

Cogeco Communications Releases its Financial Results for the First Quarter of Fiscal 2024

- Cogeco Communications repurchased \$116.5 million worth of its shares following CDPQ's acquisition of the entirety of Rogers' holdings in both Cogeco and Cogeco Communications. As a result of this transaction, CDPQ has become an anchor investor in Cogeco Communications;
- Cogeco Communications further advanced its wireless ambitions by securing spectrum licences in Québec and Ontario in the 3800 MHz spectrum auction, for a total purchase price of \$190.3 million. With this acquisition, Cogeco Communications has spectrum covering 100% of its Canadian broadband network footprint as well as valuable spectrum in the greater Toronto, Montréal, Québec City and Ottawa regions;
- Cogeco Connexion reported another quarter of strong Internet subscriber performance, with 10,765 net customer additions, driven by a mix of new customers added under our digital oxio brand, in fibre-to-the-home network expansions and in other operating areas;
- Revenue declined by 1.9% compared to the same period last year to \$747.7 million, as revenue growth at Cogeco Connexion was offset by lower revenue at Breezeline;
- Adjusted EBITDA⁽¹⁾ of \$359.0 million decreased by 2.3% over last year, in line with our expectations;
- Profit for the period amounted to \$95.8 million, a decrease of 20.5%, mainly due to higher financial expenses including a pre-tax \$16.9 million non-cash loss on debt extinguishment following a US\$1.6 billion refinancing;
- Free cash flow⁽¹⁾ amounted to \$137.6 million, an increase of 30.9%, due to lower net capital expenditures, while cash flows from operating activities increased by 22.1% to \$237.0 million. Free cash flow, excluding network expansion projects⁽¹⁾ was \$169.3 million, stable compared to last year;
- Cogeco Communications maintains its fiscal 2024 financial guidelines as issued on November 1, 2023; and
- A quarterly dividend of \$0.854 per share was declared, representing a 10.1% increase over the prior year.

Montréal, January 10, 2024 – Today, Cogeco Communications Inc. (TSX: CCA) ["Cogeco Communications" or the "Corporation"] announced its financial results for the first quarter ended November 30, 2023.

"The first months of fiscal 2024 were transformational and historic moments for our company. We recently announced that Cogeco Communications bought back 2.3 million of its shares at a discounted market price per share, providing free cash flow per share accretion. In conjunction with this transaction, the public float of Cogeco Communications was increased therefore enhancing trading liquidity. This opportunity represented a unique and attractive use of our capital to build value for our shareholders, while strengthening our existing partnership with CDPQ as an anchor investor in Cogeco Communications. Another important milestone for us was when we secured wireless spectrum critical for the 5G technology and now have spectrum coverage for 100% of our wireline footprint. This spectrum was secured at a significantly lower cost compared to past spectrum auctions," said Philippe Jetté, President and Chief Executive Officer of Cogeco Communications Inc.

"Our Canadian telecommunications business chalked up another quarter of strong Internet subscriber performance, thanks to gains across each of our oxio, expansion and legacy footprints," continued Mr. Jetté. "We continue to be impressed by the oxio brand's growing adoption by consumers."

"In the U.S., our network expansion program along with demand from existing customers for our higher speed tiers helped offset customer losses at lower price points which were more directly impacted by competition and challenging market conditions. Consistent with our Internet led strategy to improve customer lifetime value, our attractive product mix and focus on cost efficiencies helped deliver another quarter of higher adjusted EBITDA margin," continued Mr. Jetté.

"At Cogeco Communications, we strive on a daily basis to deliver the best products and service to our clients, engage with the communities we serve, prioritize digital inclusion and climate action, and finally, execute a sustainable business model through responsible and ethical management to generate value for all of our stakeholders," concluded Mr. Jetté.

Consolidated Financial Highlights

Three months ended November 30 <i>(In thousands of Canadian dollars, except % and per share data) (unaudited)</i>	2023 \$	2022 \$	Change %	Change in constant currency ⁽¹⁾ %
Revenue	747,689	762,300	(1.9)	(2.5)
Adjusted EBITDA ⁽¹⁾	358,960	367,223	(2.3)	(2.8)
Adjusted EBITDA margin ⁽¹⁾	48.0 %	48.2 %		
Profit for the period	95,752	120,375	(20.5)	
Profit for the period attributable to owners of the Corporation	89,493	111,504	(19.7)	
Adjusted profit attributable to owners of the Corporation ^{(1) (3)}	103,726	113,471	(8.6)	
Cash flows from operating activities	236,982	194,159	22.1	
Free cash flow ⁽¹⁾	137,593	105,128	30.9	30.7
Free cash flow, excluding network expansion projects ⁽¹⁾	169,253	170,962	(1.0)	(1.2)
Acquisition of property, plant and equipment	153,549	234,637	(34.6)	
Net capital expenditures ^{(1) (2)}	146,427	196,971	(25.7)	(26.2)
Net capital expenditures, excluding network expansion projects ⁽¹⁾	114,767	131,137	(12.5)	(13.2)
Capital intensity ⁽¹⁾	19.6 %	25.8 %		
Capital intensity, excluding network expansion projects ⁽¹⁾	15.3 %	17.2 %		
Diluted earnings per share	2.01	2.44	(17.6)	
Adjusted diluted earnings per share ^{(1) (3)}	2.33	2.48	(6.0)	

Operating results

For the first quarter of fiscal 2024 ended on November 30, 2023:

- Revenue decreased by 1.9% to \$747.7 million. On a constant currency basis ⁽¹⁾, revenue decreased by 2.5%, driven by a lower customer base in the American telecommunications segment, which offset revenue growth in the Canadian telecommunications segment, as explained below.
 - Canadian telecommunications' revenue increased by 1.2%, mainly driven by the oxio acquisition completed on March 3, 2023 as well as the cumulative effect of high-speed Internet service additions over the past year.
 - American telecommunications' revenue decreased by 4.9%, or 6.0% in constant currency, mainly due to a lower customer base over the past year with an increasing proportion of customers only subscribing to Internet services, as well as the timing of price increases introduced in the fiscal 2023 first-quarter which gave rise to a difficult comparison between both periods. The revenue decrease was offset in part by a higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds.

- Adjusted EBITDA decreased by 2.3% to \$359.0 million. On a constant currency basis, adjusted EBITDA decreased by 2.8%, due to a decline in both the American telecommunications and Canadian telecommunications segments, as further explained below, in addition to higher corporate costs, primarily due to the timing of certain operating expenses including in relation to its plan to offer mobile services in Canada.
 - American telecommunications adjusted EBITDA decreased by 2.4%, or 3.6% in constant currency, mainly due to lower revenue, partly offset by a better product mix and cost reduction initiatives.
 - Canadian telecommunications adjusted EBITDA decreased by 1.1%, mainly due to revenue growth being offset by higher operating expenses.
- Profit for the period amounted to \$95.8 million, of which \$89.5 million, or \$2.01 per diluted share, was attributable to owners of the Corporation compared to \$120.4 million, \$111.5 million, and \$2.44 per diluted share, respectively, in the comparable period of fiscal 2023. The decreases in profit for the period and profit attributable to owners of the Corporation resulted mainly from higher financial expense, mostly due to a pre-tax \$16.9 million non-cash loss on debt extinguishment recognized following a US\$1.6 billion refinancing in September 2023, lower adjusted EBITDA and higher depreciation and amortization expense, partly offset by lower income tax expense.
 - Adjusted profit attributable to owners of the Corporation⁽³⁾ was \$103.7 million, or \$2.33 per diluted share⁽³⁾, compared to \$113.5 million, or \$2.48 per diluted share, last year.
- Net capital expenditures were \$146.4 million, a decrease of 25.7% compared to \$197.0 million in the same period of the prior year. In constant currency, net capital expenditures⁽¹⁾ were \$145.4 million, a decrease of 26.2% compared to last year, mostly due to lower spending in both the Canadian and American telecommunications segments following the completion, or near completion, as well as the timing of several fibre-to-the-home network expansion projects.
 - Excluding network expansion projects, net capital expenditures were \$114.8 million, a decrease of 12.5% compared to \$131.1 million in the same period of the prior year. In constant currency, net capital expenditures, excluding network expansion projects⁽¹⁾ were \$113.9 million, a decrease of 13.2% compared to last year.
 - Fibre-to-the-home network expansion projects continued in both Canada and the United States, with homes passed additions of more than 13,000 during the first quarter of fiscal 2024.
 - Capital intensity was 19.6% compared to 25.8% last year. Excluding network expansion projects, capital intensity was 15.3% compared to 17.2% in the same period of the prior year.
- Acquisition of property, plant and equipment decreased by 34.6% to \$153.5 million, due to reduced capital spending in both countries.
- Free cash flow increased by 30.9%, or 30.7% in constant currency, and amounted to \$137.6 million, or \$137.4 million in constant currency, mainly due to lower net capital expenditures. Free cash flow, excluding network expansion projects amounted to \$169.3 million, or \$168.9 million in constant currency, and remained stable compared to the same period of the prior year.
- Cash flows from operating activities increased by 22.1% to \$237.0 million, resulting mostly from lower income taxes paid, and to a lesser extent, the timing of trade accounts receivable, offset in part by lower adjusted EBITDA and higher interest paid.
- On November 30, 2023, Cogeco Communications, through its wholly-owned subsidiary Elite General Partnership, secured 99 spectrum licences in urban and rural markets, including the greater Toronto, Montréal, Québec City and Ottawa areas, for a total purchase price of \$190.3 million.
- On December 13, 2023, Cogeco Communications completed the repurchase, for cancellation, of the 2,266,537 shares sold by Cogeco, for an amount of \$116.5 million, following the purchase by CDPQ of the entirety of Rogers' holdings in both Cogeco and Cogeco Communications.
- Cogeco Communications maintains its fiscal 2024 financial guidelines as issued on November 1, 2023.

- At its January 10, 2024 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of \$0.854 per share, an increase of 10.1% compared to \$0.776 per share in the comparable quarter of fiscal 2023.

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- (1) Adjusted EBITDA and net capital expenditures are total of segments measures. Adjusted EBITDA margin and capital intensity are supplementary financial measures. Constant currency basis, adjusted profit attributable to owners of the Corporation, net capital expenditures, excluding network expansion projects, free cash flow and free cash flow, excluding network expansion projects are non-IFRS financial measures. Change in constant currency, capital intensity, excluding network expansion projects and adjusted diluted earnings per share are non-IFRS ratios. These indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, please consult the "Non-IFRS and other financial measures" section of this press release.
- (2) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including the utilization of those received in advance.
- (3) Excludes the impact of acquisition, integration, restructuring and other costs, and gains/losses on debt modification and/or extinguishment, net of tax and non-controlling interest.

Financial highlights

Three months ended November 30	2023	2022	Change	Change in constant currency ⁽¹⁾ ⁽²⁾
<i>(In thousands of Canadian dollars, except % and per share data)</i>	\$	\$	%	%
Operations				
Revenue	747,689	762,300	(1.9)	(2.5)
Adjusted EBITDA ⁽²⁾	358,960	367,223	(2.3)	(2.8)
Adjusted EBITDA margin ⁽²⁾	48.0 %	48.2 %		
Acquisition, integration, restructuring and other costs ⁽³⁾	2,616	2,677	(2.3)	
Profit for the period	95,752	120,375	(20.5)	
Profit for the period attributable to owners of the Corporation	89,493	111,504	(19.7)	
Adjusted profit attributable to owners of the Corporation ⁽²⁾⁽⁴⁾	103,726	113,471	(8.6)	
Cash flow				
Cash flows from operating activities	236,982	194,159	22.1	
Free cash flow ⁽²⁾	137,593	105,128	30.9	30.7
Free cash flow, excluding network expansion projects ⁽²⁾	169,253	170,962	(1.0)	(1.2)
Acquisition of property, plant and equipment	153,549	234,637	(34.6)	
Net capital expenditures ⁽²⁾⁽⁵⁾	146,427	196,971	(25.7)	(26.2)
Net capital expenditures, excluding network expansion projects ⁽²⁾	114,767	131,137	(12.5)	(13.2)
Capital intensity⁽²⁾	19.6 %	25.8 %		
Capital intensity, excluding network expansion projects ⁽²⁾	15.3 %	17.2 %		
Per share data⁽⁶⁾				
Earnings per share				
Basic	2.02	2.45	(17.6)	
Diluted	2.01	2.44	(17.6)	
Adjusted diluted ⁽²⁾⁽⁴⁾	2.33	2.48	(6.0)	
Dividends per share	0.854	0.776	10.1	

- (1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the comparable period of the prior year. For the three-month period ended November 30, 2022, the average foreign exchange rate used for translation was 1.3489 USD/CDN.
- (2) Adjusted EBITDA and net capital expenditures are total of segments measures. Adjusted EBITDA margin and capital intensity are supplementary financial measures. Adjusted profit attributable to owners of the Corporation, free cash flow, free cash flow, excluding network expansion projects and net capital expenditures, excluding network expansion projects are non-IFRS financial measures. Change in constant currency, capital intensity, excluding network expansion projects and adjusted diluted earnings per share are non-IFRS ratios. These 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 information on these financial measures, please consult the "Non-IFRS and other financial measures" section of this press release.
- (3) For the three-month periods ended November 30, 2023 and 2022, acquisition, integration, restructuring and other costs mostly related to costs associated with the configuration and customization related to cloud computing and other arrangements.
- (4) Excludes the impact of acquisition, integration, restructuring and other costs, and gains/losses on debt modification and/or extinguishment, net of tax and non-controlling interest.
- (5) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including the utilization of those received in advance.
- (6) Per multiple and subordinate voting share.

As at	November 30, 2023	August 31, 2023
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial condition		
Cash and cash equivalents	84,562	362,921
Total assets	9,501,497	9,768,370
Long-term debt		
Current	65,939	41,765
Non-current	4,672,739	4,979,241
Net indebtedness ⁽¹⁾	4,747,734	4,749,214
Equity attributable to owners of the Corporation	3,003,833	2,957,797

(1) Net indebtedness is a capital management measure. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section of the Corporation's MD&A for the three-month period ended November 30, 2023, available on SEDAR+ at www.sedarplus.ca.

Forward-looking statements

Certain statements contained in this press release 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, purchase price allocation, tax rates, weighted average cost of capital, 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" section of the Corporation's 2023 annual MD&A and of the fiscal 2024 first-quarter MD&A, and the "Fiscal 2024 financial guidelines" section of the Corporation's 2023 annual MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as general market and other conditions, competitive risks (including changing competitive ecosystems and disruptive competitive strategies adopted by our competitors), business risks, regulatory risks, technology risks (including cybersecurity), financial risks (including variations in currency and interest rates), economic conditions (including inflation pressuring revenue, reduced consumer spending and increasing costs), talent management risks (including highly competitive market for limited pool of digitally skilled employees), human-caused and natural threats to the Corporation's network (including increased frequency of extreme weather events with the potential to disrupt operations), infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks, litigation risks and public health and safety, 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 2023 annual MD&A and of the fiscal 2024 first-quarter 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 press release which represent Cogeco Communications' expectations as of the date of this press release (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 press release should be read in conjunction with the Corporation's MD&A for the three-month period ended November 30, 2023, the Corporation's condensed interim consolidated financial statements and the notes thereto for the same periods prepared in accordance with International Financial Reporting Standards ("IFRS") and the Corporation's 2023 Annual Report.

Non-IFRS and other financial measures

This press release includes references to non-IFRS and other financial measures used by Cogeco Communications. These financial measures are reviewed in assessing the performance of Cogeco Communications and used in the decision-making process with regard to its business units.

Reconciliations between non-IFRS and other financial measures to the most directly comparable IFRS financial measures are provided below. Certain additional disclosures for non-IFRS and other financial measures used in this press release have been incorporated by reference and can be found in the "Non-IFRS and other financial measures" section of the Corporation's MD&A for the three-month period ended November 30, 2023, available on SEDAR+ at www.sedarplus.ca. The following non-IFRS financial measures are used as a component of Cogeco Communications' non-IFRS ratios.

Specified non-IFRS financial measures	Used in the component of the following non-IFRS ratios
Adjusted profit attributable to owners of the Corporation	Adjusted diluted earnings per share
Constant currency basis	Change in constant currency
Net capital expenditures, excluding network expansion projects	Capital intensity, excluding network expansion projects

Financial measures presented on a constant currency basis for the three-month period ended November 30, 2023 are translated at the average foreign exchange rate of the comparable period of the prior year, which was 1.3489 USD/CDN.

Constant currency basis and foreign exchange impact reconciliation

Consolidated

Three months ended November 30						
	2023	Foreign exchange impact	2023 in constant currency	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Revenue	747,689	(4,462)	743,227	762,300	(1.9)	(2.5)
Operating expenses	383,491	(2,507)	380,984	389,677	(1.6)	(2.2)
Management fees – Cogeco Inc.	5,238	—	5,238	5,400	(3.0)	(3.0)
Adjusted EBITDA	358,960	(1,955)	357,005	367,223	(2.3)	(2.8)
Free cash flow	137,593	(176)	137,417	105,128	30.9	30.7
Net capital expenditures	146,427	(1,060)	145,367	196,971	(25.7)	(26.2)

Canadian telecommunications segment

Three months ended November 30						
	2023	Foreign exchange impact	2023 in constant currency	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Revenue	376,448	—	376,448	372,084	1.2	1.2
Operating expenses	180,094	(191)	179,903	173,451	3.8	3.7
Adjusted EBITDA	196,354	191	196,545	198,633	(1.1)	(1.1)
Net capital expenditures	87,836	(388)	87,448	115,238	(23.8)	(24.1)

American telecommunications segment

(In thousands of Canadian dollars, except percentages)	Three months ended November 30					
	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Revenue	371,241	(4,462)	366,779	390,216	(4.9)	(6.0)
Operating expenses	193,071	(2,316)	190,755	207,710	(7.0)	(8.2)
Adjusted EBITDA	178,170	(2,146)	176,024	182,506	(2.4)	(3.6)
Net capital expenditures	55,853	(672)	55,181	80,408	(30.5)	(31.4)

Adjusted profit attributable to owners of the Corporation

(In thousands of Canadian dollars)	Three months ended November 30	
	2023	2022
	\$	\$
Profit for the period attributable to owners of the Corporation	89,493	111,504
Acquisition, integration, restructuring and other costs	2,616	2,677
Loss on debt extinguishment ⁽¹⁾	16,880	—
Tax impact for the above items	(5,161)	(710)
Non-controlling interest impact for the above items	(102)	—
Adjusted profit attributable to owners of the Corporation	103,726	113,471

(1) Included within financial expense.

Free cash flow reconciliation

(In thousands of Canadian dollars)	Three months ended November 30	
	2023	2022
	\$	\$
Cash flows from operating activities	236,982	194,159
Amortization of deferred transaction costs and discounts on long-term debt ⁽¹⁾	2,674	3,044
Loss on debt extinguishment ⁽¹⁾	16,880	—
Changes in other non-cash operating activities	52,935	64,416
Income taxes paid	2,903	46,618
Current income taxes	(7,228)	(8,376)
Interest paid	63,972	60,498
Financial expense	(83,294)	(56,919)
Net capital expenditures ⁽²⁾	(146,427)	(196,971)
Repayment of lease liabilities	(1,804)	(1,341)
Free cash flow	137,593	105,128

(1) Included within financial expense.

(2) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including the utilization of those received in advance.

Net capital expenditures reconciliation

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Acquisition of property, plant and equipment	153,549	234,637
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the period	(7,122)	(37,666)
Net capital expenditures	146,427	196,971

Adjusted EBITDA reconciliation

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Profit for the period	95,752	120,375
Income taxes	18,098	31,953
Financial expense	83,294	56,919
Depreciation and amortization	159,200	155,299
Acquisition, integration, restructuring and other costs	2,616	2,677
Adjusted EBITDA	358,960	367,223

Net capital expenditures and free cash flow excluding network expansion projects reconciliations

Net capital expenditures

	Three months ended November 30					
	2023	Foreign exchange impact	2023 in constant currency	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Net capital expenditures	146,427	(1,060)	145,367	196,971	(25.7)	(26.2)
Net capital expenditures in connection with network expansion projects	31,660	(162)	31,498	65,834	(51.9)	(52.2)
Net capital expenditures, excluding network expansion projects	114,767	(898)	113,869	131,137	(12.5)	(13.2)

Free cash flow

	Three months ended November 30					
	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Free cash flow	137,593	(176)	137,417	105,128	30.9	30.7
Net capital expenditures in connection with network expansion projects	31,660	(162)	31,498	65,834	(51.9)	(52.2)
Free cash flow, excluding network expansion projects	169,253	(338)	168,915	170,962	(1.0)	(1.2)

Additional information

Additional information relating to the Corporation is available on SEDAR+ at www.sedarplus.ca and on the Corporation's website at corpo.cogeco.com.

About Cogeco Communications Inc.

Rooted in the communities it serves, Cogeco Communications Inc. is a growing competitive force in the North American telecommunications sector, serving 1.6 million residential and business customers. Through its business units Cogeco Connexion and Breezeline, Cogeco Communications provides Internet, video and phone services in Canada as well as in thirteen states in the United States. Cogeco Communications Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

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For information:

Investors

Patrice Ouimet
Senior Vice President and Chief Financial Officer
Cogeco Communications Inc.
Tel.: 514-764-4600
patrice.ouimet@cogeco.com

Troy Crandall
Head, Investor Relations
Cogeco Communications Inc.
Tel.: 514-764-4700
troy.crandall@cogeco.com

Media

Youann Blouin
Director, Media Relations & Strategic Communications
Cogeco Communications Inc.
Tel.: 514-297-2853
youann.blouin@cogeco.com

Conference Call:

Thursday, January 11th, 2024 at 9:30 a.m. (Eastern Standard Time)

A live audio webcast of the analyst call will be available on the [Investor Relations](#) page and on the [Events and Presentations](#) page on Cogeco Communications' website. Financial analysts will be able to access the live conference call and ask questions. Media representatives may attend as listeners only. A recording of the webcast will be available on Cogeco Communications' website for a three-month period.

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

Local - Toronto: **1 416-764-8658**
Toll Free - North America: **1 888-886-7786**

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

The conference call will be followed by a **live webcast of the virtual Annual and Special Shareholders' Meetings at 11:30 a.m.** at: <https://web.lumiagm.com/#/424761509>



SHAREHOLDERS' REPORT

Three-month period ended November 30, 2023

Financial highlights

	2023	2022	Change	Change in constant currency ⁽¹⁾ ⁽²⁾
Three months ended November 30				
<i>(In thousands of Canadian dollars, except % and per share data)</i>	\$	\$	%	%
Operations				
Revenue	747,689	762,300	(1.9)	(2.5)
Adjusted EBITDA ⁽²⁾	358,960	367,223	(2.3)	(2.8)
Adjusted EBITDA margin ⁽²⁾	48.0 %	48.2 %		
Acquisition, integration, restructuring and other costs ⁽³⁾	2,616	2,677	(2.3)	
Profit for the period	95,752	120,375	(20.5)	
Profit for the period attributable to owners of the Corporation	89,493	111,504	(19.7)	
Adjusted profit attributable to owners of the Corporation ⁽²⁾⁽⁴⁾	103,726	113,471	(8.6)	
Cash flow				
Cash flows from operating activities	236,982	194,159	22.1	
Free cash flow ⁽²⁾	137,593	105,128	30.9	30.7
Free cash flow, excluding network expansion projects ⁽²⁾	169,253	170,962	(1.0)	(1.2)
Acquisition of property, plant and equipment	153,549	234,637	(34.6)	
Net capital expenditures ⁽²⁾⁽⁵⁾	146,427	196,971	(25.7)	(26.2)
Net capital expenditures, excluding network expansion projects ⁽²⁾	114,767	131,137	(12.5)	(13.2)
Capital intensity⁽²⁾	19.6 %	25.8 %		
Capital intensity, excluding network expansion projects ⁽²⁾	15.3 %	17.2 %		
Per share data⁽⁶⁾				
Earnings per share				
Basic	2.02	2.45	(17.6)	
Diluted	2.01	2.44	(17.6)	
Adjusted diluted ⁽²⁾⁽⁴⁾	2.33	2.48	(6.0)	
Dividends per share	0.854	0.776	10.1	

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the comparable period of the prior year. For the three-month period ended November 30, 2022, the average foreign exchange rate used for translation was 1.3489 USD/CDN.

(2) Adjusted EBITDA and net capital expenditures are total of segments measures. Adjusted EBITDA margin and capital intensity are supplementary financial measures. Adjusted profit attributable to owners of the Corporation, free cash flow, free cash flow, excluding network expansion projects and net capital expenditures, excluding network expansion projects are non-IFRS financial measures. Change in constant currency, capital intensity, excluding network expansion projects and adjusted diluted earnings per share are non-IFRS ratios. These indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS and other financial measures" section of the MD&A, including reconciliation to the most directly comparable IFRS financial measures.

(3) For the three-month periods ended November 30, 2023 and 2022, acquisition, integration, restructuring and other costs mostly related to costs associated with the configuration and customization related to cloud computing and other arrangements.

(4) Excludes the impact of acquisition, integration, restructuring and other costs, and gains/losses on debt modification and/or extinguishment, net of tax and non-controlling interest.

(5) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including the utilization of those received in advance.

(6) Per multiple and subordinate voting share.

As at	November 30, 2023	August 31, 2023
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial condition		
Cash and cash equivalents	84,562	362,921
Total assets	9,501,497	9,768,370
Long-term debt		
Current	65,939	41,765
Non-current	4,672,739	4,979,241
Net indebtedness ⁽¹⁾	4,747,734	4,749,214
Equity attributable to owners of the Corporation	3,003,833	2,957,797

(1) Net indebtedness is a capital management measure. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section of the MD&A.

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

Three-month period ended November 30, 2023

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, purchase price allocation, tax rates, weighted average cost of capital, 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" section of the Corporation's 2023 annual MD&A and of the current MD&A, and the "Fiscal 2024 financial guidelines" section of the Corporation's 2023 annual MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as general market and other conditions, competitive risks (including changing competitive ecosystems and disruptive competitive strategies adopted by our competitors), business risks, regulatory risks, technology risks (including cybersecurity), financial risks (including variations in currency and interest rates), economic conditions (including inflation pressuring revenue, reduced consumer spending and increasing costs), talent management risks (including highly competitive market for limited pool of digitally skilled employees), human-caused and natural threats to the Corporation's network (including increased frequency of extreme weather events with the potential to disrupt operations), infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks, litigation risks and public health and safety, 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 2023 annual MD&A and of the current MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2023 prepared in accordance with International Financial Reporting Standards ("IFRS") and the Corporation's 2023 Annual Report.

In preparing this MD&A, the Corporation has taken into account information available up to January 10, 2024, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its 2023 Annual Report and Annual Information Form, is available on SEDAR+ at www.sedarplus.ca or on the Corporation's website at corpo.cogeco.com.

2. Overview of the business

Cogeco Communications is a telecommunications corporation. The Corporation's results are reported in two operating segments: Canadian telecommunications and American telecommunications. 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.

2.1 Corporate objectives and strategies

Strategy for growth

We focus on growing the business organically, making attractive acquisitions and continuously innovating while returning capital to shareholders and maintaining a prudent level of financial leverage, supported by robust environmental, social and governance (ESG) practices. Leveraging our fibre-powered reliable and resilient networks, innovative products and services and commitment to offering a compelling customer experience, distinguished by the deep connections within the communities we serve, are key for our growth strategy. Our people-culture is focused on collaboration, connection and commitment offering a meaningful and personalized experience to our customers, employees, communities and other key stakeholders.

Every day, we drive sustainable and inclusive growth through our long-standing tradition of social engagement and community involvement, our commitment to digital inclusion, our leading operating practices as well as our strong commitment to responsible and ethical management. Ultimately, Cogeco exists to enrich people's lives through human connection and vibrant communities. Our purpose is at the core of the relationships with our stakeholders and is a central element of our long-term growth.

Growth vectors

Supported by a differentiated people strategy and increased digitization, we continue to solidify our core business through operational efficiencies and by enhancing our product and service offerings for a distinct customer experience while driving continuous improvement to our brands and marketing practices. In addition, our strategic plan focuses on five growth vectors:



1

PURSUE NETWORK EXPANSION to reduce the digital divide

2

EVOLVE OUR WIRELINE NETWORK to meet increasing demand using a flexible and balanced technological approach

3

MAKE ACCRETIVE & COMPLEMENTARY ACQUISITIONS to expand our footprint and broaden our capabilities and service offerings

4

EXPAND IN NEW CUSTOMER SEGMENTS with a multi-brand approach to serve new demographics and grow our operations

5

LAUNCH AND GROW MOBILE SERVICES through a capital efficient model to enhance our offering in line with evolving customer needs and increased interest in bundled services

For details on the Corporation's key areas of focus within the fiscal 2024 strategic plan, please refer to the "Corporate objectives and strategies" section of the Corporation's 2023 annual MD&A, available on SEDAR+ at www.sedarplus.ca and on the Corporation's website at corpo.cogeco.com.

2.2 Business developments

Repurchases of Rogers holdings in Cogeco and Cogeco Communications

On December 13, 2023, Cogeco, the Corporation's parent company, repurchased for cancellation 5,969,390 of its subordinate voting shares from CDPQ for \$280.0 million. This transaction followed the purchase by CDPQ of the entirety of Rogers Communications Inc.'s ("Rogers") holdings in both Cogeco and Cogeco Communications. In order to partially finance this purchase, Cogeco concurrently sold 2,266,537 subordinate voting shares of its holding in Cogeco Communications to Cogeco Communications for \$116.5 million and 1,423,692 subordinate voting shares to CDPQ for \$73.2 million, following the conversion and cancellation of an equivalent number of Cogeco Communications multiple voting shares. The 2,266,537 subordinate voting shares repurchased by Cogeco Communications were repurchased for cancellation. As a result of this transaction, CDPQ became an anchor investor in Cogeco Communications, with a holding of 6,809,339 subordinate voting shares, representing approximately 16.1% of all outstanding Cogeco Communications shares. In addition to strengthening Cogeco Communications' existing partnership with CDPQ, these transactions provide several benefits including increasing the net asset value of Cogeco, increasing the public float of Cogeco Communications and generating free cash flow per share accretion in both companies. This opportunity represented a unique and attractive use of the Corporation's capital to build value for shareholders and increase trading liquidity.

The \$116.5 million share buyback transaction and related transaction costs and expenses were initially financed by Cogeco Communications through a drawdown on its existing term revolving facility. On December 11, 2023, in order to maintain its borrowing capacity, Cogeco Communications entered into a \$125 million non-revolving term credit facility, which is available to be drawn until April 9, 2024, and is currently undrawn.

3800 MHz spectrum auction

On November 30, 2023, Innovation, Science and Economic Development Canada ("ISED") announced the provisional spectrum licence winners in the 3800 MHz spectrum auction. The Corporation, through its wholly-owned subsidiary Elite General Partnership, secured 99 spectrum licences in urban and rural markets, including the greater Toronto, Montréal, Québec City and Ottawa areas, for a total purchase price of \$190.3 million. With this acquisition, the Corporation will hold spectrum covering 100% of its Canadian broadband network footprint.

The required deposit of \$38.1 million to ISED, representing 20% of the total purchase price, is expected to be paid on or before January 17, 2024, while the final payment is expected to be paid on or before May 29, 2024. The unsecured letter of credit issued to ISED in July 2023 as a pre-auction deposit will remain outstanding until the final payment is made.

First Lien Credit Facility refinancing

On September 29, 2023, the Corporation amended the First Lien Credit Facility related to its U.S. operations, as follows:

- the issuance of a US\$775 million 7-year Term Loan B - Tranche 3;
- the issuance of a US\$475 million 5-year Farm Credit Term Loan B; and
- an increase in the credit limit of the Senior Secured Revolving Facility from US\$150 million to US\$250 million and the extension of the maturity date to September 2028.

The proceeds from the newly issued Term B loans, together with US\$150 million drawn on the Senior Secured Revolving Facility and US\$200 million of cash on hand, were used to reimburse the existing US\$1.6 billion Tranche 1 of the Senior Secured Term Loan B Facility.

2.3 Operating environment

The Corporation operates in an industry which provides important services for residential and commercial consumers, and which is known for its resiliency during various economic cycles. However, as persistent high inflation and rising interest rates continue to affect the global economy, combined with greater competitive intensity primarily in the United States, the Corporation expects continued pressure on its revenue and operating costs, which are being partially addressed through proactive cost mitigation measures.

The Corporation's results discussed herein may not be indicative of future operational trends and financial performance. Please refer to the "Forward-looking statements" section.

2.4 Key performance indicators

The Corporation measures its financial performance, with regard to its corporate objectives, by monitoring revenue, adjusted EBITDA ⁽¹⁾, net capital expenditures ⁽¹⁾, capital intensity ⁽¹⁾ and free cash flow ⁽¹⁾ on a constant currency basis ⁽¹⁾. The Corporation also measures net capital expenditures, capital intensity and free cash flow excluding network expansion projects ⁽¹⁾ as it provides a common basis for comparing the net capital expenditures to historical net capital expenditures prior to the acceleration of the network expansion projects and for assessing the impact of the network expansion projects on the net capital expenditures, capital intensity and free cash flow.

Overview

For the first quarter of fiscal 2024, Cogeco Communications' financial results were as expected. Accordingly, Cogeco Communications maintains its fiscal 2024 financial guidelines as issued on November 1, 2023. While the American telecommunications segment continued to face headwinds from the macroeconomic and nationwide competitive environments, the Canadian telecommunications segment executed well again this quarter, marked by continued growth in its Internet customer base driven by a mix of new customers added under the Corporation's digital oxio brand, in fibre-to-the-home network expansions and in other operating areas.

During the first quarter of fiscal 2024, the decrease in revenue on a constant currency basis compared to the prior year was primarily due to the revenue growth in the Canadian telecommunications segment being offset by the decline in the American telecommunications segment resulting from a lower customer base over the past year. The decrease in adjusted EBITDA on a constant currency basis compared to last year was in line with our expectations. It was primarily due to a decline in both the Canadian and American telecommunications segments, in addition to higher corporate costs, due to the timing of certain operating expenses including in relation to its plan to offer mobile services in Canada.

During the first quarter of fiscal 2024, both the Canadian and American telecommunications segments continued their network expansion activities, connecting more homes and businesses to their fibre-to-the-home networks. The Corporation added more than 13,000 homes passed during the first quarter of fiscal 2024. These fibre-to-the-home network expansion projects are increasing the Corporation's footprint in the provinces of Québec and Ontario and in several areas adjacent to Breezeline's network in the United States.

For further details on the Corporation's operating results for the first quarter of fiscal 2024, please refer to the "Consolidated operating and financial results", the "Segmented operating and financial results" and the "Cash flows analysis" sections.

(1) Adjusted EBITDA and net capital expenditures are total of segments measures. Capital intensity is a supplementary financial measure. Constant currency basis, net capital expenditures, excluding network expansion projects, free cash flow and free cash flow, excluding network expansion projects are non-IFRS financial measures. Change in constant currency and capital intensity, excluding network expansion projects, are non-IFRS ratios. These 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 information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

3. Consolidated operating and financial results

3.1 Operating results

Three months ended November 30						
	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Revenue	747,689	(4,462)	743,227	762,300	(1.9)	(2.5)
Operating expenses	383,491	(2,507)	380,984	389,677	(1.6)	(2.2)
Management fees – Cogeco Inc.	5,238	—	5,238	5,400	(3.0)	(3.0)
Adjusted EBITDA	358,960	(1,955)	357,005	367,223	(2.3)	(2.8)
Adjusted EBITDA margin	48.0 %			48.2 %		

(1) For fiscal 2024 first-quarter, the average foreign exchange rate used for translation was 1.3654 USD/CDN.

(2) Fiscal 2024 first-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

Revenue

Three months ended November 30					
	2023	2022	Change	Change in constant currency	Foreign exchange impact ⁽¹⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian telecommunications	376,448	372,084	1.2	1.2	—
American telecommunications	371,241	390,216	(4.9)	(6.0)	(4,462)
	747,689	762,300	(1.9)	(2.5)	(4,462)

(1) Foreign exchange impact is a non-IFRS financial measure. This indicated term does not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on this financial measure, including references to the specific sections within the MD&A, as applicable, for the reconciliations to the most directly comparable IFRS financial measures, please consult the "Non-IFRS and other financial measures" section.

Fiscal 2024 first-quarter revenue decreased by 1.9% (2.5% in constant currency), mainly due to:

- a lower customer base over the past year in the American telecommunications segment, with an increasing proportion of customers only subscribing to Internet services, as well as the timing of price increases introduced in the fiscal 2023 first-quarter which gave rise to a difficult comparison between both periods, offset in part by a higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds; partly offset by
- revenue growth in the Canadian telecommunications segment, driven mostly by the oxio acquisition completed on March 3, 2023 as well as the cumulative effect of high-speed Internet service additions over the past year.

Operating expenses

			Three months ended November 30		
	2023	2022	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian telecommunications	180,094	173,451	3.8	3.7	(191)
American telecommunications	193,071	207,710	(7.0)	(8.2)	(2,316)
Corporate and eliminations	10,326	8,516	21.3	21.3	—
	383,491	389,677	(1.6)	(2.2)	(2,507)

Fiscal 2024 first-quarter operating expenses decreased by 1.6% (2.2% in constant currency), mainly due to:

- reduced operating expenses in the American telecommunications segment, mostly due to reduced video and phone service costs resulting from the decline in customers and cost reduction initiatives; partly offset by
- higher operating expenses in the Canadian telecommunications segment, mainly due to the oxio acquisition completed on March 3, 2023 and the timing of certain operating expenses; and
- higher corporate costs, primarily due to the timing of certain operating expenses including in relation to its plan to offer mobile services in Canada.

Management fees

Fiscal 2024 first-quarter management fees paid to Cogeco Inc. ("Cogeco") reached \$5.2 million, compared to \$5.4 million for the same period of fiscal 2023. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

Adjusted EBITDA

			Three months ended November 30		
	2023	2022	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian telecommunications	196,354	198,633	(1.1)	(1.1)	191
American telecommunications	178,170	182,506	(2.4)	(3.6)	(2,146)
Corporate and eliminations	(15,564)	(13,916)	(11.8)	(11.8)	—
	358,960	367,223	(2.3)	(2.8)	(1,955)

Fiscal 2024 first-quarter adjusted EBITDA decreased by 2.3% (2.8% in constant currency), as expected, mainly as a result of:

- lower adjusted EBITDA in the American telecommunications segment due to lower revenue, partly offset by a better product mix and cost reduction initiatives;
- lower adjusted EBITDA in the Canadian telecommunications segment mainly due to revenue growth being offset by higher operating expenses; and
- higher corporate costs.

3.2 Acquisition, integration, restructuring and other costs

Fiscal 2024 first-quarter acquisition, integration, restructuring and other costs amounted to \$2.6 million, stable compared to the same period of the prior year. For both periods, acquisition, integration, restructuring and other costs mostly related to costs associated with the configuration and customization related to cloud computing and other arrangements.

3.3 Depreciation and amortization

Fiscal 2024 first-quarter depreciation and amortization expense amounted to \$159.2 million, an increase of 2.5%, mainly due to a higher level of capital assets and the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

3.4 Financial expense

	Three months ended November 30		
	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Interest on long-term debt, excluding interest on lease liabilities	68,311	55,395	23.3
Interest on lease liabilities	442	398	11.1
Loss on debt extinguishment	16,880	—	—
Net foreign exchange (gain) loss	(1,581)	2,420	—
Amortization of deferred transaction costs related to the revolving facilities	498	164	—
Interest income	(1,434)	(1,668)	(14.0)
Other	178	210	(15.2)
Financial expense	83,294	56,919	46.3
Adjusted financial expense ⁽¹⁾	66,414	56,919	16.7

(1) Adjusted financial expense, which excludes gains/losses on debt modification and/or extinguishment, is a non-IFRS financial measure. This indicated term does not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section.

Fiscal 2024 first-quarter financial expense increased by 46.3%, mainly due to:

- a non-cash loss on debt extinguishment of \$16.9 million recognized following the prepayment of the US\$1.6 billion Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility in September 2023; and
- higher interest expense following the refinancing and from rising interest rates on the floating interest rate portion of the Senior Secured Term Loan B Facility.

Fiscal 2024 first-quarter adjusted financial expense, which excludes the loss on debt extinguishment, increased by 16.7%.

3.5 Income taxes

	Three months ended November 30		
	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Current	7,228	8,376	(13.7)
Deferred	10,870	23,577	(53.9)
Income taxes	18,098	31,953	(43.4)
Effective income tax rate	15.9 %	21.0 %	(24.3)

Fiscal 2024 first-quarter income tax expense decreased by 43.4%, mainly resulting from:

- the decrease in profit before income taxes, partly due to the \$16.9 million non-cash loss on debt extinguishment recognized; and
- higher tax benefits related to financing costs in connection with past acquisitions.

Current income taxes were lower in the first quarter of fiscal 2024 compared to the prior year mainly resulting from higher tax benefits related to financing costs in connection with past acquisitions, as mentioned above, and the variation in temporary differences.

3.6 Profit for the period

	Three months ended November 30		
	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages and earnings per share)</i>	\$	\$	%
Profit for the period	95,752	120,375	(20.5)
Profit for the period attributable to owners of the Corporation	89,493	111,504	(19.7)
Profit for the period attributable to non-controlling interest ⁽¹⁾	6,259	8,871	(29.4)
Adjusted profit attributable to owners of the Corporation ⁽²⁾	103,726	113,471	(8.6)
Basic earnings per share	2.02	2.45	(17.6)
Diluted earnings per share	2.01	2.44	(17.6)
Adjusted diluted earnings per share ⁽²⁾	2.33	2.48	(6.0)

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

(2) Adjusted profit attributable to owners of the Corporation is a non-IFRS financial measure. Adjusted diluted earnings per share is a non-IFRS ratio. These 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 information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

Fiscal 2024 first-quarter profit for the period and profit for the period attributable to owners of the Corporation decreased by 20.5% and 19.7%, respectively, mainly as a result of:

- higher financial expense, mainly due to a pre-tax \$16.9 million non-cash loss on debt extinguishment;
- lower adjusted EBITDA; and
- higher depreciation and amortization expense; partly offset by
- lower income tax expense.

Fiscal 2024 first-quarter adjusted profit attributable to owners of the Corporation, which excludes the impact of acquisition, integration, restructuring and other costs, and the loss on debt extinguishment, both net of tax and non-controlling interest, decreased by 8.6% compared to the same period of the prior year.

4. Segmented operating and financial results

The Corporation's results are reported in two operating segments: Canadian telecommunications and American telecommunications.

4.1 Canadian telecommunications

Operating and financial results

Three months ended November 30						
	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Revenue	376,448	—	376,448	372,084	1.2	1.2
Operating expenses	180,094	(191)	179,903	173,451	3.8	3.7
Adjusted EBITDA	196,354	191	196,545	198,633	(1.1)	(1.1)
Adjusted EBITDA margin	52.2 %			53.4 %		
Net capital expenditures	87,836	(388)	87,448	115,238	(23.8)	(24.1)
Capital intensity	23.3 %			31.0 %		

(1) For fiscal 2024 first-quarter, the average foreign exchange rate used for translation was 1.3654 USD/CDN.

(2) Fiscal 2024 first-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

Revenue

Fiscal 2024 first-quarter revenue increased by 1.2% as reported and in constant currency, mainly as a result of:

- the oxio acquisition completed on March 3, 2023; and
- a higher Internet service customer base; partly offset by
- an overall decline in video and phone service customers.

Operating expenses

Fiscal 2024 first-quarter operating expenses increased by 3.8% (3.7% in constant currency), mainly due to the oxio acquisition completed on March 3, 2023 and the timing of certain operating expenses.

Adjusted EBITDA

Fiscal 2024 first-quarter adjusted EBITDA decreased by 1.1% as reported and in constant currency, mainly due to revenue growth being offset by higher operating expenses.

Net capital expenditures and capital intensity

Fiscal 2024 first-quarter net capital expenditures decreased by 23.8% (24.1% in constant currency) and capital intensity was 23.3% compared to 31.0% for the same period of the prior year, mostly due to reduced spending resulting from the completion of several rural fibre-to-the-home network expansion projects, mainly in Québec.

Primary service units and customer statistics

	November 30, 2023	Net additions (losses)	
		Three months ended November 30	
		2023	2022
Primary service units	1,873,244	(1,552)	(11,079)
Internet service customers	865,468	10,765	2,463
Video service customers	626,672	(8,064)	(8,261)
Phone service customers	381,104	(4,253)	(5,281)

Primary service units

Internet

Fiscal 2024 first-quarter Internet service customers net additions of 10,765 resulted from new customers added under our digital oxio brand as well as new customers gained from our fibre-to-the-home network expansions and in other operating areas.

Video

Fiscal 2024 first-quarter video service customers net losses of 8,064 were mainly due to ongoing changes in video consumption trends, further impacted by the current inflationary environment, with an increasing proportion of customers only subscribing to Internet services, partly offset by additions in network expansion areas.

Phone

Fiscal 2024 first-quarter phone service customers net losses of 4,253 were mainly due to a higher mobile phone substitution, further impacted by the current inflationary environment, partly offset by additions in network expansion areas.

Distribution of customers

On November 30, 2023, 63% of the Canadian telecommunications segment's customers subscribed to "double play" or "triple play" bundled services.

Homes passed

Fiscal 2024 first-quarter homes passed additions were 7,769.

4.2 American telecommunications

Operating and financial results

Three months ended November 30						
(In thousands of Canadian dollars, except percentages)	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Actual	Change in constant currency
	\$	\$	\$	\$	%	%
Revenue	371,241	(4,462)	366,779	390,216	(4.9)	(6.0)
Operating expenses	193,071	(2,316)	190,755	207,710	(7.0)	(8.2)
Adjusted EBITDA	178,170	(2,146)	176,024	182,506	(2.4)	(3.6)
Adjusted EBITDA margin	48.0 %			46.8 %		
Net capital expenditures	55,853	(672)	55,181	80,408	(30.5)	(31.4)
Capital intensity	15.0 %			20.6 %		

(1) For fiscal 2024 first-quarter, the average foreign exchange rate used for translation was 1.3654 USD/CDN.

(2) Fiscal 2024 first-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

Revenue

Fiscal 2024 first-quarter revenue decreased by 4.9% (6.0% in constant currency), as expected. The decrease in constant currency is mainly the result of:

- a lower customer base over the past year with an increasing proportion of customers only subscribing to Internet services, as well as the timing of price increases introduced in the fiscal 2023 first-quarter which gave rise to a difficult comparison between both periods; partly offset by
- higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds.

In local currency, revenue amounted to US\$271.9 million compared to US\$289.3 million for the same period of fiscal 2023.

Operating expenses

Fiscal 2024 first-quarter operating expenses decreased by 7.0% (8.2% in constant currency). The decrease in constant currency is mainly due to:

- reduced video and phone service costs resulting from the decline in customers; and
- cost reduction initiatives.

Adjusted EBITDA

Fiscal 2024 first-quarter adjusted EBITDA decreased by 2.4% (3.6% in constant currency), as expected, mainly due to lower revenue resulting from a lower customer base, as explained above, partly offset by a better product mix and cost reduction initiatives.

In local currency, adjusted EBITDA amounted to US\$130.5 million compared to US\$135.3 million for the same period of fiscal 2023.

Net capital expenditures and capital intensity

Fiscal 2024 first-quarter net capital expenditures decreased by 30.5% (31.4% in constant currency) and capital intensity was 15.0% compared to 20.6% for the same period of fiscal 2023, mainly resulting from lower spending due to the timing of network expansion projects and from drawdowns in customer premise equipment inventory accumulated to mitigate potential supply chain disruptions during the COVID-19 pandemic.

In local currency, net capital expenditures amounted to US\$40.9 million compared to US\$59.6 million for the same period of fiscal 2023.

Primary service units and customer statistics

	November 30, 2023	Net additions (losses)	
		Three months ended November 30	
		2023	2022 ⁽¹⁾
Primary service units	1,077,813	(20,918)	(35,160)
Internet service customers	663,286	(8,476)	(14,968)
Video service customers	280,145	(8,736)	(13,411)
Phone service customers	134,382	(3,706)	(6,781)

(1) During the third quarter of fiscal 2023, Internet service customers were adjusted following a change in Breezeline's system. This change has been applied retrospectively to the comparative figures.

Primary service units

Internet

Fiscal 2024 first-quarter Internet service customers net losses were 8,476 of which 3,882 were in Ohio. The decrease in net losses compared to last year was primarily due to an improvement in customer management in the Ohio market resulting from investments made in the network infrastructure and the proactive replacement of the customer video equipment for an IPTV solution. Overall, the net losses in Ohio were mainly due to a competitive market and the time required to gain brand awareness. Internet customer variations in other regions also reflect a more competitive environment, partially offset by new customers gained from the fibre-to-the-home network expansions.

Video

Fiscal 2024 first-quarter video service customers net losses of 8,736, which improved compared to last year, were due to:

- the continued emphasis on offers that are Internet led and the limitation of residential video-only new offers to customers under bulk agreements;
- ongoing changes in video consumption trends, further impacted by the current inflationary environment, with an increasing proportion of customers only subscribing to Internet services; and
- competitive offers in the industry, including online platforms.

Phone

Fiscal 2024 first-quarter phone service customers net losses of 3,706 were mainly due to:

- the continued emphasis on offers that are Internet led; and
- higher mobile phone substitution in the context of an inflationary environment.

Distribution of customers

On November 30, 2023, 33% of the American telecommunications segment's customers subscribed to "double play" or "triple play" bundled services. In recent years, the customer mix from double and triple play bundles has decreased, which is in line with the segment's Internet led strategy of focusing on higher margin Internet services.

Homes passed

Fiscal 2024 first-quarter homes passed additions were 5,697.

5. Related party transactions

Cogeco Communications is a subsidiary of Cogeco, which as of November 30, 2023 held 35.3% of the Corporation's equity shares, representing 84.5% of the votes attached to the Corporation's voting shares. On December 13, 2023, Cogeco sold to Cogeco Communications 2,266,537 subordinate voting shares of its holdings in Cogeco Communications for \$116.5 million, following the conversion and cancellation of an equivalent number of Cogeco Communications multiple voting shares. The subordinate voting shares were repurchased for cancellation, representing approximately 5.1% of all outstanding Cogeco Communications shares. For further details, see "Business developments" section.

Cogeco provides executive and administrative 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 first quarter of fiscal 2024, management fees paid to Cogeco amounted to \$5.2 million compared to \$5.4 million for the same period of fiscal 2023.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. The following table provides the number of stock options and performance share units ("PSUs") granted during the three-month periods ended November 30, 2023 and 2022 to these executive officers, as executive officers of Cogeco Communications, the value of which was charged back to Cogeco. Due to internal trading restrictions in place at the time when the Corporation typically issues stock options, PSUs and deferred share units ("DSUs"), none were issued during the first quarter of fiscal 2024 and are instead expected to be issued in the second quarter of fiscal 2024.

	Three months ended November 30	
<i>(In number of units)</i>	2023	2022
Stock options	—	79,348
PSUs	—	14,283

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

	Three months ended November 30	
<i>(In thousands of Canadian dollars)</i>	2023	2022
	\$	\$
Stock options	222	355
PSUs	99	143
DSUs	—	(100)
	321	398

6. Cash flow analysis

	Three months ended November 30		
	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Cash flows from operating activities	236,982	194,159	22.1
Cash flows used in investing activities	(153,114)	(234,300)	(34.7)
Cash flows from (used in) financing activities	(361,594)	70,704	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(633)	6,295	—
Net change in cash and cash equivalents	(278,359)	36,858	—
Cash and cash equivalents, beginning of the period	362,921	370,899	(2.2)
Cash and cash equivalents, end of the period	84,562	407,757	(79.3)

6.1 Operating activities

Fiscal 2024 first-quarter cash flows from operating activities increased by 22.1%, mainly from:

- lower income taxes paid mainly due to the final payment of income tax balances for fiscal 2022 that was made last year while none was required for fiscal 2023; and
- changes in other non-cash operating activities, primarily due to the timing of the collection of trade accounts receivable; partly offset by
- lower adjusted EBITDA; and
- higher interest paid.

6.2 Investing activities

Fiscal 2024 first-quarter cash flows used in investing activities decreased by 34.7%, primarily due to the decrease in acquisition of property, plant and equipment, mostly due to lower spending in both the Canadian and American telecommunications segments following the completion, or near completion, as well as the timing of several fibre-to-the-home network expansion projects.

Acquisition of property, plant and equipment, net capital expenditures and capital intensity

	Three months ended November 30			
	2023	2022	Change	Change in constant currency
	\$	\$	%	%
<i>(In thousands of Canadian dollars, except percentages)</i>				
Acquisition of property, plant and equipment	153,549	234,637	(34.6)	
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the period	(7,122)	(37,666)	(81.1)	
Net capital expenditures	146,427	196,971	(25.7)	(26.2)
Capital intensity	19.6 %	25.8 %		
Net capital expenditures, excluding network expansion projects ⁽¹⁾	114,767	131,137	(12.5)	(13.2)
Capital intensity, excluding network expansion projects ⁽¹⁾	15.3 %	17.2 %		

(1) Net capital expenditures, excluding network expansion projects is a non-IFRS financial measure. Capital intensity, excluding network expansion projects is a non-IFRS ratio. These 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 information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

Fiscal 2024 first-quarter net capital expenditures decreased by 25.7% (26.2% in constant currency), mainly due to reduced spending in both the Canadian and American telecommunications segments, as explained above. Excluding network expansion projects, fiscal 2024 first-quarter net capital expenditures decreased by 12.5% (13.2% in constant currency).

Fiscal 2024 first-quarter capital intensity was 19.6% compared to 25.8% for the same period of the prior year. The capital intensity decrease is mainly explained by lower net capital expenditures. Excluding network expansion projects, fiscal 2024 first-quarter capital intensity was 15.3% compared to 17.2% for the same period of the prior year.

6.3 Financing activities

Issuance and repayment of debt

Fiscal 2024 first-quarter changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

	Three months ended November 30		Explanations
	2023	2022	
<i>(In thousands of Canadian dollars)</i>	\$	\$	
Decrease in bank indebtedness	(1,385)	(8,633)	Related to the timing of payments made to suppliers.
Net increase under the revolving facilities	153,994	167,188	Mainly related to funds drawn on the Senior Secured Revolving Facility in connection with the reimbursement of Tranche 1 of the Senior Secured Term Loan B Facility in September 2023.
Issuance of long-term debt, net of discounts and transaction costs	1,656,208	—	Related to the issuance of two Term B loans, a US\$775 million 7-year loan and a US\$475 million 5-year loan, in connection with the refinancing of the First Lien Credit Facilities in September 2023.
Repayment of notes and credit facilities	(2,129,215)	(8,780)	Mainly related to the reimbursement of Tranche 1 of the Senior Secured Term Loan B Facility in September 2023.
Repayment of lease liabilities	(1,804)	(1,341)	Comparable.
Increase in deferred transaction costs	(1,801)	—	Related to the amendment of the Senior Secured Revolving Facility in September 2023.
	(324,003)	148,434	

Dividends

During the first quarter of fiscal 2024, a quarterly eligible dividend of \$0.854 per share was paid to the holders of multiple and subordinate voting shares, totalling \$37.8 million, compared to a quarterly eligible dividend of \$0.776 per share, or \$35.1 million, in the first quarter of fiscal 2023.

Normal course issuer bid ("NCIB")

	Commencement date	Expiry	Maximum subordinate voting shares for repurchase	Number of shares repurchased at November 30, 2023
2023 NCIB	May 4, 2023	May 3, 2024	1,776,125	—
2022 NCIB ⁽¹⁾	May 4, 2022	May 3, 2023	1,960,905	1,825,168
2021 NCIB	May 4, 2021	May 3, 2022	2,068,000	1,175,925

(1) On November 24, 2022, Cogeco Communications received the approval of the TSX to amend its 2022 normal course issuer bid in order to increase the maximum number of its subordinate voting shares that may be repurchased for cancellation from 1,500,000 to 1,960,905, representing 10% of the 19,609,056 subordinate voting shares that constituted the public float of the Corporation's issued and outstanding subordinate voting shares as of the reference date of April 22, 2022. No other terms of the NCIB had been amended.

The following table provides the NCIB purchases for the three-month periods ended November 30, 2023 and 2022:

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$
Subordinate voting shares purchased and cancelled	—	512,170
Weighted average purchase price per share	—	72.79
Purchase costs	—	37,283

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 it 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.

6.4 Free cash flow

	Three months ended November 30				
	2023 ⁽¹⁾	2022	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Adjusted EBITDA	358,960	367,223	(2.3)	(2.8)	(1,955)
Amortization of deferred transaction costs and discounts on long-term debt ⁽³⁾	2,674	3,044	(12.2)		
Loss on debt extinguishment ⁽³⁾	16,880	—	—		
Share-based payment	455	1,345	(66.2)		
Gain on disposals and write-offs of property, plant and equipment	(113)	(70)	61.4		
Defined benefit plans expense, net of contributions	106	(130)	—		
Acquisition, integration, restructuring and other costs	(2,616)	(2,677)	(2.3)		
Financial expense	(83,294)	(56,919)	46.3		
Current income taxes	(7,228)	(8,376)	(13.7)		
Net capital expenditures	(146,427)	(196,971)	(25.7)		
Repayment of lease liabilities	(1,804)	(1,341)	34.5		
Free cash flow	137,593	105,128	30.9	30.7	(176)
Free cash flow, excluding network expansion projects ⁽⁴⁾	169,253	170,962	(1.0)	(1.2)	(338)

(1) For fiscal 2024 first-quarter, the average foreign exchange rate used for translation was 1.3654 USD/CDN.

(2) Fiscal 2024 first-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

(3) Included within financial expense.

(4) Free cash flow, excluding network expansion projects is a non-IFRS financial measure. This indicated term does not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section.

Fiscal 2024 first-quarter free cash flow increased by 30.9% (30.7% in constant currency), mainly due to:

- lower net capital expenditures in both the Canadian and American telecommunications segments; partly offset by
- lower adjusted EBITDA; and
- higher interest paid.

Excluding network expansion projects, fiscal 2024 first-quarter free cash flow amounted to \$169.3 million (\$168.9 million in constant currency), and remained stable compared to the same period of the prior year.

6.5 Dividend declaration

At its January 10, 2024 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of \$0.854 per share for multiple and subordinate voting shares, payable on February 7, 2024 to shareholders of record on January 24, 2024. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. Financial position

7.1 Working capital

As part of the usual conduct of its business, Cogeco Communications 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:

	November 30, 2023	August 31, 2023	Change	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	
Current assets				
Cash and cash equivalents	84,562	362,921	(278,359)	Refer to the "Cash flows analysis" section.
Trade and other receivables	115,229	118,951	(3,722)	Not significant.
Income taxes receivable	22,996	27,347	(4,351)	Not significant.
Prepaid expenses and other	53,343	41,818	11,525	Mainly related to the increase in prepayments for annual services agreements.
Derivative financial instruments	12,135	5,355	6,780	Mainly related to interest swap tranches maturing in November 2024, reclassified as current.
	288,265	556,392	(268,127)	
Current liabilities				
Bank indebtedness	21,017	22,402	(1,385)	Refer to the "Cash flows analysis" section.
Trade and other payables	287,540	319,225	(31,685)	Mainly related to the timing of payments made to suppliers and lower level of capital expenditures following the completion of certain network expansion projects.
Provisions	26,586	32,734	(6,148)	Mainly related to the payments of certain programming and restructuring costs previously recognized.
Income tax liabilities	415	413	2	Not significant.
Contract liabilities and other liabilities	61,245	61,760	(515)	Not significant.
Government subsidies received in advance	22,325	29,262	(6,937)	Mainly related to the fibre-to-the-home network construction progress in Québec.
Derivative financial instruments	2,410	2,345	65	Not significant.
Current portion of long-term debt	65,939	41,765	24,174	Related to the reclassification of the US\$25 million Senior Secured Notes Series A as current and to the quarterly repayments of the Senior Secured Term Loan B Facility.
	487,477	509,906	(22,429)	
Working capital surplus (deficiency)	(199,212)	46,486	(245,698)	

7.2 Other significant changes

	November 30, 2023	August 31, 2023	Change	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	
Non-current assets				
Other assets	106,921	96,862	10,059	Mainly related to an increase in sales commissions and in the deferred transaction costs related to the Senior Secured Revolving Facility.
Property, plant and equipment	3,241,860	3,229,515	12,345	Mainly related to capital investments made during the first quarter of fiscal 2024 and the appreciation of the US dollar against the Canadian dollar, partly offset by the depreciation expense for the period.
Derivative financial instruments	79,097	100,792	(21,695)	Mainly related to changes in market interest rates and to the interest swap tranches maturing in November 2024 classified as current.
Non-current liabilities				
Long-term debt	4,672,739	4,979,241	(306,502)	Mainly related to the First Lien Credit Facilities, which were refinanced in September 2023, and to the reclassification of the US\$25 million Senior Secured Notes Series A as current.

8. Capital resources and liquidity

8.1 Capital structure

The following table summarizes certain key ratios used to monitor and manage the Corporation's capital structure. Net indebtedness reflects the US denominated debt converted at the exchange rate at the end of the period, while adjusted EBITDA and adjusted financial expense reflect the average exchange rate throughout the corresponding 12-month period.

	November 30, 2023	August 31, 2023
Net indebtedness / adjusted EBITDA ratio ^{(1) (2)}	3.4	3.3
Adjusted EBITDA / adjusted financial expense ratio ^{(1) (2)}	5.4	5.6

(1) Net indebtedness to adjusted EBITDA ratio and adjusted EBITDA to adjusted financial expense ratio are capital management measures. These 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 information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

(2) Calculated on a 12-month trailing basis.

At November 30, 2023, the Corporation's weighted average cost of indebtedness, excluding the amortization of deferred transaction costs and commitment fees but including the impact of interest rate swaps, was 5.4%. The overall debt's weighted average term to maturity was 5.5 years.

Considering the lower share count following the share buyback transaction in December 2023, management anticipates that dividends will represent a payout of 39% of free cash flow ⁽ⁱ⁾ in fiscal 2024, or 27% when excluding network expansions ⁽ⁱ⁾, compared to 33% and 23%, respectively, in fiscal 2023. The increase in the payout ratios compared to the prior year is partially due to investments in network expansions, in Ontario and the United States, and in anticipation of a launch of mobile services.

(i) Free cash flow dividend payout ratios for fiscal 2024 are based on the mid-point of the financial guidelines. Free cash flow dividend payout ratio and free cash flow, excluding network expansion projects, dividend payout ratio are non-IFRS ratios. These 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 information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

The table below summarizes the Corporation's available liquidity:

	At November 30, 2023	At August 31, 2023
<i>(In thousands of Canadian dollars)</i>	\$	\$
Cash and cash equivalents	84,562	362,921
Cash with restrictions on use ⁽¹⁾	(22,325)	(29,262)
Amounts available under revolving credit facilities ⁽²⁾	724,209	574,183
Available liquidity ⁽³⁾	786,446	907,842

(1) Included within cash and cash equivalents (see Note 13 D) of the Corporation's condensed interim consolidated financial statements).

(2) Total amount available under the \$750 million Term Revolving Facility and the US\$250 million (US\$150 million at August 31, 2023) Senior Secured Revolving Facility (see Note 14 A) of the Corporation's condensed interim consolidated financial statements).

(3) Available liquidity is a non-IFRS financial measure. This indicated term does not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section.

8.2 Outstanding share data

A description of Cogeco Communications' share data at December 31, 2023, taking into consideration the net effect of the share buyback transaction (refer to the "Business developments" section), is presented in the table below. Additional details are provided in Note 11 A) of the condensed interim consolidated financial statements.

<i>(In thousands of Canadian dollars, except number of shares/options)</i>	Number of shares/options	Amount \$
Common shares		
Multiple voting shares	12,000,871	75,217
Subordinate voting shares	30,221,070	773,603
Options to purchase subordinate voting shares		
Outstanding options	869,132	
Exercisable options	614,995	

8.3 Financing

On September 29, 2023, a new US\$775 million 7-year Term Loan B - Tranche 3 was issued following the amendment of Cogeco Communications' First Lien Credit Facility related to its U.S. subsidiaries, in addition to a new US\$475 million 5-year Farm Credit Term Loan B and increasing the credit limit of the Senior Secured Revolving Facility from US\$150 million to US\$250 million and extending the maturity date to September 2028. The Corporation then reimbursed the US\$1.6 billion Tranche 1 of the Senior Secured Term Loan B Facility using the proceeds from the newly issued Term B loans, together with US\$150 million drawn on the Senior Secured Revolving Facility and US\$200 million of cash on hand.

On December 13, 2023, Cogeco Communications initially financed its \$116.5 million share buyback transaction and related transaction costs and expenses through a drawdown on its existing term revolving facility (refer to the "Business developments" section). On December 11, 2023, in order to maintain its borrowing capacity, Cogeco Communications entered into a \$125 million non-revolving term credit facility, which is available to be drawn until April 9, 2024, and is currently undrawn.

8.4 Credit ratings

The table below shows Cogeco Communications' and the U.S. subsidiaries' credit ratings:

At November 30, 2023	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes	BBB-	BBB (low)	NR
Corporate credit issuer rating	BB+ ⁽¹⁾	BB (high)	NR
U.S. subsidiaries			
First Lien Credit Facilities	BB	NR	B1
Corporate credit issuer rating	BB ⁽¹⁾	NR	B1

(1) Negative outlook as of December 11, 2023, following the share buyback transaction (refer to the "Business developments" section).

NR : Not rated

Ratings for long-term debt instruments across the universe of composite rates range from "AAA" (S&P and DBRS) or "Aaa" (Moody's), representing the highest quality of securities rated, to "D" (S&P and DBRS) and "C" (Moody's) for the lowest quality of securities rated. Ratings are based on several industry and company specific factors which include financial leverage as one of the key elements considered.

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.

8.5 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 2023 annual consolidated financial statements.

Credit risk

The lowest credit rating of the counterparties to the derivative financial instruments agreements at November 30, 2023 is "A" by Standard & Poor's rating services ("S&P"). Management monitors its exposure to financial institutions which is primarily in the form of deposits, derivatives and revolver commitments.

Liquidity risk

On November 30, 2023, the Corporation had used \$361.7 million of its \$750 million Term Revolving Facility for a remaining availability of \$388.3 million. In addition, the U.S. subsidiaries benefit from a Senior Secured Revolving Facility of \$339.6 million (US\$250 million), of which \$3.6 million (US\$2.7 million) was used at November 30, 2023 for a remaining availability of \$335.9 million (US\$247.3 million). An unsecured letter of credit facility was put in place in connection with the 3800 MHz spectrum auction (refer to the "Business developments" section).

Interest rate risk

On November 30, 2023, 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 U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2023:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate ⁽¹⁾	Maturity	Hedged item
Cash flow ⁽²⁾	US\$540 million	Term SOFR	2.01% - 2.21%	January 2024 - November 2024	Senior Secured Term Loan B - Tranche 3
Cash flow	US\$800 million	Term SOFR with a 39 bps floor	1.17% - 1.44%	October 2025 - July 2027	Senior Secured Term Loan B - Tranche 2

(1) Hedges have the effect of converting the floating SOFR base rate into fixed rates, plus an applicable credit spread.

(2) Following the early repayment of Tranche 1 in September 2023, the debt associated with the hedged variable interest cash flows was replaced by Tranche 3 of the Senior Secured Term Loan B Facility.

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 \$15.9 million based on the outstanding debt and swap agreements at November 30, 2023.

8.6 Foreign currency

For the three-month periods ended November 30, 2023 and 2022, the average rates prevailing used to convert the operating results of the American telecommunications segment were as follows:

	Three months ended November 30	
	2023	2022
	\$	\$
US dollar vs Canadian dollar	1.3654	1.3489

8.7 Contractual obligations and guarantees

3800 MHz spectrum auction

On November 30, 2023, ISED announced the provisional spectrum licence winners in the 3800 MHz spectrum auction. The Corporation, through its wholly-owned subsidiary Elite General Partnership, secured 99 spectrum licences in urban and rural markets, including the greater Toronto, Montréal, Québec City and Ottawa areas, for a total purchase price of \$190.3 million.

The required deposit of \$38.1 million to ISED, representing 20% of the total purchase price, is expected to be paid on or before January 17, 2024, while the final payment is expected to be paid on or before May 29, 2024. The unsecured letter of credit issued to ISED in July 2023 as a pre-auction deposit will remain outstanding until the final payment is made.

Performance and payment bonds

On November 30, 2023, the Corporation had \$157.9 million of performance and payment bonds outstanding, issued in accordance with the rules established by Infrastructure Ontario in connection with Ontario's Accelerated High Speed Internet Program (AHSIP).

9. Sustainability strategy

At Cogeco, we take immense pride in pursuing a sustainability agenda through the implementation of various initiatives that are aligned to leading environmental, social and governance (ESG) practices. Our sustainability strategy is based on a long-standing tradition of social engagement and community involvement, a commitment to digital inclusion and climate action, leading operating practices as well as a strong commitment to responsible and ethical management. It forms an integral part of the company's business strategy as we acknowledge the fundamental role that corporations must play in addressing the most pressing environmental, social and economic challenges of our time, as well as our responsibility towards effective monitoring and management of our sustainability-related risks and opportunities to ensure long-term and resilient value creation.

We have defined our sustainability strategy, guided by both our core organizational values and the results of our double materiality assessment, which takes into account sustainability topics that are material to the corporation, to society, and to the planet. Our commitments are centered on the key ESG levers of reducing our environmental footprint, implementing strong governance practices and supporting our key stakeholders. We monitor our sustainability related progress based on a set of key performance indicators that are reviewed as needed to ensure continued relevance. We continue to adopt leading practices and recognized frameworks to report progress in a transparent manner. For details on the Corporation's sustainability strategy and related achievements and priorities, please refer to the "Sustainability strategy" section of the Corporation's 2023 annual MD&A, available on SEDAR+ at www.sedarplus.ca and on the Corporation's website at corpo.cogeco.com.

For more information on our initiatives and our performance, please refer to Cogeco's latest ESG and Sustainability Report, which was published in March 2023 and is available directly on the Corporation's website at corpo.cogeco.com. Our new report will be released in March 2024. In addition, detailed KPIs can be found in our ESG data supplement available on the corpo.cogeco.com website.

Cogeco remains committed to supporting the transition to a low carbon economy while ensuring that the effects of climate change are systematically considered and integrated into its business strategy and related decisions. For more detailed information about our actions related to climate change mitigation and adaptation, please refer to our Climate Action Plan and TCFD Report (corpo.cogeco.com), which was published in January 2023. Our new report will be released in March 2024.

10. 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* published by the *Committee of Sponsoring Organizations of the Treadway Commission*.

The CEO and CFO, supported by management, evaluated the design of the Corporation's DC&P and ICFR at November 30, 2023, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three-month period ended November 30, 2023.

11. Uncertainties and main risk factors

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2023 annual MD&A, available on SEDAR+ at www.sedarplus.ca and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2023 MD&A, which are hereby incorporated by reference.

Review of the wholesale high-speed access framework

On March 8, 2023, the CRTC launched a consultation to review its existing framework for wholesale high-speed access ("HSA") services. The CRTC is seeking comments on several issues, including its preliminary views that (i) the provision of aggregated wholesale HSA services should be mandated; (ii) access to fibre-to-the-premises ("FTTP") facilities should be provided over these services; and (iii) the provision of FTTP facilities over aggregated wholesale high-speed access services should be mandated on a temporary and expedited basis. The CRTC is also seeking comments on whether retail regulation should be considered to address concerns regarding market concentration and the potential exercise of market power. Concurrently with the launch of the consultation, the CRTC determined that the current rates for aggregated wholesale HSA services would be made interim, and directed incumbents to file tariff applications with new proposed rates for these services. The CRTC also applied an immediate interim reduction to existing rates that reflects a 10% decrease in the capacity rates incumbents can charge to wholesale-based competitors, until revised final rates are established.

On November 6, 2023, the CRTC issued a decision requiring Bell and Telus to provide temporary wholesale access to their FTTP facilities in Ontario and Québec by May 7, 2024. The decision also sets the interim rates that competitors will pay when selling services over these facilities. This temporary access is to be made available until the conclusion of the CRTC's broader review of the wholesale high-speed access framework. Cable carriers, including Cogeco Communications, are not required to implement this temporary mandate, as the CRTC found that they already service the majority of wholesale-based competitors via their hybrid fibre-coaxial networks and that, given the temporary nature of the interim FTTP access

mandate, it would be neither efficient nor proportionate to mandate cable carriers to implement it. Bell is seeking to appeal the CRTC's decision to the Federal Court of Appeal.

A decision by the CRTC on its broader review of the wholesale HSA framework that would result in greater regulation of wholesale HSA services, the implementation of final aggregated wholesale HSA rates that are significantly below the final rates established in Telecom Decision 2021-181, or the introduction of regulatory measures at the retail level, could have a material adverse effect on the Corporation's business, financial condition and results of operations.

12. Accounting policy developments

The following amendments to accounting standards were issued by the IASB and have not yet been applied in preparing these consolidated financial statements.

International Tax Reform—Pillar Two Model Rules - Amendments to IAS 12, *Income Taxes*

In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12, *Income Taxes*, to introduce a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and targeted disclosure requirements for affected entities. The relief is effective immediately upon issuance of the amendments and should be applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, while the targeted disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation applied the temporary exception retrospectively upon the amendments' release during its third quarter of fiscal 2023. Currently, the Corporation is operating in jurisdictions in which the Pillar Two legislation has not yet been enacted or substantively enacted. The Corporation will continue to monitor the Pillar Two legislation and assess the impact of the remaining targeted disclosure requirements on its consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7, *Statement of Cash Flows*, and IFRS 7, *Financial Instruments: Disclosures*

In May 2023, the IASB issued *Supplier Finance Arrangements*, which amended IAS 7 and IFRS 7, introducing new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its consolidated financial statements, but does not expect that its disclosure will be materially impacted by the application of these amendments.

13. Non-IFRS and other financial measures

This section describes non-IFRS and other financial measures used by Cogeco Communications throughout this MD&A. These financial measures are reviewed in assessing the performance of Cogeco Communications and used in the decision-making process with regard to its business units. Cogeco Communications is also providing information below for certain specified financial measures excluding network expansion projects, as it had issued financial guidelines excluding the impact of these projects on certain of its key performance indicators.

Financial measures presented on a constant currency basis for the three-month period ended November 30, 2023 are translated at the average foreign exchange rate of the comparable period of the prior year, which was 1.3489 USD/CDN.

Non-IFRS financial measures

The following financial measures used by the Corporation do not have standardized definitions prescribed by IFRS and therefore, may not be comparable to similar measures disclosed by other companies. Reconciliations, or references to the specific sections within the MD&A where these reconciliations are provided, as applicable, between these non-IFRS financial measures to the most directly comparable IFRS financial measures are provided below.

Specified financial measures	Usefulness	Calculation	Most directly comparable IFRS financial measures
Adjusted profit attributable to owners of the Corporation	<p>Adjusted profit attributable to owners of the Corporation is a measure used by management to assess the Corporation's performance before the impact of impairment of assets, acquisition, integration, restructuring and other costs, and (gain) loss on debt modification and/or extinguishment, net of tax and non-controlling interest for these items.</p> <p>Adjusted profit attributable to owners of the Corporation excludes certain items that management believes could affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance. Excluding the impact of these items does not imply they are non-recurring.</p>	<p>Profit for the period attributable to owners of the Corporation</p> <p>add:</p> <ul style="list-style-type: none"> - impairment of assets, if any; - acquisition, integration, restructuring and other costs; - (gain) loss on debt modification and/or extinguishment, if any; - tax impact for the above items; and - non-controlling interest for the above items. 	Profit for the period attributable to owners of the Corporation
Adjusted financial expense	Adjusted financial expense is a measure used by management to calculate certain covenant ratios and to assess the Corporation's ability to service its debt.	<p>Financial expense</p> <p>deduct:</p> <ul style="list-style-type: none"> - (gain) loss on debt modification and/or extinguishment, if any. 	Financial expense
Constant currency basis and foreign exchange impact	The Corporation presents certain financial measures in constant currency to enable an improved understanding of its underlying financial performance, undistorted by the effect of changes in foreign exchange rates, in order to facilitate period-to-period comparisons. Financial measures presented on a constant currency basis include financial guidelines and certain historical financial measures, including revenue, operating expenses, adjusted EBITDA, net capital expenditures and free cash flow.	<p>Financial guidelines presented on a constant currency basis are obtained by translating expected financial results denominated in US dollars at the foreign exchange rates of the prior fiscal year. Historical financial measures 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. Foreign exchange impact represents the quantification of such impact.</p>	Revenue, operating expenses, adjusted EBITDA and net capital expenditures. For free cash flow, refer to the definition below for the most directly comparable IFRS financial measure.
Organic revenue in constant currency and adjusted EBITDA in constant currency	Organic revenue in constant currency and adjusted EBITDA in constant currency are used by management to analyze the Corporation's revenue and adjusted EBITDA growth excluding the effect of changes in foreign exchange rates and the impact of acquisitions, in order to facilitate period-to-period comparisons. Management believes these measures are used by certain investors and analysts to evaluate the Corporation's performance.	<p>Revenue in constant currency (as calculated per above)</p> <p>deduct:</p> <ul style="list-style-type: none"> - impact of acquisitions. <p>Adjusted EBITDA in constant currency (as calculated per above)</p> <p>deduct:</p> <ul style="list-style-type: none"> - impact of acquisitions. 	Revenue and adjusted EBITDA.

Specified financial measures	Usefulness	Calculation	Most directly comparable IFRS financial measures
Free cash flow and free cash flow, excluding network expansion projects	<p>Free cash flow and free cash flow, excluding network expansion projects are used by management to measure the Corporation's ability to repay debt, distribute capital to its shareholders and finance its growth. Management believes these measures are used by certain investors and analysts to value the Corporation's business and its underlying assets, and to assess the Corporation's financial strength and performance.</p> <p>Free cash flow excludes certain items that management believes could affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance. During the first quarter of fiscal 2024, the Corporation updated the free cash flow calculation to exclude (gain) loss on debt modification and/or extinguishment, as applicable, following the reimbursement of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility. Excluding these items does not imply they are non-recurring.</p> <p>The Corporation also measures free cash flow, excluding network expansion projects as it provides a common basis for comparing the impact of the net capital expenditures to the impact of the historical net capital expenditures prior to the acceleration of the network expansion projects. In addition, management believes this helps certain investors and analysts to assess the impact of the network expansion projects on the Corporation's free cash flow. Excluding the impact of net capital expenditure in connection with network expansion projects does not imply it is non-recurring.</p>	<p>Free cash flow:</p> <ul style="list-style-type: none"> - Adjusted EBITDA <p>add:</p> <ul style="list-style-type: none"> - amortization of deferred transaction costs and discounts on long-term debt; - (gain) loss on debt modification and/or extinguishment; - share-based payment; - loss (gain) on disposals and write-offs of property, plant and equipment; and - defined benefit plans expense, net of contributions <p>deduct:</p> <ul style="list-style-type: none"> - acquisition, integration, restructuring and other costs; - financial expense; - current income taxes; - net capital expenditures; and - repayment of lease liabilities. <p>Free cash flow, excluding network expansion projects:</p> <ul style="list-style-type: none"> - Free cash flow <p>add:</p> <ul style="list-style-type: none"> - net capital expenditures in connection with network expansion projects. 	Cash flows from operating activities
Net capital expenditures, excluding network expansion projects	<p>Net capital expenditures, excluding network expansion projects is a measure used by management to assess the Corporation's total capital investments, without taking into consideration capitalized investments in network expansion projects, as it provides a common basis for comparing the net capital expenditures to historical net capital expenditures prior to the acceleration of the network expansion projects. In addition, management believes this helps certain investors and analysts to assess the impact of the network expansion projects on the net capital expenditures. This measure is also used in the calculation of the capital intensity and free cash flow, excluding network expansion projects. Excluding the impact of net capital expenditure in connection with network expansion projects does not imply it is non-recurring.</p>	<p>Net capital expenditures</p> <p>deduct:</p> <ul style="list-style-type: none"> - net capital expenditures in connection with network expansion projects. 	Acquisition of property, plant and equipment
Available liquidity	<p>Management uses available liquidity to assess Cogeco Communications' ability to meet its financial obligations and ensure there is sufficient liquidity to support its capital requirements, including development of the business by acquisition and other growth opportunities. Available liquidity is presented on a consolidated basis, including the liquidity of distinct borrowing structures for the Canadian and American telecommunications segments. Management believes this measure is used by certain investors and analysts to assess Cogeco Communications' financial strength.</p>	<p>Cash and cash equivalents</p> <p>deduct:</p> <ul style="list-style-type: none"> - cash with restrictions on use <p>add:</p> <ul style="list-style-type: none"> - amounts available under revolving credit facilities. 	Cash and cash equivalents

Adjusted profit attributable to owners of the Corporation

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Profit for the period attributable to owners of the Corporation	89,493	111,504
Acquisition, integration, restructuring and other costs	2,616	2,677
Loss on debt extinguishment ⁽¹⁾	16,880	—
Tax impact for the above items	(5,161)	(710)
Non-controlling interest impact for the above items	(102)	—
Adjusted profit attributable to owners of the Corporation	103,726	113,471

(1) Included within financial expense.

Adjusted financial expense

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial expense	83,294	56,919
Loss on debt extinguishment	(16,880)	—
Adjusted financial expense	66,414	56,919

Constant currency basis and foreign exchange impact reconciliation

Consolidated

For the reconciliations of consolidated revenue, operating expenses and adjusted EBITDA in constant currency to the most directly comparable IFRS financial measures, refer to sub-section 3.1 "Operating results".

The reconciliations of free cash flow and net capital expenditures in constant currency are as follows. For the reconciliations of these specified financial measures to the most directly comparable IFRS financial measures, refer to the specific reconciliations in the sub-sections below.

	Three months ended November 30					
	2023	Foreign exchange impact	2023 in constant currency	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Free cash flow	137,593	(176)	137,417	105,128	30.9	30.7
Net capital expenditures	146,427	(1,060)	145,367	196,971	(25.7)	(26.2)

Segmented

For the reconciliations of segmented revenue, operating expenses, adjusted EBITDA and net capital expenditures in constant currency to the most directly comparable IFRS financial measures, refer to section 4 "Segmented operating and financial results".

Free cash flow reconciliation

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Cash flows from operating activities	236,982	194,159
Amortization of deferred transaction costs and discounts on long-term debt ⁽¹⁾	2,674	3,044
Loss on debt extinguishment ⁽¹⁾	16,880	—
Changes in other non-cash operating activities	52,935	64,416
Income taxes paid	2,903	46,618
Current income taxes	(7,228)	(8,376)
Interest paid	63,972	60,498
Financial expense	(83,294)	(56,919)
Net capital expenditures ⁽²⁾	(146,427)	(196,971)
Repayment of lease liabilities	(1,804)	(1,341)
Free cash flow	137,593	105,128

(1) Included within financial expense.

(2) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including the utilization of those received in advance.

Available liquidity reconciliation

For the reconciliation of available liquidity to the most directly comparable IFRS financial measure, refer to sub-section 8.1 "Capital structure".

Net capital expenditures and free cash flow excluding network expansion projects reconciliations

Net capital expenditures

	Three months ended November 30					
	2023	Foreign exchange impact	2023 in constant currency	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Net capital expenditures	146,427	(1,060)	145,367	196,971	(25.7)	(26.2)
Net capital expenditures in connection with network expansion projects	31,660	(162)	31,498	65,834	(51.9)	(52.2)
Net capital expenditures, excluding network expansion projects	114,767	(898)	113,869	131,137	(12.5)	(13.2)

Free cash flow

Three months ended November 30						
	2023	Foreign exchange impact	2023 in constant currency	2022	Actual	Change In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Free cash flow	137,593	(176)	137,417	105,128	30.9	30.7
Net capital expenditures in connection with network expansion projects	31,660	(162)	31,498	65,834	(51.9)	(52.2)
Free cash flow, excluding network expansion projects	169,253	(338)	168,915	170,962	(1.0)	(1.2)

Non-IFRS ratios

The following financial measures used by the Corporation do not have standardized definitions prescribed by IFRS and therefore, may not be comparable to similar measures disclosed by other companies.

Specified financial measures	Usefulness	Calculation
Adjusted diluted earnings per share	Adjusted diluted earnings per share is a measure used by management to assess the Corporation's performance before the impact of impairment of assets, acquisition, integration, restructuring and other costs, and (gain) loss on debt modification and/or extinguishment, net of tax and non-controlling interest for the above items. Adjusted diluted earnings per share excludes certain items that management believes could affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance. Excluding the impact of these items does not imply they are non-recurring.	Adjusted profit attributable to owners of the Corporation divided by the weighted average number of diluted multiple and subordinate voting shares outstanding. Adjusted profit attributable to owners of the Corporation is a non-IFRS financial measure. For more details on adjusted profit attributable to owners of the Corporation, please refer to the "Non-IFRS financial measures" sub-section.
Change in constant currency	The Corporation presents changes of certain financial measures in constant currency to enable an improved understanding of its underlying financial performance, undistorted by the effects of changes in foreign exchange rates, in order to facilitate period-to-period comparisons.	Change in constant currency, expressed as a percentage of the variation between the periods presented, is obtained by translating financial results from the current periods denominated in US dollars using the foreign exchange rates of the comparable periods of the prior year. Constant currency basis is a non-IFRS financial measure. For more details on constant currency basis, please refer to the "Non-IFRS financial measures" sub-section.
Organic revenue growth in constant currency and organic adjusted EBITDA growth in constant currency	Organic revenue growth in constant currency and organic adjusted EBITDA growth in constant currency are used by management to analyze the Corporation's revenue and adjusted EBITDA growth excluding the effect of changes in foreign exchange rates and the impact of acquisitions, in order to facilitate period-to-period comparisons. Management believes these measures are used by certain investors and analysts to evaluate the Corporation's performance.	Revenue and adjusted EBITDA changes in constant currency (as calculated above), expressed as a percentage of the variation between the periods presented, adjusted for the impact of acquisitions. Constant currency basis is a non-IFRS financial measure. For more details on constant currency basis, please refer to the "Non-IFRS financial measures" sub-section.

Specified financial measures	Usefulness	Calculation
Capital intensity, excluding network expansion projects	Capital intensity, excluding network expansion projects is used by management to assess the Corporation's investment in capital expenditures and to make certain decisions, without taking into consideration capitalized investments in network expansion projects, in order to support a certain level of revenue. The Corporation measures capital intensity, excluding network expansion projects, as it provides a common basis for comparing the impact of the net capital expenditures to the impact of the historical net capital expenditures prior to the acceleration of the network expansion projects. In addition, management believes this helps certain investors and analysts to assess the impact of the network expansion projects on the Corporation's capital intensity ratio. Excluding the impact of net capital expenditures in connection with network expansion projects does not imply it is non-recurring.	<p>Net capital expenditures, excluding network expansion projects divided by revenue.</p> <p>Net capital expenditures, excluding network expansion projects is a non-IFRS financial measure. For more details on net capital expenditures, excluding network expansion projects, please refer to the "Non-IFRS financial measures" sub-section.</p>
Capital intensity in constant currency and capital intensity, excluding network expansion projects in constant currency	The Corporation presents certain financial measures on a constant currency basis, including capital intensity in constant currency and capital intensity, excluding network expansion projects in constant currency, to facilitate period-to-period comparisons, undistorted by the effects of changes in foreign exchange rate.	<p>Capital intensity in constant currency is calculated as net capital expenditures in constant currency divided by revenue in constant currency.</p> <p>Capital intensity, excluding network expansion projects in constant currency is calculated as net capital expenditures, excluding network expansion projects in constant currency divided by revenue in constant currency.</p> <p>Constant currency basis, including net capital expenditures in constant currency, net capital expenditures, excluding network expansion projects in constant currency and revenue in constant currency are non-IFRS financial measures. For more details on these non-IFRS financial measures, please refer to the "Non-IFRS financial measures" sub-section.</p>
Free cash flow dividend payout ratio and free cash flow, excluding network expansion projects, dividend payout ratio	Management believes certain investors use free cash flow dividend payout ratio and free cash flow, excluding network expansion projects, dividend payout ratio, to assess the Corporation's financial strength and performance by demonstrating the sustainability of the Corporation's dividend payments.	<p>Dividends declared for the year on multiple and subordinate voting shares divided by free cash flow and by free cash flow, excluding network expansion projects.</p> <p>Free cash flow and free cash flow, excluding network expansion projects, dividend payout ratio are non-IFRS financial measures. For more details on free cash flow and free cash flow, excluding network expansion projects, please refer to the "Non-IFRS financial measures" sub-section.</p>

Total of segments measures

The following financial measures used by Cogeco Communications are total of segments measures as reported in Note 4 of the condensed interim consolidated financial statements. Reconciliations between these specified financial measures to the most directly comparable IFRS financial measures are provided below.

Specified financial measures	Most directly comparable IFRS financial measures
Adjusted EBITDA	Profit for the period
Net capital expenditures	Acquisition of property, plant and equipment

Adjusted EBITDA reconciliation

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Profit for the period	95,752	120,375
Income taxes	18,098	31,953
Financial expense	83,294	56,919
Depreciation and amortization	159,200	155,299
Acquisition, integration, restructuring and other costs	2,616	2,677
Adjusted EBITDA	358,960	367,223

Net capital expenditures reconciliation

For the reconciliation of net capital expenditures to the most directly comparable IFRS financial measure, refer to sub-section 6.2 "Investing activities".

Capital management measures

The following financial measures used by Cogeco Communications are capital management measures, as disclosed within the notes to the Corporation's consolidated financial statements and/or condensed interim consolidated financial statements.

Specified financial measures	Usefulness	Calculation
Net indebtedness	Net indebtedness is a measure used by management, and management believes it is also used by certain investors and analysts, to assess the Corporation's financial leverage, as it represents the debt net of the available unrestricted cash and cash equivalents. Net indebtedness is a component of "Net indebtedness to adjusted EBITDA ratio".	Long-term debt before discounts, transaction costs and other add: - Bank indebtedness deduct: - Cash and cash equivalents, excluding cash with restrictions on use.
Net indebtedness to adjusted EBITDA ratio	Net indebtedness to adjusted EBITDA ratio is a measure used by management to assess the Corporation's financial leverage and its capital structure decisions, including the issuance of new debt, and to manage the Corporation's debt maturity risks.	Net indebtedness divided by the twelve-month trailing adjusted EBITDA.
Adjusted EBITDA to adjusted financial expense ratio	Adjusted EBITDA to adjusted financial expense ratio is a measure used by management, and management believes it is also used by certain investors and analysts, to assess the Corporation's financial strength and the ability to service its debt obligations.	Twelve-month trailing adjusted EBITDA divided by twelve-month trailing adjusted financial expense. Adjusted financial expense is a non-IFRS financial measure. For more details on adjusted financial expense, please refer to the "Non-IFRS financial measures" sub-section.
Fixed-rate indebtedness	Fixed-rate indebtedness is a measure used by management to monitor and manage the Corporation's capital structure. Management believes this measure helps investors and analysts to assess the Corporation's financial leverage.	Principal on fixed-rate long-term debt divided by the principal on long-term debt.

Supplementary financial measures

Specified financial measures	Calculation
Adjusted EBITDA margin	Adjusted EBITDA divided by revenue.
Capital intensity	Net capital expenditures divided by revenue.
Return on equity	Profit attributable to owners of the Corporation for the year divided by the average of the equity attributable to owners of the Corporation for the year.

14. Supplementary quarterly financial information

Three months ended	Fiscal 2024	Fiscal 2023				Fiscal 2022		
	November 30, 2023	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022	May 31, 2022	February 28, 2022 ⁽¹⁾
<i>(In thousands of Canadian dollars, except % and per share data)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Operations								
Revenue	747,689	743,397	741,785	736,646	762,300	725,446	728,118	728,549
Adjusted EBITDA	358,960	351,300	351,328	351,215	367,223	347,074	347,614	349,087
Adjusted EBITDA margin	48.0 %	47.3 %	47.4 %	47.7 %	48.2 %	47.8 %	47.7 %	47.9 %
Acquisition, integration, restructuring and other costs	2,616	15,228	11,368	6,952	2,677	12,593	2,263	1,451
Profit for the period	95,752	91,797	101,538	104,262	120,375	111,829	105,406	119,911
Profit for the period attributable to owners of the Corporation	89,493	86,499	95,892	98,378	111,504	104,937	100,250	111,275
Adjusted profit attributable to owners of the Corporation	103,726	97,175	103,826	103,488	113,471	113,478	101,717	112,193
Cash flow								
Cash flows from operating activities	236,982	281,326	284,377	203,043	194,159	319,137	353,001	281,199
Free cash flow	137,593	87,916	104,422	117,939	105,128	34,452	104,795	153,000
Acquisition of property, plant and equipment	153,549	205,570	189,656	172,967	234,637	243,589	197,345	157,873
Net capital expenditures	146,427	176,617	169,793	156,125	196,971	223,509	182,181	142,195
Capital intensity	19.6 %	23.8 %	22.9 %	21.2 %	25.8 %	30.8 %	25.0 %	19.5 %
Per share data⁽²⁾								
Earnings per share								
Basic	2.02	1.95	2.17	2.21	2.45	2.29	2.17	2.40
Diluted	2.01	1.95	2.16	2.19	2.44	2.28	2.16	2.38
Adjusted diluted	2.33	2.19	2.34	2.31	2.48	2.46	2.19	2.40
Dividends per share	0.854	0.776	0.776	0.776	0.776	0.705	0.705	0.705

(1) Comparative figures have been restated following the application of the IFRS Interpretations Committee issued agenda decision *Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)* during the third quarter of fiscal 2022. For further details, refer to the "Accounting policy developments" section of the Corporation's 2022 annual consolidated financial statements.

(2) Per multiple and subordinate voting share.

14.1 Seasonal variations

Cogeco Communications' operating results are not generally subject to material seasonal fluctuations.



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2023

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

		Three months ended November 30	
	Notes	2023	2022
		\$	\$
<i>(In thousands of Canadian dollars, except per share data)</i>			
Revenue	3	747,689	762,300
Operating expenses	5	383,491	389,677
Management fees – Cogeco Inc.	15	5,238	5,400
Acquisition, integration, restructuring and other costs	6	2,616	2,677
Depreciation and amortization		159,200	155,299
Financial expense	7	83,294	56,919
Profit before income taxes		113,850	152,328
Income taxes	8	18,098	31,953
Profit for the period		95,752	120,375
Profit for the period attributable to:			
Owners of the Corporation		89,493	111,504
Non-controlling interest		6,259	8,871
		95,752	120,375
Earnings per share			
Basic	9	2.02	2.45
Diluted	9	2.01	2.44

COGECO COMMUNICATIONS INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended November 30	
	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Profit for the period	95,752	120,375
Other comprehensive income (loss)		
Items to be subsequently reclassified to profit or loss		
<i>Cash flow hedging adjustments</i>		
Net change in fair value of hedging derivative financial instruments	(14,915)	27,066
Related income taxes	3,952	(7,172)
	(10,963)	19,894
<i>Foreign currency translation adjustments</i>		
Net foreign currency translation differences on net investments in foreign operations	8,701	65,929
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	(1,989)	(15,484)
Related income taxes	(698)	(63)
	6,014	50,382
	(4,949)	70,276
Items not to be subsequently reclassified to profit or loss		
<i>Defined benefit plans actuarial adjustments</i>		
Remeasurement of net defined benefit liability or asset	(431)	1,806
Related income taxes	114	(479)
	(317)	1,327
	(5,266)	71,603
Comprehensive income for the period	90,486	191,978
Comprehensive income for the period attributable to:		
Owners of the Corporation	82,446	169,754
Non-controlling interest	8,040	22,224
	90,486	191,978

COGECO COMMUNICATIONS INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

	Equity attributable to owners of the Corporation				Equity attributable to non-controlling interest	Total shareholders' equity
	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings		
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
	<i>(Note 11)</i>		<i>(Note 12)</i>			
Balance at August 31, 2022	930,974	19,965	129,606	1,670,535	438,051	3,189,131
Profit for the period	—	—	—	111,504	8,871	120,375
Other comprehensive income for the period	—	—	56,923	1,327	13,353	71,603
Comprehensive income for the period	—	—	56,923	112,831	22,224	191,978
Issuance of subordinate voting shares under the Stock Option Plan	555	—	—	—	—	555
Share-based payment (Notes 11 C) and 15)	—	1,821	—	—	—	1,821
Share-based payment previously recorded in share-based payment reserve for options exercised	103	(103)	—	—	—	—
Dividends (Note 11 B))	—	—	—	(35,113)	—	(35,113)
Purchase and cancellation of subordinate voting shares	(14,443)	—	—	(22,840)	—	(37,283)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,889)	—	—	—	—	(5,889)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,665	(5,584)	—	919	—	—
Total distributions to shareholders	(15,009)	(3,866)	—	(57,034)	—	(75,909)
Balance at November 30, 2022	915,965	16,099	186,529	1,726,332	460,275	3,305,200
Balance at August 31, 2023	896,414	19,896	175,905	1,865,582	477,981	3,435,778
Profit for the period	—	—	—	89,493	6,259	95,752
Other comprehensive (loss) income for the period	—	—	(6,730)	(317)	1,781	(5,266)
Comprehensive (loss) income for the period	—	—	(6,730)	89,176	8,040	90,486
Issuance of subordinate voting shares under the Stock Option Plan	200	—	—	—	—	200
Share-based payment (Notes 11 C) and 15)	—	1,181	—	—	—	1,181
Share-based payment previously recorded in share-based payment reserve for options exercised	42	(42)	—	—	—	—
Dividends (Note 11 B))	—	—	—	(37,791)	—	(37,791)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,074	(4,420)	—	346	—	—
Total contributions by (distributions to) shareholders	4,316	(3,281)	—	(37,445)	—	(36,410)
Balance at November 30, 2023	900,730	16,615	169,175	1,917,313	486,021	3,489,854

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

	Notes	November 30, 2023	August 31, 2023
<i>(In thousands of Canadian dollars)</i>		\$	\$
Assets			
Current			
Cash and cash equivalents	13 D)	84,562	362,921
Trade and other receivables		115,229	118,951
Income taxes receivable		22,996	27,347
Prepaid expenses and other		53,343	41,818
Derivative financial instruments		12,135	5,355
		288,265	556,392
Non-current			
Other assets		106,921	96,862
Property, plant and equipment		3,241,860	3,229,515
Intangible assets		3,656,156	3,661,906
Goodwill		2,124,884	2,117,756
Derivative financial instruments		79,097	100,792
Deferred tax assets		4,314	5,147
		9,501,497	9,768,370
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		21,017	22,402
Trade and other payables		287,540	319,225
Provisions		26,586	32,734
Income tax liabilities		415	413
Contract liabilities and other liabilities		61,245	61,760
Government subsidies received in advance		22,325	29,262
Derivative financial instruments		2,410	2,345
Current portion of long-term debt	10	65,939	41,765
		487,477	509,906
Non-current			
Long-term debt	10	4,672,739	4,979,241
Contract liabilities and other liabilities		8,806	8,314
Pension plan liabilities and accrued employee benefits		4,790	5,516
Deferred tax liabilities		837,831	829,615
		6,011,643	6,332,592
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	11 A)	900,730	896,414
Share-based payment reserve		16,615	19,896
Accumulated other comprehensive income	12	169,175	175,905
Retained earnings		1,917,313	1,865,582
		3,003,833	2,957,797
Equity attributable to non-controlling interest		486,021	477,981
		3,489,854	3,435,778
		9,501,497	9,768,370

Commitments and guarantees (Note 16) and Subsequent event (Note 17)

COGECO COMMUNICATIONS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

		Three months ended November 30	
	Notes	2023	2022
		\$	\$
<i>(In thousands of Canadian dollars)</i>			
Cash flows from operating activities			
Profit for the period		95,752	120,375
Adjustments for:			
Depreciation and amortization		159,200	155,299
Financial expense	7	83,294	56,919
Income taxes	8	18,098	31,953
Share-based payment		455	1,345
Gain on disposals and write-offs of property, plant and equipment		(113)	(70)
Defined benefit plans expense, net of contributions		106	(130)
		356,792	365,691
Changes in other non-cash operating activities	13 A)	(52,935)	(64,416)
Interest paid		(63,972)	(60,498)
Income taxes paid		(2,903)	(46,618)
		236,982	194,159
Cash flows from investing activities			
Acquisition of property, plant and equipment		(153,549)	(234,637)
Subsidies received in advance		183	181
Proceeds on disposals of property, plant and equipment and other		252	156
		(153,114)	(234,300)
Cash flows from financing activities			
Decrease in bank indebtedness		(1,385)	(8,633)
Net increase under the revolving facilities		153,994	167,188
Issuance of long-term debt, net of discounts and transaction costs		1,656,208	—
Repayment of notes and credit facilities		(2,129,215)	(8,780)
Repayment of lease liabilities		(1,804)	(1,341)
Increase in deferred transaction costs		(1,801)	—
Issuance of subordinate voting shares	11 A)	200	555
Purchase and cancellation of subordinate voting shares	11 A)	—	(37,283)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	11 A)	—	(5,889)
Dividends paid	11 B)	(37,791)	(35,113)
		(361,594)	70,704
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		(633)	6,295
Net change in cash and cash equivalents		(278,359)	36,858
Cash and cash equivalents, beginning of the period		362,921	370,899
Cash and cash equivalents, end of the period	13 D)	84,562	407,757

COGECO COMMUNICATIONS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2023

(unaudited)

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

1. Nature of operations

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation") is a telecommunications corporation operating through its business units Cogeco Connexion and Breezeline. Cogeco Communications provides Internet, video and phone services in Canada as well as in thirteen states in the United States.

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which as of November 30, 2023 held 35.3% of the Corporation's equity shares, representing 84.5% of the votes attached to the Corporation's voting shares. Following the share buyback transaction completed on December 13, 2023 (see Note 17), Cogeco held, as of December 31, 2023, 28.4% of the Corporation's equity shares and 79.9% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA". The Corporation's registered office is located at 1 Place Ville Marie, Suite 3301, Montréal, Québec, H3B 3N2.

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 its quarterly results.

2. Basis of presentation and accounting policy developments

A) 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 were approved and authorized for issuance by the Board of Directors of the Corporation on January 10, 2024. These condensed interim consolidated financial statements have been prepared with the same accounting policies and methods of computation followed by the Corporation in its 2023 annual consolidated financial statements. These condensed interim consolidated financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Corporation's 2023 annual consolidated financial statements. Certain comparative amounts in the condensed interim consolidated financial statements have been reclassified in order to conform to the fiscal 2024 consolidated financial statements presentation.

Financial information is presented in Canadian dollars, unless otherwise indicated.

B) Foreign currency translation

Foreign currency rates used to translate the Corporation's foreign operation, Breezeline, are as follows:

	November 30, 2023	Closing rates as of August 31, 2023	Average rates for the three-month periods ended November 30, 2023	November 30, 2022
US dollar vs Canadian dollar	1.3582	1.3531	1.3654	1.3489

COGECO COMMUNICATIONS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2023

(unaudited)

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

C) Accounting policy developments

The following amendments to accounting standards were issued by the IASB and have not yet been applied in preparing these consolidated financial statements.

International Tax Reform—Pillar Two Model Rules - Amendments to IAS 12, *Income Taxes*

In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12, *Income Taxes*, to introduce a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and targeted disclosure requirements for affected entities. The relief is effective immediately upon issuance of the amendments and should be applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, while the targeted disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation applied the temporary exception retrospectively upon the amendments' release during its third quarter of fiscal 2023. Currently, the Corporation is operating in jurisdictions in which the Pillar Two legislation has not yet been enacted or substantively enacted. The Corporation will continue to monitor the Pillar Two legislation and assess the impact of the remaining targeted disclosure requirements on its consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7, *Statement of Cash Flows*, and IFRS 7, *Financial Instruments: Disclosures*

In May 2023, the IASB issued *Supplier Finance Arrangements*, which amended IAS 7 and IFRS 7, introducing new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its consolidated financial statements, but does not expect that its disclosure will be materially impacted by the application of these amendments.

3. Revenue

Three months ended November 30					
	Canadian telecommunications		American telecommunications		Consolidated
	2023	2022	2023	2022	
	\$	\$	\$	\$	\$
Residential ⁽¹⁾	315,200	312,008	322,079	336,251	637,279
Commercial	44,902	43,362	45,145	44,768	90,047
Other	16,346	16,714	4,017	9,197	20,363
	376,448	372,084	371,241	390,216	747,689

(1) Includes revenue from Internet, video and phone residential customers, as well as bulk residential customers.

4. Segment information

The Corporation's results are reported in two operating segments: Canadian telecommunications and American telecommunications. 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 Corporation and its chief operating decision maker assess the performance of each operating segment based on adjusted EBITDA, which is equal to *Revenue* less *Operating expenses*. Transactions between operating segments are measured at the amounts agreed to between the parties.

COGECO COMMUNICATIONS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2023

(unaudited)

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

	Three months ended November 30, 2023			
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Consolidated
	\$	\$	\$	\$
Revenue	376,448	371,241	—	747,689
Operating expenses	180,094	193,071	10,326	383,491
Management fees – Cogeco Inc.	—	—	5,238	5,238
Adjusted EBITDA	196,354	178,170	(15,564)	358,960
Acquisition, integration, restructuring and other costs				2,616
Depreciation and amortization				159,200
Financial expense				83,294
Profit before income taxes				113,850
Income taxes				18,098
Profit for the period				95,752
Net capital expenditures ⁽¹⁾	87,836	55,853	2,738	146,427

	Three months ended November 30, 2022			
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Consolidated
	\$	\$	\$	\$
Revenue	372,084	390,216	—	762,300
Operating expenses	173,451	207,710	8,516	389,677
Management fees – Cogeco Inc.	—	—	5,400	5,400
Adjusted EBITDA	198,633	182,506	(13,916)	367,223
Acquisition, integration, restructuring and other costs				2,677
Depreciation and amortization				155,299
Financial expense				56,919
Profit before income taxes				152,328
Income taxes				31,953
Profit for the period				120,375
Net capital expenditures ⁽¹⁾	115,238	80,408	1,325	196,971

(1) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including subsidies received in advance recognized as a reduction of the cost of property, plant and equipment. Refer to Note 13 B) for a reconciliation of net capital expenditures to cash payments for acquisition of property, plant and equipment as reported in the consolidated statements of cash flows.

COGECO COMMUNICATIONS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2023

(unaudited)

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

5. Operating expenses

	Three months ended November 30	
	2023	2022
	\$	\$
Salaries, employee benefits and outsourced services	122,464	121,303
Service delivery costs	193,629	200,187
Customer related costs	30,558	30,094
Other external purchases	36,840	38,093
	383,491	389,677

6. Acquisition, integration, restructuring and other costs

	Three months ended November 30	
	2023	2022
	\$	\$
Acquisition and integration costs	179	583
Restructuring costs	220	816
Configuration and customization costs related to cloud computing and other arrangements	2,217	1,278
	2,616	2,677

7. Financial expense

	Three months ended November 30	
	2023	2022
	\$	\$
Interest on long-term debt, excluding interest on lease liabilities	68,311	55,395
Interest on lease liabilities	442	398
Loss on debt extinguishment ⁽¹⁾	16,880	—
Net foreign exchange (gain) loss	(1,581)	2,420
Amortization of deferred transaction costs related to the revolving facilities	498	164
Interest income	(1,434)	(1,668)
Other	178	210
	83,294	56,919

(1) In connection with the prepayment of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility in September 2023.

COGECO COMMUNICATIONS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2023

(unaudited)

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

8. Income taxes

	Three months ended November 30	
	2023	2022
	\$	\$
Current	7,228	8,376
Deferred	10,870	23,577
	18,098	31,953

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

	Three months ended November 30	
	2023	2022
	\$	\$
Profit before income taxes	113,850	152,328
Combined Canadian income tax rate	26.5 %	26.5 %
Income taxes at combined Canadian income tax rate	30,170	40,367
Difference in operations' statutory income tax rates	(155)	(242)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	567	551
Tax impacts related to foreign operations	(12,682)	(9,763)
Other	198	1,040
Income taxes at effective income tax rate	18,098	31,953
Effective income tax rate	15.9 %	21.0 %

9. Earnings per share

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

	Three months ended November 30	
	2023	2022
	\$	\$
Profit for the period attributable to owners of the Corporation	89,493	111,504
Weighted average number of multiple and subordinate voting shares outstanding	44,304,266	45,471,778
Effect of dilutive stock options ⁽¹⁾	382	47,039
Effect of dilutive incentive share units	60,334	74,644
Effect of dilutive performance share units	89,242	97,484
Weighted average number of diluted multiple and subordinate voting shares outstanding	44,454,224	45,690,945

(1) For the three-month period ended November 30, 2023, 881,799 stock options (555,165 in 2022) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

COGECO COMMUNICATIONS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2023

(unaudited)

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

10. Long-term debt

	November 30, 2023	August 31, 2023
	\$	\$
Notes and credit facilities	4,690,498	4,975,538
Lease liabilities	48,180	45,468
	4,738,678	5,021,006
Less current portion	65,939	41,765
	4,672,739	4,979,241

A) Notes and credit facilities

	Maturity	Interest rate	November 30, 2023	August 31, 2023
		%	\$	\$
Corporation				
Term Revolving Facility				
Revolving loan – US\$252 million (US\$262 million at August 31, 2023)	January 2028	6.91 ^{(1) (2)}	342,266	354,512
Senior Secured Notes				
Series A – US\$25 million	September 2024	4.14	33,942	33,810
Series B – US\$150 million	September 2026	4.29	203,482	202,695
Senior Secured Notes – US\$215 million	June 2025	4.30	291,764	290,629
Senior Secured Notes – Series 1	September 2031	2.99	497,362	497,286
Senior Secured Notes – Series 2	February 2033	5.30	298,176	298,137
Senior Unsecured Non-Revolving Facility	November 2042	—	—	—
U.S. subsidiaries				
First Lien Credit Facilities				
Senior Secured Term Loan B Facility				
Tranche 1 – US\$1,575.8 million at August 31, 2023	—	—	—	2,114,649
Tranche 2 – US\$884.3 million (US\$886.5 million at August 31, 2023)	September 2028	7.96 ^{(1) (3)}	1,185,925	1,183,820
Tranche 3 – US\$775 million	September 2030	8.60 ^{(1) (4)}	1,033,916	—
Farm Credit – US\$475 million	September 2028	8.60 ⁽¹⁾	633,890	—
Senior Secured Revolving Facility – US\$125 million	September 2028	7.32 ⁽¹⁾	169,775	—
			4,690,498	4,975,538
Less current portion			58,899	35,181
			4,631,599	4,940,357

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

(2) An amount of US\$252 million drawn under the Corporation's Term Revolving Facility was hedged until January 10, 2024, using a cross-currency swap agreement which sets the amount redeemable at maturity at \$342.7 million and the effective interest rate on the Canadian dollar equivalent at 6.42%.

(3) As of November 30, 2023, a U.S. subsidiary had outstanding interest rate swap agreements to fix the interest rate on an amount of US\$800 million of the Senior Secured Term Loan B Facility – Tranche 2. These agreements have the effect of converting the floating SOFR base rate, or the 39 bps SOFR floor if higher, into fixed rates ranging from 1.17% to 1.44%, plus an applicable credit spread, for maturities between October 31, 2025 and July 31, 2027. Taking into account these agreements, the effective interest rate on Tranche 2 of the Senior Secured Term Loan B Facility is 4.28%.

(4) As of November 30, 2023, a U.S. subsidiary had outstanding interest rate swap agreements to fix the interest rate on an amount of US\$540 million of the Senior Secured Term Loan B Facility – Tranche 3. These agreements have the effect of converting the floating SOFR base rate into fixed rates ranging from 2.01% to 2.21%, plus an applicable credit spread, for maturities between January 31, 2024 and November 30, 2024. Taking into account these agreements, the effective interest rate on Tranche 3 of the Senior Secured Term Loan B Facility is 6.32%.

COGECO COMMUNICATIONS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(unaudited)

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

First Lien Credit Facilities

On September 29, 2023, the Corporation amended the First Lien Credit Facility related to its U.S. operations, as follows:

- the issuance of the US\$775 million 7-year Term Loan B - Tranche 3;
- the issuance of the US\$475 million 5-year Farm Credit Term Loan B; and
- an increase in the credit limit of the Senior Secured Revolving Facility from US\$150 million to US\$250 million and the extension of the maturity date to September 2028.

The proceeds from the newly issued Term B loans, together with US\$150 million drawn on the Senior Secured Revolving Facility and US\$200 million of cash on hand, were used to reimburse the existing US\$1.6 billion Tranche 1 of the Senior Secured Term Loan B Facility. The prepayment of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility were accounted for as a debt extinguishment. As a result, a loss on debt extinguishment of \$16.9 million was recognized during the first quarter of fiscal 2024, within financial expense.

B) Other information

Weighted average interest rate and term to maturity

At November 30, 2023, the Corporation's weighted average interest rate on all debt, excluding the amortization of deferred transaction costs and commitment fees but including the impact of interest rate swaps, was 5.4%. The overall debt's weighted average term to maturity was 5.5 years.

11. Share capital

A) Issued and paid

	November 30, 2023	August 31, 2023
	\$	\$
15,691,100 multiple voting shares	98,346	98,346
28,797,378 subordinate voting shares [28,793,378 at August 31, 2023]	814,587	814,345
	912,933	912,691
62,052 subordinate voting shares held in trust under the Incentive Share Unit Plan [81,704 at August 31, 2023]	(5,189)	(6,832)
85,171 subordinate voting shares held in trust under the Performance Share Unit Plan [115,032 at August 31, 2023]	(7,014)	(9,445)
	900,730	896,414

During the first three months of fiscal 2024, subordinate voting share transactions were as follows:

	Number of shares	Amount
		\$
Balance at August 31, 2023	28,793,378	814,345
Shares issued for cash under the Stock Option Plan	4,000	200
Share-based payment previously recorded in share-based payment reserve for options exercised	—	42
Balance at November 30, 2023	28,797,378	814,587

COGECO COMMUNICATIONS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2023

(unaudited)

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

Subordinate voting shares repurchase programs

	Commencement date	Expiry	Maximum subordinate voting shares for repurchase	Number of shares repurchased at November 30, 2023
2023 Normal course issuer bid ("NCIB")	May 4, 2023	May 3, 2024	1,776,125	—
2022 NCIB	May 4, 2022	May 3, 2023	1,960,905	1,825,168
2021 NCIB	May 4, 2021	May 3, 2022	2,068,000	1,175,925

The following table provides the NCIB purchases for the three-month periods ended November 30, 2023 and 2022:

	Three months ended November 30	
	2023	2022
	\$	\$
Subordinate voting shares purchased and cancelled	—	512,170
Weighted average purchase price per share	—	72.79
Purchase costs	—	37,283

Subordinate voting shares held in trust

During the first three months of fiscal 2024, the transactions pertaining to the subordinate voting shares held in trust under the Incentive Share Unit Plan ("ISU Plan") and the Performance Share Unit Plan ("PSU Plan") were as follows:

	ISU Plan		PSU Plan	
	Number of shares	Amount	Number of shares	Amount
		\$		\$
Balance at August 31, 2023	81,704	6,832	115,032	9,445
Subordinate voting shares distributed to employees	(19,652)	(1,643)	(29,861)	(2,431)
Balance at November 30, 2023	62,052	5,189	85,171	7,014

B) Dividends

The following tables provide a summary of the dividends declared for the Corporation's multiple and subordinate voting shares during the three-month periods ended November 30, 2023 and 2022:

Declaration date	Record date	Payment date	Dividend per share (in dollars)
November 1, 2023	November 15, 2023	November 29, 2023	0.854
October 27, 2022	November 10, 2022	November 24, 2022	0.776

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	Three months ended November 30	
	2023	2022
	\$	\$
Dividends on multiple voting shares	13,400	12,176
Dividends on subordinate voting shares	24,391	22,937
	37,791	35,113

At its January 10, 2024 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of \$0.854 per share for multiple and subordinate voting shares, payable on February 7, 2024 to shareholders of record on January 24, 2024.

C) Share-based payment plans

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

	Three months ended November 30	
	2023	2022
	\$	\$
Stock options	187	242
ISUs	319	564
PSUs	354	517
DSUs	(726)	(376)
	134	947

Stock options

Changes in the outstanding number of stock options for the three-month period ended November 30, 2023 were as follows:

	Options	Weighted average exercise price
		\$
Outstanding at August 31, 2023	913,338	85.91
Exercised ⁽¹⁾	(4,000)	50.10
Cancelled	(27,539)	91.57
Outstanding at November 30, 2023	881,799	85.89
Exercisable at November 30, 2023	614,995	84.70

(1) The weighted average share price for options exercised during the three-month period was \$50.10.

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ISUs, PSUs and DSUs

Changes in the outstanding number of ISUs, PSUs and DSUs for the three-month period ended November 30, 2023 were as follows:

	ISUs	PSUs	DSUs
Outstanding at August 31, 2023	68,837	101,703	90,542
Performance-based additional units granted	—	1,116	—
Distributed/Redeemed	(19,652)	(29,861)	—
Cancelled	(2,786)	(4,704)	—
Dividend equivalents	—	1,110	1,472
Outstanding at November 30, 2023	46,399	69,364	92,014

12. Accumulated other comprehensive income

	Cash flow hedge reserve	Foreign currency translation	Total
	\$	\$	\$
Balance at August 31, 2022	71,315	58,291	129,606
Other comprehensive income	19,894	37,029	56,923
Balance at November 30, 2022	91,209	95,320	186,529
Balance at August 31, 2023	78,018	97,887	175,905
Other comprehensive (loss) income	(10,963)	4,233	(6,730)
Balance at November 30, 2023	67,055	102,120	169,175

13. Additional cash flows information

A) Changes in other non-cash operating activities

	Three months ended November 30	
	2023	2022
	\$	\$
Trade and other receivables	4,569	(8,269)
Prepaid expenses and other	(12,705)	(14,427)
Other assets	(7,846)	(3,919)
Trade and other payables	(30,528)	(29,590)
Provisions	(6,207)	(4,574)
Contract liabilities and other liabilities	(218)	(3,637)
	(52,935)	(64,416)

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B) Acquisition of property, plant and equipment

The following table shows the reconciliation between the cash payments for acquisition of property, plant and equipment, as reported within the investing section in the consolidated statements of cash flows, and the net capital expenditures, as presented in Note 4.

	Three months ended November 30	
	2023	2022
	\$	\$
Acquisition of property, plant and equipment	153,549	234,637
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the period	(7,122)	(37,666)
Net capital expenditures	146,427	196,971

C) Changes in liabilities arising from financing activities

Three months ended November 30, 2023	Bank indebtedness	Long-term debt		Total
		Notes and credit facilities	Lease liabilities	
	\$	\$	\$	\$
Balance at August 31, 2023	22,402	4,975,538	45,468	5,043,408
Decrease in bank indebtedness	(1,385)	—	—	(1,385)
Net increase under the revolving facilities	—	153,994	—	153,994
Issuance of long-term debt, net of discounts and transaction costs	—	1,656,208	—	1,656,208
Repayment of notes and credit facilities	—	(2,129,215)	—	(2,129,215)
Repayment of lease liabilities	—	—	(1,804)	(1,804)
Total cash flows from (used in) financing activities excluding equity	(1,385)	(319,013)	(1,804)	(322,202)
Interest paid on lease liabilities	—	—	(429)	(429)
Total cash flow changes	(1,385)	(319,013)	(2,233)	(322,631)
Loss on debt extinguishment ⁽¹⁾	—	16,552	—	16,552
Effect of changes in foreign exchange rates	—	14,906	54	14,960
Amortization of discounts, transaction costs and other	—	2,515	—	2,515
Net increase in lease liabilities	—	—	4,891	4,891
Total non-cash changes	—	33,973	4,945	38,918
Balance at November 30, 2023	21,017	4,690,498	48,180	4,759,695

(1) Out of the \$16.9 million loss on debt extinguishment recorded in connection with the refinancing of the First Lien Credit Facilities, a portion amounting to \$0.3 million is presented in *Other Assets*, as it pertains to the Senior Secured Revolving Facility.

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D) Cash and cash equivalents

	November 30, 2023	August 31, 2023
	\$	\$
Cash	62,237	262,766
Cash with restrictions on use	22,325	29,262
Cash equivalents ⁽¹⁾	—	70,893
	84,562	362,921

(1) Comprised of bank term deposits.

14. Financial instruments

A) Financial risk management

Management's objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate, foreign exchange and market risks which are described in the Corporation's 2023 annual consolidated financial statements.

Credit risk

The lowest credit rating of the counterparties to the derivative financial instruments agreements at November 30, 2023 is "A" by Standard & Poor's rating services ("S&P"). Management monitors its exposure to financial institutions which is primarily in the form of deposits, derivatives and revolver commitments.

Liquidity risk

On November 30, 2023, the Corporation had used \$361.7 million of its \$750 million Term Revolving Facility for a remaining availability of \$388.3 million. In addition, the U.S. subsidiaries benefit from a Senior Secured Revolving Facility of \$339.6 million (US\$250 million), of which \$3.6 million (US\$2.7 million) was used at November 30, 2023 for a remaining availability of \$335.9 million (US\$247.3 million). An unsecured letter of credit facility was put in place in connection with the 3800 MHz spectrum auction (see Note 16).

Interest rate risk

On November 30, 2023, 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 U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2023:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate ⁽¹⁾	Maturity	Hedged item
Cash flow ⁽²⁾	US\$540 million	Term SOFR	2.01% - 2.21%	January 2024 - November 2024	Senior Secured Term Loan B - Tranche 3
Cash flow	US\$800 million	Term SOFR with a 39 bps floor	1.17% - 1.44%	October 2025 - July 2027	Senior Secured Term Loan B - Tranche 2

(1) Hedges have the effect of converting the floating SOFR base rate into fixed rates, plus an applicable credit spread.

(2) Following the early repayment of Tranche 1 in September 2023, the debt associated with the hedged variable interest cash flows was replaced by Tranche 3 of the Senior Secured Term Loan B Facility.

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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 \$15.9 million based on the outstanding debt and swap agreements at November 30, 2023.

B) Fair value of financial instruments

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

	November 30, 2023		August 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Notes and credit facilities	4,690,498	4,359,616	4,975,538	4,868,022

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 development of the business by acquisition, internal growth opportunities and innovation. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the regulatory environment, 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.

On November 30, 2023 and August 31, 2023, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

The following table summarizes certain key ratios used to monitor and manage the Corporation's capital structure. Net indebtedness reflects the US denominated debt converted at the exchange rate at the end of the period, while adjusted EBITDA and adjusted financial expense reflect the average exchange rate throughout the corresponding 12-month period.

As at, or for the 12-month periods ended	November 30, 2023	August 31, 2023
Components of debt and coverage ratios		
Net indebtedness	4,747,734	4,749,214
Adjusted EBITDA	1,412,803	1,421,066
Adjusted financial expense	261,137	251,642
Debt and coverage ratios		
Net indebtedness / adjusted EBITDA	3.4	3.3
Adjusted EBITDA / adjusted financial expense	5.4	5.6

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Net indebtedness is a measure used by management to assess the Corporation's financial leverage, as it represents the debt net of the available unrestricted cash and cash equivalents. The reconciliation of net indebtedness to long-term debt is as follows:

	November 30, 2023	August 31, 2023
Long-term debt, including the current portion	4,738,678	5,021,006
Discounts, transaction costs and other	50,276	39,465
Long-term debt before discounts, transaction costs and other	4,788,954	5,060,471
Bank indebtedness	21,017	22,402
Cash and cash equivalents, excluding cash with restrictions on use ⁽¹⁾	(62,237)	(333,659)
Net indebtedness	4,747,734	4,749,214

(1) See Note 13 D).

Adjusted financial expense is a measure used by management to calculate certain covenant ratios. The reconciliation of adjusted financial expense to financial expense is as follows:

For the 12-month periods ended	November 30, 2023	August 31, 2023
Financial expense	278,017	251,642
Loss on debt extinguishment ⁽¹⁾	(16,880)	—
Adjusted financial expense	261,137	251,642

(1) In connection with the prepayment of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility in September 2023.

15. Related party transactions

Cogeco Communications is a subsidiary of Cogeco, which as of November 30, 2023 held 35.3% of the Corporation's equity shares, representing 84.5% of the votes attached to the Corporation's voting shares. On December 13, 2023, Cogeco sold to Cogeco Communications 2,266,537 subordinate voting shares of its holdings in Cogeco Communications for \$116.5 million, following the conversion and cancellation of an equivalent number of Cogeco Communications multiple voting shares. The subordinate voting shares were repurchased for cancellation, representing approximately 5.1% of all outstanding Cogeco Communications shares. For further details, see Note 17.

Cogeco provides executive and administrative 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 first quarter of fiscal 2024, management fees paid to Cogeco amounted to \$5.2 million compared to \$5.4 million for the same period of fiscal 2023.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. The following table provides the number of stock options and PSUs granted during the three-month periods ended November 30, 2023 and 2022 to these executive officers, as executive officers of Cogeco Communications, the value of which was charged back to Cogeco.

	Three months ended November 30	
	2023	2022
Stock options	—	79,348
PSUs	—	14,283

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

	Three months ended November 30	
	2023	2022
	\$	\$
Stock options	222	355
PSUs	99	143
DSUs	—	(100)
	321	398

16. Commitments and guarantees

3800 MHz spectrum auction

On November 30, 2023, Innovation, Science and Economic Development Canada ("ISED") announced the provisional spectrum licence winners in the 3800 MHz spectrum auction. The Corporation, through its wholly-owned subsidiary Elite General Partnership, secured 99 spectrum licences in urban and rural markets, including the greater Toronto, Montréal, Québec City and Ottawa areas, for a total purchase price of \$190.3 million.

The required deposit of \$38.1 million to ISED, representing 20% of the total purchase price, is expected to be paid on or before January 17, 2024, while the final payment is expected to be paid on or before May 29, 2024. The unsecured letter of credit issued to ISED in July 2023 as a pre-auction deposit will remain outstanding until the final payment is made.

Performance and payment bonds

On November 30, 2023, the Corporation had \$157.9 million of performance and payment bonds outstanding, issued in accordance with the rules established by Infrastructure Ontario in connection with Ontario's Accelerated High Speed Internet Program (AHSIP).

17. Subsequent event

Repurchases of Rogers holdings in Cogeco and Cogeco Communications

On December 13, 2023, Cogeco, the Corporation's parent company, repurchased for cancellation 5,969,390 of its subordinate voting shares from CDPQ for \$280.0 million. This transaction followed the purchase by CDPQ of the entirety of Rogers Communications Inc.'s ("Rogers") holdings in both Cogeco and Cogeco Communications. In order to partially finance this purchase, Cogeco concurrently sold 2,266,537 subordinate voting shares of its holding in Cogeco Communications to Cogeco Communications for \$116.5 million and 1,423,692 subordinate voting shares to CDPQ for \$73.2 million, following the conversion and cancellation of an equivalent number of Cogeco Communications multiple voting shares. The 2,266,537 subordinate voting shares repurchased by Cogeco Communications were repurchased for cancellation. As a result of this transaction, CDPQ became an anchor investor in Cogeco Communications, with a holding of 6,809,339 subordinate voting shares, representing approximately 16.1% of all outstanding Cogeco Communications shares. The \$116.5 million share buyback transaction and related transaction costs and expenses were initially financed by Cogeco Communications through a drawdown on its existing term revolving facility. On December 11, 2023, in order to maintain its borrowing capacity, Cogeco Communications entered into a \$125 million non-revolving term credit facility, which is available to be drawn until April 9, 2024, and is currently undrawn.

Primary service unit statistics

	November 30, 2023	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
CONSOLIDATED					
Homes passed	3,813,534	3,800,068	3,777,037	3,746,115	3,713,407
Primary service units ⁽¹⁾	2,951,057	2,973,527	2,988,248	2,943,588	2,960,566
Internet service customers ⁽¹⁾	1,528,754	1,526,465	1,521,447	1,470,381	1,467,533
Video service customers	906,817	923,617	936,872	940,678	953,956
Phone service customers	515,486	523,445	529,929	532,529	539,077
CANADA					
Homes passed	2,063,949	2,056,180	2,048,872	2,033,475	2,018,146
Primary service units ⁽²⁾	1,873,244	1,874,796	1,867,317	1,808,448	1,807,079
Internet service customers	865,468	854,703	840,662	782,862	775,063
Video service customers	626,672	634,736	639,920	639,994	644,329
Phone service customers	381,104	385,357	386,735	385,592	387,687
UNITED STATES					
Homes passed	1,749,585	1,743,888	1,728,165	1,712,640	1,695,261
Primary service units ⁽¹⁾	1,077,813	1,098,731	1,120,931	1,135,140	1,153,487
Internet service customers ⁽¹⁾	663,286	671,762	680,785	687,519	692,470
Video service customers	280,145	288,881	296,952	300,684	309,627
Phone service customers	134,382	138,088	143,194	146,937	151,390

(1) During the third quarter of fiscal 2023, Internet service customers were adjusted following a change in Breezeline's system. This change has been applied retrospectively to the comparative figures.

(2) On March 3, 2023, 52,577 primary service units (46,656 Internet, 3,716 video and 2,205 phone) were added related to the acquisition of oxio.