**	**5,852**
Segment profit (loss)	**188,985**	**121,514**	**(13,500)**	**296,999**
Integration, restructuring and acquisition costs (1)				**1,225**
Depreciation and amortization				**128,156**
Financial expense				**33,506**
Profit before income taxes				**134,112**
Income taxes				**31,326**
Profit for the period				**102,786**
Acquisition of property, plant and equipment	**57,230**	**67,579**	**1,761**	**126,570**

(1) Comprised primarily of due diligence costs related to the acquisition of WideOpenWest's Ohio broadband systems, announced on June 30, 2021 (see Note 19), and costs related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

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

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

			Nine months ended May 31, 2021	
	Canadian broadband services	American broadband services	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	1,036,247	841,522	—	1,877,769
Operating expenses	471,440	451,953	21,733	945,126
Management fees – Cogeco Inc.	—	—	17,557	17,557
Segment profit (loss)	564,807	389,569	(39,290)	915,086
Integration, restructuring and acquisition costs (1)				4,770
Depreciation and amortization				379,260
Financial expense				100,555
Profit before income taxes				430,501
Income taxes				102,260
Profit for the period				328,241
Acquisition of property, plant and equipment	180,294	174,485	3,227	358,006

(1) Comprised primarily due diligence costs related to the acquisition of WideOpenWest's Ohio broadband systems, announced on June 30, 2021 (see Note 19), and costs related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

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

(1) Comprised primarily of costs associated with organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications, completed on March 10, 2020 and of iTéract, completed on May 1, 2020.

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

5. BUSINESS COMBINATION

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 and adds approximately 100,000 customers to its customer base. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility.

The Corporation is currently assessing the fair value of the assets acquired and the liabilities assumed at the date of acquisition, for which the valuation process of certain assets remains to be finalized. The preliminary allocation of the purchase price was based on the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition, which is subject to material adjustments until the fair value assessment is completed. The items that are mainly subject to change are *Property, plant and equipment*, *Intangible assets* and *Goodwill*. The Corporation will finalize the purchase price allocation over the coming quarters. Final adjustment to the purchase price allocation could also impact depreciation, amortization and income tax expenses recognized since the initial accounting of the DERYtelecom business acquisition.

The preliminary allocation of the purchase price based on the estimated fair value of assets acquired and the liabilities assumed at the date of acquisition is as follows:

	At May 31, 2021 Preliminary $
Purchase price	
Consideration paid	403,000
Preliminary working capital adjustments	(8,500)
	394,500
Net assets acquired	
Cash and cash equivalents acquired	204
Trade and other receivables	5,093
Prepaid expenses and other	1,456
Property, plant and equipment	235,001
Intangible assets	41,350
Goodwill	138,320
Trade and other payables	(17,358)
Provisions	(1,657)
Contract liabilities and other liabilities	(6,615)
Long-term debt	(1,294)
	394,500

The amount of goodwill, which is expected to be mostly deductible for tax purposes, is mainly attributable to the expected growth in both residential and business services and the expertise of the workforce. As the transaction was executed essentially through an asset purchase, the goodwill is also attributable to the realization of expected tax benefits.

In connection with this acquisition, the Corporation incurred acquisition-related costs of $3.3 million, recognized within *Integration, restructuring and acquisition costs* in the Corporation's consolidated statement of profit and loss.

During the three and nine-month periods ended May 31, 2021, the Corporation recognized $27.9 million and $51.3 million of revenue related to the operations generated by the acquisition of DERYtelecom. The results of operations of DERYtelecom are reported in the Canadian broadband services operating segment.

Had the business combination been effective at September 1, 2020, the consolidated revenue of the Corporation would have been $1.909 billion for the nine-month period ended May 31, 2021. Management considers the "pro forma" supplemental information to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. The "pro forma" supplemental information is based on estimates and assumptions that management believes to be reasonable.

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

6. OPERATING EXPENSES

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Salaries, employee benefits and outsourced services	**101,295**	93,308	**292,217**	277,050
Service delivery costs	**172,729**	170,313	**512,041**	496,326
Customer related costs	**19,292**	20,459	**59,717**	65,097
Other external purchases	**28,141**	20,841	**81,151**	69,221
	321,457	304,921	**945,126**	907,694

7. DEPRECIATION AND AMORTIZATION

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Depreciation of property, plant and equipment (1)	**118,489**	113,952	**345,097**	330,750
Amortization of intangible assets	**9,667**	15,089	**34,163**	43,663
	128,156	129,041	**379,260**	374,413

(1) Includes depreciation of right-of-use assets amounting to $1.5 million and $4.4 million ($1.8 million and $5.1 million in 2020) for the three and nine-month periods of fiscal 2021.

8. FINANCIAL EXPENSE

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Interest on long-term debt, excluding interest on lease liabilities	**30,282**	39,484	**95,688**	118,531
Interest on lease liabilities	**326**	391	**988**	1,150
Gain on debt modification (1)	**—**	—	**—**	(22,898)
Net foreign exchange loss	**1,669**	348	**992**	379
Amortization of deferred transaction costs	**183**	218	**579**	893
Capitalized borrowing costs	**(41)**	(169)	**(132)**	(462)
Other	**1,087**	84	**2,440**	(5,802)
	33,506	40,356	**100,555**	91,791

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

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

9. INCOME TAXES

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Current	**6,504**	15,845	**44,739**	43,919
Deferred	**24,822**	12,739	**57,521**	38,097
	31,326	28,584	**102,260**	82,016

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

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Profit before income taxes	**134,112**	125,308	**430,501**	382,459
Combined Canadian income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %
Income taxes at combined Canadian income tax rate	**35,540**	33,207	**114,083**	101,352
Difference in operations' statutory income tax rates	**600**	626	**2,366**	1,633
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**351**	385	**680**	(760)
Tax impacts related to foreign operations	**(4,765)**	(5,610)	**(14,800)**	(18,223)
Other	**(400)**	(24)	**(69)**	(1,986)
Income taxes at effective income tax rate	**31,326**	28,584	**102,260**	82,016
Effective income tax rate	**23.4%**	22.8%	**23.8 %**	21.4 %

10. EARNINGS PER SHARE

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

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Profit for the period attributable to owners of the Corporation	**95,702**	90,771	**305,317**	284,340
Weighted average number of multiple and subordinate voting shares outstanding	**47,281,140**	48,101,129	**47,567,025**	48,715,564
Effect of dilutive stock options (1)	**272,621**	209,660	**233,967**	250,409
Effect of dilutive incentive share units	**69,981**	75,798	**72,756**	74,390
Effect of dilutive performance share units	**98,121**	115,410	**101,270**	112,872
Weighted average number of diluted multiple and subordinate voting shares outstanding	**47,721,863**	48,501,997	**47,975,018**	49,153,235

(1) For the three and nine-month periods ended May 31, 2021, 2,700 and 185,335 stock options (209,225 and 205,150 in 2020) were excluded from the calculation of diluted earnings per share due to the exercise price of the stock options being greater than the average share price of the subordinate voting shares.

11. RESTRICTED CASH AND GOVERNMENT SUBSIDIES RECEIVED IN ADVANCE

On March 22, 2021, Cogeco Communications announced that Cogeco Connexion will carry out 13 high-speed Internet network expansion projects in several regions of Québec, in collaboration with the provincial and federal governments. These regional infrastructure projects represent an investment of approximately $240 million, of which $208 million will come from the provincial and federal governments, in the form of government subsidies.

Once these projects are completed, more than 54,000 homes and businesses will be connected to Cogeco Connexion's high-speed Internet services. These digital infrastructure investment projects are scheduled to be completed by September 2022. On March 26, 2021, Cogeco Connexion received $187.5 million of the $208 million expected government subsidies, to be used to pay for a portion of the expansion projects, with the remainder expected to be received upon completion of the projects. The amount of subsidies may vary depending on actual construction scope and costs. The projects are also subject to penalties, except for events out of Cogeco Connexion's control, if their delivery extends beyond September 2022. As at May 31, 2021, the $187.5 million subsidies received in advance were classified as *Restricted cash* with a corresponding liability in *Government subsidies received in advance,* on the consolidated statement of financial position. The *Government subsidies received in advance* will be recognized essentially as a reduction of the cost of property, plant and equipment, based on the cost incurred in connection with these projects over the expected costs.

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

12. LONG-TERM DEBT

	May 31, 2021	August 31, 2020
	$	$
Notes, debentures and credit facilities	3,038,106	3,072,511
Lease liabilities	37,629	41,235
Balance due on business combinations	1,600	2,856
Other	3	—
	3,077,338	3,116,602
Less current portion	225,933	29,569
	2,851,405	3,087,033

Notes, debentures and credit facilities

	Maturity	Interest rate		May 31, 2021	August 31, 2020
		%		$	$
Corporation					
Term Revolving Facility					
Revolving loan	January 2025	1.62	(2)	9,987	—
Revolving loan – US$127 million (1)	January 2025	1.29	(2)	153,314	—
Senior Secured Notes					
Series A - US$25 million	September 2024	4.14		30,124	32,538
Series B - US$150 million	September 2026	4.29		180,630	195,123
Senior Secured Notes - US$215 million	June 2025	4.30		258,935	279,687
Senior Secured Debentures Series 3	February 2022	4.93		199,839	199,671
Senior Secured Debentures Series 4	May 2023	4.18		299,285	299,027
Subsidiaries					
First Lien Credit Facilities					
Senior Secured Term Loan B Facility - US$1,614 million (US$1,626.8 million at August 31, 2020)	January 2025	2.09	(2) (3)	1,905,992	2,066,465
				3,038,106	3,072,511
Less current portion				220,361	22,171
				2,817,745	3,050,340

(1) An amount of US$127 million drawn under the Corporation's Term Revolving Facility was hedged until June 30, 2021, using a cross-currency swap agreement which sets the amount redeemable at maturity at $153.0 million and the effective interest rate on the Canadian dollar equivalent at 1.37%.

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

(3) As of May 31, 2021, a US subsidiary of the Corporation had entered into interest rate swap agreements to fix the interest rate on a notional amount of US$770 million 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, 2023 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 3.07%.

In April 2021, Cogeco Connexion contracted a new unsecured letter of credit which was submitted to Innovation, Science and Economic Development ("ISED") Canada as a pre-auction deposit, with the application to bid at the 3500 MHz spectrum auction. In accordance with the rules of confidentiality established by ISED Canada respecting communications during the auction process, the Corporation is forbidden from disclosing the amount of this letter of credit.

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

13. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

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

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	May 31, 2021	August 31, 2020
	$	$
15,691,100 multiple voting shares	98,346	98,346
31,546,198 subordinate voting shares (32,231,433 at August 31, 2020)	886,437	902,896
	984,783	1,001,242
74,663 subordinate voting shares held in trust under the Incentive Share Unit Plan (76,957 at August 31, 2020)	(6,461)	(6,346)
104,328 subordinate voting shares held in trust under the Performance Share Unit Plan (115,222 at August 31, 2020)	(9,193)	(9,933)
	969,129	984,963

During the first nine 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	57,365	3,702
Share-based payment previously recorded in share-based payment reserve for options exercised	—	665
Purchase and cancellation of subordinate voting shares (1)	(742,600)	(20,826)
Balance at May 31, 2021	31,546,198	886,437

(1) During the third quarter and first nine months of fiscal 2021, under its Normal Course Issuer Bid ("NCIB") program, the Corporation purchased and cancelled 414,000 and 742,600 (601,900 and 1,397,400 in 2020) subordinate voting shares with an average stated value of $11.6 million and $20.8 million ($16.8 million and $39.1 million in 2020), for consideration of $49.0 million and $85.5 million ($59.4 million and $145.9 million in 2020). The excess of the purchase price over the average stated value of the shares totalled $37.4 million and $64.7 million ($42.6 million and $106.8 million in 2020) and was charged to retained earnings.

Normal course issuer bid

On April 30, 2021, 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 2,068,000 subordinate voting shares from May 4, 2021 to May 3, 2022. Under its previous NCIB that commenced on May 4, 2020 and ended on May 3, 2021, the Corporation could purchase for cancellation a maximum of 1,809,000 subordinate shares.

On September 2, 2020, Cogeco Communications ceased repurchasing shares under the NCIB as a result of an unsolicited proposal to acquire the Corporation. During the second quarter of fiscal 2021, Cogeco Communications resumed the repurchasing of 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.

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

During the first nine months of fiscal 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	(26,549)	(2,196)
Balance at May 31, 2021	**74,663**	**6,461**

During the first nine 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	(33,231)	(2,868)
Balance at May 31, 2021	**104,328**	**9,193**

C) DIVIDENDS

For the nine-month period ended May 31, 2021, quarterly eligible dividends of $0.64 per share, for a total of $1.92 per share or $91.2 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.58 per share, for a total of $1.74 per share or $84.6 million, for the nine-month period ended May 31, 2020.

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	$	$
Dividends on multiple voting shares	10,042	9,101	30,127	27,303
Dividends on subordinate voting shares	20,111	18,695	61,051	57,294
	30,153	27,796	91,178	84,597

At its July 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 August 11, 2021 to shareholders of record on July 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 May 31, 2021:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2020	786,799	78.49
Granted	156,125	94.69
Exercised [(1)]	(57,365)	64.53
Cancelled	(39,755)	89.19
Outstanding at May 31, 2021	845,804	81.93
Exercisable at May 31, 2021	377,679	68.24

(1) The weighted average share price for options exercised during the nine-month period was $113.65.

The weighted average fair value of stock options granted for the nine-month period ended May 31, 2021 was $14.86 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	2.75
Expected volatility	24.79
Risk-free interest rate	0.43
Expected life (in years)	5.9

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at May 31, 2021:

Outstanding at August 31, 2020	76,141
Granted [(1)]	26,025
Distributed	(26,549)
Cancelled	(6,417)
Outstanding at May 31, 2021	69,200

(1) The weighted average fair value of the ISUs granted during the nine-month period was $95.28.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at May 31, 2021:

Outstanding at August 31, 2020	112,886
Granted [(1)]	33,075
Distributed	(33,231)
Cancelled	(16,255)
Dividend equivalents	1,777
Outstanding at May 31, 2021	98,252

(1) The weighted average fair value of the PSUs granted during the nine-month period was $94.80.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at May 31, 2021:

Outstanding at August 31, 2020	50,958
Issued [(1)]	8,512
Dividend equivalents	997
Outstanding at May 31, 2021	60,467

(1) The weighted average fair value of the DSUs issued during the nine-month period was $98.48.

(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 May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Stock options	**237**	200	**620**	548
ISUs	**492**	561	**1,497**	1,429
PSUs	**466**	481	**1,046**	1,262
DSUs	**414**	(74)	**1,270**	454
	1,609	1,168	**4,433**	3,693

14. 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)	(25,056)	34,854	9,798
Balance at May 31, 2020	(58,898)	99,724	40,826
Balance at August 31, 2020	**(52,184)**	**45,067**	**(7,117)**
Other comprehensive income (loss)	**19,050**	**(76,605)**	**(57,555)**
Balance at May 31, 2021	**(33,134)**	**(31,538)**	**(64,672)**

15. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Trade and other receivables	**26,373**	13,746	**6,069**	1,846
Prepaid expenses and other	**3,997**	4,484	**(6,009)**	(4,763)
Other assets	**(138)**	(1,021)	**(1,298)**	(5,435)
Trade and other payables	**(5,180)**	3,504	**1,880**	(48,082)
Provisions	**(11,218)**	1,535	**(10,416)**	(4,852)
Contract liabilities and other liabilities	**1,702**	(2,736)	**(5)**	4,976
	15,536	19,512	**(9,779)**	(56,310)

B) CASH AND CASH EQUIVALENTS

	May 31, 2021	August 31, 2020
	$	$
Cash	**135,280**	366,497
Cash equivalents (1)	**170,160**	—
	305,440	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)

16. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Credit risk

The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents, restricted cash, 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 May 31, 2021, 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, and the restricted cash 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.

Liquidity risk

At May 31, 2021, the Corporation had used $167.0 million of its $750 million Term Revolving Facility for a remaining availability of $583.0 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $181.1 million (US$150 million), of which $2.9 million (US$2.4 million) was used at May 31, 2021 for a remaining availability of $178.2 million (US$147.6 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2021, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2021:

Type of hedge	Notional amount (1)	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$770 million	US LIBOR base rate	2.017% - 2.262%	January 2023 - November 2024	Senior Secured Term Loan B

(1) Two tranches amounting to US$330 million have matured on January 31, 2021.

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 $11.8 million based on the outstanding debt and swap agreements at May 31, 2021.

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 $8.0 million based on the outstanding debt and swap agreements at May 31, 2021.

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.

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

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at May 31, 2021 was $1.2072 ($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 $91 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		May 31, 2021		August 31, 2020
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Notes, debentures and credit facilities	3,038,106	3,158,005	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 May 31, 2021 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:

	May 31, 2021	August 31, 2020
Net indebtedness (1) / adjusted EBITDA (2)	2.3	2.4
Adjusted EBITDA (2) / financial expense (2)	8.6	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 May 31, 2021, which includes 5.5 months of DERYtelecom operations, and for the year ended August 31, 2020. Financial expense for the year ended August 31, 2020 excludes the gain on debt modification of $22.9 million, which is consistent with the covenants calculation.

17. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which as of May 31, 2021 held 33.2% of the Corporation's equity shares, representing 83.3% 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 and nine-month periods ended May 31, 2021, management fees paid to Cogeco amounted to $5.9 million and $17.6 million, respectively, compared to $6.2 million and $17.2 million for the same periods of fiscal 2020.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the nine-month periods ended May 31, 2021 and 2020, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, and issued DSUs to Board directors of Cogeco, as shown in the following table:

	Nine months ended May 31,	
	2021	2020
Stock options	69,200	110,875
PSUs	10,375	14,375
DSUs	792	1,847

(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 May 31,		Nine months ended May 31,	
	May 31, 2021	May 31, 2020	**May 31, 2021**	May 31, 2020
	$	$	**$**	$
Stock options	**274**	331	**885**	901
ISUs	**—**	8	**6**	30
PSUs	**233**	351	**358**	1,048
DSUs	**61**	6	**249**	149
	568	696	**1,498**	2,128

18. COMMITMENTS AND CONTINGENCIES

A) COMMITMENTS

Capital investments

During the nine-month period ended May 31, 2021, the Corporation entered into service contracts in connection with its high-speed Internet expansion projects. In addition, the Corporation has accelerated the purchases of certain equipment in order to avoid potential supply chain shortages and to support its network expansion projects. As at May 31, 2021, the Corporation's contractual commitments related to these capital investments amounted to approximately $201.6 million. The Corporation may terminate certain of these contracts by giving formal notice prior to an agreed upon period.

B) CONTINGENCIES

Final rates for aggregated wholesale Internet access services

On May 27, 2021, the Canadian Radio-television and Telecommunications Commission ("CRTC") released Telecom Decision 2021-181, which ruled on applications by cable carriers (including the Corporation) and telecommunications carriers to review and vary Telecom Order 2019-288, in which the CRTC had set new rates for aggregated wholesale Internet access services. In this decision, the CRTC overturned the 2019 rate reductions and made the interim rates it had previously established in 2016, with certain adjustments, final. As a result of the CRTC's decision, the Corporation will be required to make retroactive payments to wholesale Internet access customers for the period of March to October 2016 and has recognized an amount of $4.6 million as a reduction of revenue during the third quarter of fiscal 2021.

On May 28, 2021, TekSavvy Solutions Inc. ("TekSavvy") petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision. The Governor in Council has yet to issue its decision on this petition. On June 28, 2021, TekSavvy filed a motion for leave to appeal the decision before the Federal Court of Appeal, which is currently pending.

19. SUBSEQUENT EVENT

Acquisition of WideOpenWest's Ohio broadband systems

On June 30, 2021, Cogeco Communications announced that its subsidiary, Atlantic Broadband, had entered into a definitive agreement with WideOpenWest, Inc. ("WOW") to purchase all of its broadband systems located in Ohio ("Ohio broadband systems"). The Ohio broadband systems are valued at US$1.125 billion, plus transaction and financing costs. The Ohio broadband systems pass approximately 688,000 homes and businesses in Cleveland and Columbus and served approximately 196,000 Internet, 61,000 video and 35,000 telephony customers, as of March 31, 2021.

The purchase price and transaction costs will be financed through US$900 million of committed secured debt financing provided to Atlantic Broadband, and excess cash on hand. The acquisition is subject to regulatory approvals along with other customary closing conditions and is expected to close in the first quarter of fiscal 2022.

PRIMARY SERVICE UNIT STATISTICS

	May 31, 2021	February 28, 2021 (1)	November 30, 2020	August 31, 2020	May 31, 2020 (2) (3)
CONSOLIDATED					
Primary service units	**2,976,391**	2,982,402	2,763,466	2,757,631	2,739,903
Internet service customers	**1,427,752**	1,416,325	1,319,869	1,304,228	1,281,762
Video service customers	**989,698**	1,001,077	930,684	936,636	939,453
Telephony service customers	**558,941**	565,000	512,913	516,767	518,688
CANADA					
Homes passed	**1,982,255**	1,977,734	1,779,083	1,775,885	1,773,695
Primary service units	**2,002,736**	2,010,049	1,790,783	1,799,706	1,802,631
Internet service customers	**909,901**	905,321	815,248	812,016	803,073
Penetration as a percentage of homes passed	**45.9%**	45.8%	45.8%	45.7%	45.3%
Video service customers	**680,456**	687,486	612,297	619,249	627,608
Penetration as a percentage of homes passed	**34.3%**	34.8%	34.4%	34.9%	35.4%
Telephony service customers	**412,379**	417,242	363,238	368,441	371,950
Penetration as a percentage of homes passed	**20.8%**	21.1%	20.4%	20.7%	21.0%
UNITED STATES					
Homes passed	**935,520**	929,323	927,564	922,872	916,207
Primary service units	**973,655**	972,353	972,683	957,925	937,272
Internet service customers	**517,851**	511,004	504,621	492,212	478,689
Penetration as a percentage of homes passed	**55.4%**	55.0%	54.4%	53.3%	52.2%
Video service customers	**309,242**	313,591	318,387	317,387	311,845
Penetration as a percentage of homes passed	**33.1%**	33.7%	34.3%	34.4%	34.0%
Telephony service customers	**146,562**	147,758	149,675	148,326	146,738
Penetration as a percentage of homes passed	**15.7%**	15.9%	16.1%	16.1%	16.0%

(1) On December 14, 2020, 224,039 primary service units (85,642 Internet services, 80,218 video services and 58,179 telephony services) were added related to the acquisition of DERYtelecom.

(2) On May 1, 2020, 2,227 primary service units (1,871 Internet services, 181 video services and 175 telephony services) were added related to the acquisition of iTéract Inc.

(3) On March 10, 2020, 15,977 primary service units (9,077 Internet services, 5,111 video services and 1,789 telephony services) were added related to the acquisition of Thames Valley Communications.