



## **SHAREHOLDERS' REPORT**

Three-month period ended November 30, 2020

# FINANCIAL HIGHLIGHTS

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency <sup>(1)(2)</sup>	Foreign exchange impact <sup>(1)</sup>
<i>(In thousands of Canadian dollars, except percentages and per share data)</i>	\$	\$	%	%	\$
<b>Operations</b>					
Revenue	646,355	618,469	4.5	4.7	(1,171)
Adjusted EBITDA <sup>(2)</sup>	321,090	290,509	10.5	10.7	(510)
Integration, restructuring and acquisition costs <sup>(3)</sup>	1,181	80	—		
Profit for the period	120,447	94,216	27.8		
Profit for the period attributable to owners of the Corporation	40,489	31,284	29.4		
<b>Cash flow</b>					
Cash flows from operating activities	235,532	151,071	55.9		
Acquisition of property, plant and equipment <sup>(4)</sup>	116,491	122,030	(4.5)	(4.2)	(391)
Free cash flow <sup>(2)</sup>	148,236	108,893	36.1	36.3	(151)
<b>Financial condition<sup>(5)</sup></b>					
Cash and cash equivalents	429,647	406,113	5.8		
Total assets	7,046,015	7,024,696	0.3		
Indebtedness <sup>(6)</sup>	3,225,794	3,290,354	(2.0)		
Equity attributable to owners of the Corporation	793,308	761,501	4.2		
<b>Per share data<sup>(7)</sup></b>					
Earnings per share					
Basic	2.55	1.96	30.1		
Diluted	2.53	1.94	30.4		
Dividends	0.545	0.475	14.7		

- (1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the comparable period of the prior year. For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.
- (2) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section, including reconciliation to the most comparable IFRS financial measures.
- (3) For the three-month period ended November 30, 2020, integration, restructuring and acquisition costs resulted mostly from due diligence costs and legal fees related to the acquisition of DERYtelecom, which was completed on December 14, 2020.
- (4) For the three-month period ended November 30, 2020, acquisition of property, plant and equipment in constant currency amounted to \$116.9 million.
- (5) At November 30, 2020 and August 31, 2020.
- (6) Indebtedness is defined as the total of bank indebtedness and principal on long-term debt.
- (7) Per multiple and subordinate voting share.



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

Three-month period ended November 30, 2020

# 1. FORWARD-LOOKING STATEMENTS

*Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2021 Financial Guidelines" sections of the Corporation's 2020 annual MD&A and the "Fiscal 2021 Revised Financial Guidelines" of the current MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks (including potential disruption to our supply chain), regulatory risks, public health crisis and emergencies such as the current COVID-19 pandemic, technology risks (including cybersecurity risk), financial risks (including variations in currency and interest rates), economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond the Corporation's control. Moreover, the Corporation's radio operations are significantly exposed to advertising budgets from the retail industry, which can fluctuate due to changing economic conditions. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" sections of the Corporation's 2020 annual MD&A and of the current MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco 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's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.*

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

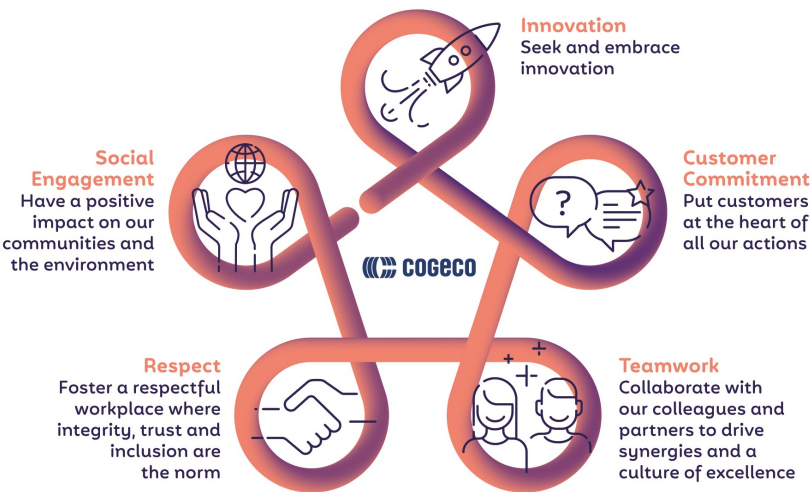
*In preparing this MD&A, the Corporation has taken into account information available up to January 14, 2021, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website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

# 2. CORPORATE OBJECTIVES AND STRATEGIES

## Our Mission

Bring people together through powerful communications and entertainment experiences

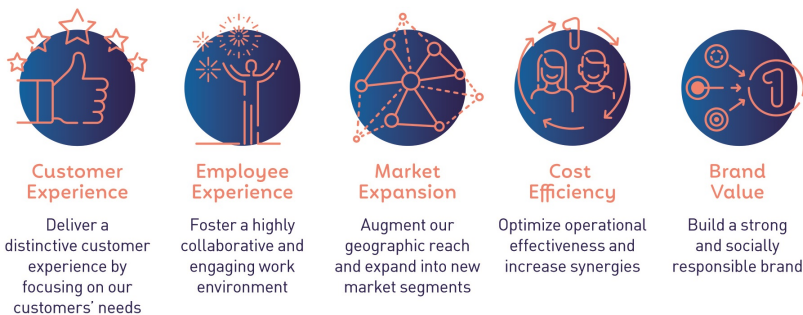
## Our Values



## Our Vision

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

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



Each Business Unit of the Corporation has in turn elaborated a strategic plan that is aligned to the growth pillars defined above. For further details on the key areas of focus of those strategic plans, please refer to the Corporation's 2020 Annual Report available on [www.sedar.com](http://www.sedar.com) or on the Corporation's website at [corpo.cogeco.com](http://corpo.cogeco.com).

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

## 2.1 KEY PERFORMANCE INDICATORS

### REVENUE

Fiscal 2021 first-quarter revenue increased by 4.5% (4.7% in constant currency) resulting from:

- growth of 9.4% (9.8% in constant currency) in the American broadband services segment; and
- an increase of 2.2% (2.2% in constant currency) in the Canadian broadband services segment; partly offset by
- lower revenue in the media activities due to a decline of the radio advertising market resulting directly from the COVID-19 pandemic.

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

### ADJUSTED EBITDA <sup>(1)</sup>

Fiscal 2021 first-quarter adjusted EBITDA increased by 10.5% (10.7% in constant currency) as a result of:

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

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

### FREE CASH FLOW <sup>(1)</sup>

Fiscal 2021 first-quarter free cash flow increased by 36.1% (36.3% in constant currency) mainly due to:

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

### ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2021 first-quarter acquisition of property, plant and equipment decreased by 4.5% (4.2% in constant currency) mainly due to:

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

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

In light of the financial results for the first quarter of fiscal 2021, and considering the acquisition of DERYtelecom, Cogeco and Cogeco Communications are revising their fiscal 2021 financial guidelines.

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

## 2.2 FISCAL 2021 REVISED FINANCIAL GUIDELINES

Cogeco and Cogeco Communications revised their fiscal 2021 financial guidelines as issued on October 27, 2020 giving effect to the impact from the acquisition of DERYtelecom which was completed on December 14, 2020, and considering the strong fiscal 2021 first-quarter financial results. The financial guidelines exclude possible acquisitions and do not take into consideration the potential impact of the review and variance process currently pending before the CRTC in connection with the final rates for aggregated wholesale Internet services for resellers. The projections take into consideration the experience gained while operating during the COVID-19 pandemic so far, but exclude potential unexpected significant material impacts from it.

### Cogeco

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

	Revised projections Fiscal 2021 (constant currency) <sup>(1)</sup>	Original projections Fiscal 2021 (constant currency)
	\$	\$
<b>Financial guidelines</b>		
Revenue	Mid to high single-digit percentage growth <sup>(2)</sup>	Low single-digit percentage growth
Adjusted EBITDA	Mid to high single-digit percentage growth <sup>(2)</sup>	Remain constant
Free cash flow	High single-digit percentage growth <sup>(3)</sup>	Low single-digit percentage growth

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

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

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

### Cogeco Communications

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

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

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

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

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

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

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

As for our radio operations, they were negatively impacted by the pandemic with a revenue decline of 13% in the quarter compared to the previous year, due to certain segments of the retail industry reducing or cutting their advertising activities. However, the decline in revenue was

an improvement compared to the previous quarter which had 29% year-over-year revenue decline. As it did in prior quarters, Cogeco Media managed its operating expenses tightly while maintaining quality programming.

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

### 3. BUSINESS DEVELOPMENTS

#### **Acquisition of DERYtelecom**

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

#### **CRTC's wholesale Internet services 2019 rate decision**

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, the Corporation, together with other telecommunications service providers (the "Telecommunications Service Providers"), filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. While leave to appeal and an interlocutory stay of the CRTC order were both granted, the FCA ultimately dismissed the appeal and lifted the stay on September 10, 2020. On November 12, 2020, the Telecommunications Service Providers sought leave to appeal the Federal Court of Appeal decision to the Supreme Court of Canada.

In parallel, on December 13, 2019, the Telecommunications Service Providers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the order. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition, on November 13, 2019, the Telecommunications Service Providers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Governor in Council rendered an order on August 15, 2020 confirming that the rates set by the CRTC decision do not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

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

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

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



## 4. OPERATING AND FINANCIAL RESULTS

### 4.1 OPERATING RESULTS

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Revenue	646,355	618,469	4.5	4.7	(1,171)
Operating expenses	325,265	327,960	(0.8)	(0.6)	(661)
Adjusted EBITDA	321,090	290,509	10.5	10.7	(510)

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

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

#### REVENUE

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian broadband services	328,009	320,807	2.2	2.2	—
American broadband services	290,904	266,020	9.4	9.8	(1,171)
<b>Cogeco Communications</b>	<b>618,913</b>	<b>586,827</b>	<b>5.5</b>	<b>5.7</b>	<b>(1,171)</b>
Other	27,442	31,642	(13.3)	(13.3)	—
<b>Consolidated</b>	<b>646,355</b>	<b>618,469</b>	<b>4.5</b>	<b>4.7</b>	<b>(1,171)</b>

Fiscal 2021 first-quarter revenue increased by 4.5% (4.7% in constant currency) resulting from organic growth in both the Canadian broadband services and the American broadband services segments, resulting mainly from growth in the Internet service customers given the increased demand for high speed offerings in the context of the COVID-19 pandemic, rate increases implemented for certain services, combined with the impact of the Thames Valley Communications acquisition completed on March 10, 2020 and increased political advertising revenue related to the United States' presidential election, which contributed to revenue growth in the American broadband services segment. The revenue increase in both the Canadian broadband services and the American broadband services segments was partly offset by lower revenue in the media activities due to a decline of the radio advertising market resulting directly from the COVID-19 pandemic as the bulk of its radio revenue is generated from the retail industry which was significantly impacted by the COVID-19 pandemic since the second half of fiscal 2020.

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

#### OPERATING EXPENSES

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian broadband services	141,895	149,845	(5.3)	(5.3)	(28)
American broadband services	152,378	144,370	5.5	6.0	(633)
Corporate and eliminations	7,695	5,117	50.4	50.4	—
<b>Cogeco Communications</b>	<b>301,968</b>	<b>299,332</b>	<b>0.9</b>	<b>1.1</b>	<b>(661)</b>
Other	23,297	28,628	(18.6)	(18.6)	—
<b>Consolidated</b>	<b>325,265</b>	<b>327,960</b>	<b>(0.8)</b>	<b>(0.6)</b>	<b>(661)</b>

Fiscal 2021 first-quarter operating expenses decreased by 0.8% (0.6% in constant currency) resulting from:

- lower operating expenses in the Canadian broadband services segment, as certain operating activities were deferred to the second half of the fiscal year 2021 in the context of the COVID-19 pandemic; and
- lower operating expenses in the media activities, as Cogeco Media tightly managed its costs in light of its revenue being adversely impacted by certain segments of the retail industry reducing or cutting their advertising activities in the context of the COVID-19 pandemic; partly offset by
- higher operating expenses in the American broadband services segment driven by the revenue growth, including higher operating expenses resulting from the impact of the Thames Valley Communications acquisition; and
- higher corporate costs.

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

## ADJUSTED EBITDA

	Three months ended				
	November 30, 2020	November 30, 2019	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian broadband services	186,114	170,962	8.9	8.8	28
American broadband services	138,526	121,650	13.9	14.3	(538)
Corporate and eliminations	(13,547)	(10,507)	28.9	28.9	—
<b>Cogeco Communications</b>	<b>311,093</b>	<b>282,105</b>	<b>10.3</b>	<b>10.5</b>	<b>(510)</b>
Other	9,997	8,404	19.0	19.0	—
<b>Consolidated</b>	<b>321,090</b>	<b>290,509</b>	<b>10.5</b>	<b>10.7</b>	<b>(510)</b>

Fiscal 2021 first-quarter adjusted EBITDA increased by 10.5% (10.7% in constant currency) as a result of:

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

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

## 4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

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

## 4.3 DEPRECIATION AND AMORTIZATION

	Three months ended		
	November 30, 2020	November 30, 2019	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Depreciation of property, plant and equipment <sup>(1)</sup>	110,709	109,955	0.7
Amortization of intangible assets	14,835	14,308	3.7
	<b>125,544</b>	<b>124,263</b>	<b>1.0</b>

(1) Includes depreciation of right-of-use assets amounting to \$2.0 million for the three-month period of fiscal 2021 and 2020.

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

## 4.4 FINANCIAL EXPENSE

	Three months ended		Change
	November 30, 2020	November 30, 2019	
(In thousands of Canadian dollars, except percentages)	\$	\$	%
Interest on long-term debt, excluding interest on lease liabilities	34,051	40,832	(16.6)
Interest on lease liabilities	585	647	(9.6)
Net foreign exchange loss (gain)	809	(4)	—
Amortization of deferred transaction costs	230	485	(52.6)
Capitalized borrowing costs	(50)	(151)	(66.9)
Other	654	(1,407)	—
	36,279	40,402	(10.2)

Fiscal 2021 first-quarter financial expense decreased by 10.2% mainly due to:

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

## 4.5 INCOME TAXES

	Three months ended		Change
	November 30, 2020	November 30, 2019	
(In thousands of Canadian dollars, except percentages)	\$	\$	%
Current	21,313	25,300	(15.8)
Deferred	16,326	6,248	—
	37,639	31,548	19.3

	Three months ended		Change
	November 30, 2020	November 30, 2019	
(In thousands of Canadian dollars, except percentages)	\$	\$	%
Profit before income taxes	158,086	125,764	25.7
Combined Canadian income tax rate	26.5 %	26.5 %	—
Income taxes at combined Canadian income tax rate	41,893	33,327	25.7
Difference in operations' statutory income tax rates	599	814	(26.4)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	221	(351)	—
Tax impacts related to foreign operations	(5,143)	(6,510)	(21.0)
Other	69	4,268	(98.4)
Income taxes at effective income tax rate	37,639	31,548	19.3
Effective income tax rate	23.8%	25.1%	(5.2)

Fiscal 2021 first-quarter income taxes expense increased by 19.3% mainly due to the increase in profit before income taxes.

## 4.6 PROFIT FOR THE PERIOD

	Three months ended		
	November 30, 2020	November 30, 2019	Change
<i>(In thousands of Canadian dollars, except percentages and earnings per share)</i>	\$	\$	%
Profit for the period	120,447	94,216	27.8
Profit for the period attributable to owners of the Corporation	40,489	31,284	29.4
Profit for the period attributable to non-controlling interest <sup>(1)</sup>	79,958	62,932	27.1
Basic earnings per share	2.55	1.96	30.1

(1) At November 30, 2020, the non-controlling interest relates to a participation of approximately 67.2% in the profit for the period attributable to owners of Cogeco Communications in addition to the 21% ownership of Caisse de dépôt et placement du Québec ("CDPQ") in Cogeco Communications' Atlantic Broadband subsidiary.

Fiscal 2021 first-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 27.8% and 29.4%, respectively, as a result of:

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

## 5. RELATED PARTY TRANSACTIONS

Cogeco held, as at November 30, 2020, 32.8% of Cogeco Communications' equity shares, representing 83% of the votes attached to Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to Cogeco Communications 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 Communications or the Corporation from time to time during the term of the Agreement. For the three-month period ended November 30, 2020, management fees paid by Cogeco Communications Inc. amounted to \$5.9 million compared to \$5.4 million for the same period of fiscal 2020.

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

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

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

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

## 6. CASH FLOWS ANALYSIS

	Three months ended		
	November 30, 2020	November 30, 2019	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Cash flows from operating activities	235,532	151,071	55.9
Cash flows used in investing activities	(125,416)	(121,835)	2.9
Cash flows used in financing activities	(84,276)	(47,611)	77.0
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(2,306)	99	—
<b>Net change in cash and cash equivalents</b>	<b>23,534</b>	<b>(18,276)</b>	<b>—</b>
Cash and cash equivalents, beginning of the period	406,113	559,393	(27.4)
<b>Cash and cash equivalents, end of the period</b>	<b>429,647</b>	<b>541,117</b>	<b>(20.6)</b>

### 6.1 OPERATING ACTIVITIES

Fiscal 2021 first-quarter cash flows from operating activities increased by 55.9% mainly from:

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

### 6.2 INVESTING ACTIVITIES

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

## ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

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

	Three months ended			Change in constant currency (1)
	November 30, 2020	November 30, 2019	Change	
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
<b>Canadian broadband services</b>	<b>65,610</b>	75,130	(12.7)	(12.5)
Capital intensity <sup>(2)</sup>	<b>20.0 %</b>	23.4 %		
<b>American broadband services</b>	<b>49,347</b>	45,833	7.7	8.2
Capital intensity <sup>(2)</sup>	<b>17.0 %</b>	17.2 %		
<b>Corporate and eliminations</b>	<b>1,265</b>	339	—	—
<b>Cogeco Communications</b>	<b>116,222</b>	121,302	(4.2)	(3.9)
Capital intensity <sup>(2)</sup>	<b>18.8 %</b>	20.7 %		
<b>Other</b>	<b>269</b>	728	(63.0)	(63.0)
<b>Consolidated</b>	<b>116,491</b>	122,030	(4.5)	(4.2)

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

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

Fiscal 2021 first-quarter acquisition of property, plant and equipment decreased by 4.5% (4.2% in constant currency) mainly due to:

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

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

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

## 6.3 FINANCING ACTIVITIES

### ISSUANCE AND REPAYMENT OF DEBT

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

	Three months ended		
	November 30, 2020	November 30, 2019	Explanations
(In thousands of Canadian dollars)	\$	\$	
(Decrease) increase in bank indebtedness	(5,076)	13,137	Timing of payments made to suppliers.
Net decrease under the revolving facilities	(35,091)	(1,335)	Timing of repayment of the revolving facilities.
Repayment of notes, debentures and credit facilities	(5,554)	(5,648)	Comparable.
Repayment of lease liabilities	(1,422)	(1,565)	Comparable.
Repayment of balance due on business combinations	(1,258)	(3,228)	Repayment of the balance related to the FiberLight acquisition.
	(48,401)	1,361	

### DIVIDENDS

During the first quarter of fiscal 2021, a quarterly eligible dividend of \$0.545 per share was paid to the holders of multiple and subordinate voting shares, totalling \$8.7 million, compared to a quarterly eligible dividend of \$0.475 per share, or \$7.6 million, in the first quarter of fiscal 2020.

### NORMAL COURSE ISSUER BID ("NCIB")

#### Cogeco

The Corporation did not renew its NCIB program following the end of the program on August 1, 2020.

During the first quarter of fiscal 2020, Cogeco had purchased and cancelled 23,440 subordinate voting shares with an average price per share repurchased of \$98.74 for a total consideration of \$2.3 million.

#### Cogeco Communications

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

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

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

## 6.4 FREE CASH FLOW

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	\$	\$	%	%	\$
Adjusted EBITDA <sup>(3)</sup>	321,090	290,509	10.5	10.7	(510)
Amortization of deferred transaction costs and discounts on long-term debt	2,297	2,558	(10.2)	(10.5)	(8)
Share-based payment	1,140	3,219	(64.6)	(64.6)	—
(Gain) loss on disposals and write-offs of property, plant and equipment	(568)	984	—	—	—
Defined benefit plans expense, net of contributions	963	1,000	(3.7)	(3.7)	—
Integration, restructuring and acquisition costs	(1,181)	(80)	—	—	—
Financial expense	(36,279)	(40,402)	(10.2)	(10.5)	110
Current income taxes	(21,313)	(25,300)	(15.8)	(15.2)	(137)
Acquisition of property, plant and equipment	(116,491)	(122,030)	(4.5)	(4.2)	391
Repayment of lease liabilities	(1,422)	(1,565)	(9.1)	(9.3)	3
<b>Free cash flow <sup>(3)</sup></b>	<b>148,236</b>	<b>108,893</b>	<b>36.1</b>	<b>36.3</b>	<b>(151)</b>

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

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

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

Fiscal 2021 first-quarter free cash flow increased by 36.1% (36.3% in constant currency) mainly due to the following:

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

## 6.5 DIVIDEND DECLARATION

At its January 14, 2021 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of \$0.545 per share for multiple voting and subordinate voting shares, payable on February 11, 2021 to shareholders of record on January 28, 2021. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

## 7. SEGMENTED OPERATING AND FINANCIAL RESULTS

The Corporation reports its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities, makes decisions about resources to be allocated to the segments and assesses their performance. The Corporation changed the presentation of its operating segments information in order to align with the operating segments presentation of Cogeco Communications.

### 7.1 CANADIAN BROADBAND SERVICES

#### OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Revenue	328,009	320,807	2.2	2.2	—
Operating expenses	141,895	149,845	(5.3)	(5.3)	(28)
Adjusted EBITDA	186,114	170,962	8.9	8.8	28
Adjusted EBITDA margin	56.7 %	53.3 %			
Acquisition of property, plant and equipment	65,610	75,130	(12.7)	(12.5)	(139)
Capital intensity <sup>(3)</sup>	20.0 %	23.4 %			

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

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

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

#### REVENUE

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

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

#### OPERATING EXPENSES

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

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

#### ADJUSTED EBITDA

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

#### ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

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

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

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



## PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

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

(1) As a percentage of homes passed.

### INTERNET

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

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

### VIDEO

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

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

### TELEPHONY

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

- increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

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

### DISTRIBUTION OF CUSTOMERS

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

## 7.2 AMERICAN BROADBAND SERVICES

### OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2020 (1)	November 30, 2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
<i>(In thousands of Canadian dollars, except percentages)</i>	<i>\$</i>	<i>\$</i>	<i>%</i>	<i>%</i>	<i>\$</i>
Revenue	290,904	266,020	9.4	9.8	(1,171)
Operating expenses	152,378	144,370	5.5	6.0	(633)
Adjusted EBITDA	138,526	121,650	13.9	14.3	(538)
Adjusted EBITDA margin	47.6 %	45.7 %			
Acquisition of property, plant and equipment	49,347	45,833	7.7	8.2	(252)
Capital intensity <sup>(3)</sup>	17.0 %	17.2 %			

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

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

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

#### REVENUE

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

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

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

#### OPERATING EXPENSES

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

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

#### ADJUSTED EBITDA

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

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

#### ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

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

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

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

## PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

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

(1) As a percentage of homes passed.

### INTERNET

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

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

### VIDEO

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

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

### TELEPHONY

Fiscal 2021 first-quarter telephony service customers net additions amounted to 1,349 compared to 715 for the same period of the prior year. The additions in fiscal 2021 first-quarter were due to:

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

### DISTRIBUTION OF CUSTOMERS

At November 30, 2020, 49% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

## 8. FINANCIAL POSITION

### 8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco generally maintains a working capital deficiency, when excluding cash and cash equivalents and bank indebtedness, due to a low level of trade and other receivables since a large proportion of the Corporation's customers pay before their services are rendered, while trade and other payables are usually paid after products are delivered or services are rendered. The Corporation has however recently maintained working capital surpluses due to cash and cash equivalents significantly exceeding bank indebtedness.

The variations are as follows:

	November 30, 2020	August 31, 2020	Change	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	
<b>Current assets</b>				
Cash and cash equivalents	429,647	406,113	23,534	Please refer to the "Cash flows analysis" section.
Trade and other receivables	108,320	97,414	10,906	Mainly related to revenue growth compared to the previous quarter.
Income taxes receivable	5,864	4,835	1,029	Not significant.
Prepaid expenses and other	52,138	30,197	21,941	Mainly related to the increase in prepayments for annual maintenance agreements.
	595,969	538,559	57,410	
<b>Current liabilities</b>				
Bank indebtedness	2,534	7,610	(5,076)	Timing of payments made to suppliers.
Trade and other payables	242,666	226,247	16,419	Timing of payments made to suppliers.
Provisions	34,829	34,114	715	Not significant.
Income tax liabilities	20,079	40,040	(19,961)	Related to the payment of income tax installments, partly offset by the current income taxes expense for the period.
Contract liabilities and other liabilities	42,728	47,387	(4,659)	Not significant.
Derivative financial instruments	2,370	4,374	(2,004)	Not significant.
Current portion of long-term debt	66,308	32,914	33,394	Mainly related to the Unsecured Debentures maturing in November 2021, which was classified as current portion as at November 2020.
	411,514	392,686	18,828	
<b>Working capital surplus</b>	184,455	145,873	38,582	

## 8.2 OTHER SIGNIFICANT CHANGES

	November 30, 2020	August 31, 2020	Change	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	
<b>Non-current assets</b>				
Intangible assets	2,861,328	2,886,556	(25,228)	Depreciation of the US dollar against the Canadian dollar and amortization for the period.
Goodwill	1,400,933	1,409,036	(8,103)	Depreciation of the US dollar against the Canadian dollar.
<b>Non-current liabilities</b>				
Long-term debt	3,102,908	3,192,301	(89,393)	Related to the decrease in the Corporation's Term Revolving Facility, the classification of the Unsecured Debentures as current portion of long-term debt, the depreciation of the US dollar against the Canadian dollar and the quarterly repayment on the Senior Secured Term Loan B Facility.
Deferred tax liabilities	646,302	631,128	15,174	Timing of reversals of temporary differences.

## 8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at December 31, 2020 is presented in the table below. Additional details are provided in note 11 B) of the condensed interim consolidated financial statements.

<i>(In thousands of Canadian dollars, except number of shares)</i>	Number of shares	Amount \$
<b>Common shares</b>		
Multiple voting shares	1,602,217	10
Subordinate voting shares	14,399,638	115,237

## 8.4 FINANCING

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

At November 30, 2020, the Corporation had used \$14.3 million of its \$100 million Term Revolving Facility and an amount of \$0.02 million was used from Cogeco Communications' Term Revolving Facility of \$750 million, for remaining availabilities of \$85.7 million and \$749.98 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of \$194.5 million (US\$150 million), of which \$3.1 million (US\$2.4 million) was used at November 30, 2020 for a remaining availability of \$191.3 million (US\$147.6 million).

## 8.5 COGECO COMMUNICATIONS CREDIT RATINGS

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

At November 30, 2020	S&P	DBRS	Moody's
<b>Cogeco Communications</b>			
Senior Secured Notes and Debentures	BBB-	BBB (low)	NR
<b>Atlantic Broadband</b>			
First Lien Credit Facilities	BB	NR	B1

NR : Not rated

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

## 8.6 FINANCIAL RISK MANAGEMENT

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

### Credit risk

The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents, and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the condensed interim consolidated statements of financial position.

The Corporation reduces the credit risk with regards to the derivative financial instruments by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. At November 30, 2020, management believes this credit risk to be minimal, since the lowest credit rating of the counterparties to the agreements is "A-" by Standard & Poor's rating services ("S&P").

Cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote.

To mitigate the credit risk in relation to its trade accounts receivable, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Furthermore, a large portion of the Corporation's customers are billed and pay before the services are rendered. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and the United States, there is no significant concentration of credit risk.

### Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2020, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' 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, Cogeco Communications' US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2020:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately \$6.9 million based on the outstanding debt and swap agreements at November 30, 2020.

### Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase the annual financial expense by approximately \$9.5 million based on the outstanding debt and swap agreements at November 30, 2020.

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

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

## 8.7 FOREIGN CURRENCY

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

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

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

	Canadian broadband services	American broadband services	Consolidated <sup>(1)</sup>
	Exchange rate impact	Exchange rate impact	Exchange rate impact
Three months ended November 30, 2020			
(In thousands of Canadian dollars)	\$	\$	\$
Revenue	—	(1,171)	(1,171)
Operating expenses	(28)	(633)	(661)
Adjusted EBITDA	28	(538)	(510)
Acquisition of property, plant and equipment	(139)	(252)	(391)
Free cash flow			(151)

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

## 9. CONTROLS AND PROCEDURES

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

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

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

## 10. UNCERTAINTIES AND MAIN RISK FACTORS

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

### Potential impact of a new US administration on our business

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

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

# 11. ACCOUNTING POLICIES

## ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

### Amendments to IFRS 3

In October 2018, the IASB amended IFRS 3, *Business combinations*, to clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. Effective September 1, 2020, the Corporation adopted these amendments, which had no impact on the consolidated financial statements. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future acquisitions and they may affect whether those future acquisitions are accounted for as business combinations or as asset acquisitions, along with the allocation of the purchase price between the net identifiable assets acquired and goodwill.



## 12. NON-IFRS FINANCIAL MEASURES

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

This MD&A also makes reference to key performance indicators on a constant currency basis, including revenue, "adjusted EBITDA", acquisition of property, plant and equipment and "free cash flow". Measures on a constant currency basis are considered non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. In addition, this MD&A refers to the capital intensity of the Canadian broadband services and the American broadband services segments, a key performance indicator used by Cogeco Communications' management and investors to assess the Cogeco Communication's investment in capital expenditures in order to support a certain level of revenue. This financial measure does not have standard definitions prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

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

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

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

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

## 12.1 ADJUSTED EBITDA RECONCILIATION

The reconciliation of adjusted EBITDA to the most comparable IFRS financial measure is as follows:

	Three months ended	
	November 30, 2020	November 30, 2019
<i>(In thousands of Canadian dollars)</i>	\$	\$
<b>Profit for the period</b>	<b>120,447</b>	94,216
Income taxes	<b>37,639</b>	31,548
Financial expense	<b>36,279</b>	40,402
Depreciation and amortization	<b>125,544</b>	124,263
Integration, restructuring and acquisition costs	<b>1,181</b>	80
<b>Adjusted EBITDA</b>	<b>321,090</b>	290,509

## 12.2 FREE CASH FLOW RECONCILIATION

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

	Three months ended	
	November 30, 2020	November 30, 2019
<i>(In thousands of Canadian dollars)</i>	\$	\$
<b>Cash flows from operating activities</b>	<b>235,532</b>	151,071
Amortization of deferred transaction costs and discounts on long-term debt	<b>2,297</b>	2,558
Changes in non-cash operating activities	<b>19,262</b>	86,656
Income taxes paid	<b>42,188</b>	17,221
Current income taxes	<b>(21,313)</b>	(25,300)
Financial expense paid	<b>24,462</b>	40,684
Financial expense	<b>(36,279)</b>	(40,402)
Acquisition of property, plant and equipment	<b>(116,491)</b>	(122,030)
Repayment of lease liabilities	<b>(1,422)</b>	(1,565)
<b>Free cash flow</b>	<b>148,236</b>	108,893

## 13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	November 30,		August 31,		May 31,		February 29,	February 28,
	2020	2019	2020	2019	2020	2019	2020	2019
<i>(In thousands of Canadian dollars, except per share data)</i>	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operations</b>								
Revenue	646,355	618,469	624,195	610,510	626,013	617,617	610,797	608,574
Adjusted EBITDA	321,090	290,509	299,925	280,981	298,444	289,935	279,609	284,863
Integration, restructuring and acquisition costs	1,181	80	6,012	839	12	1,155	5,458	3,823
Profit for the period from continuing operations	120,447	94,216	96,737	95,193	97,496	102,559	113,384	87,646
Profit (loss) for the period from discontinued operations	—	—	—	1,920	—	82,451	—	(5,369)
Profit for the period	120,447	94,216	96,737	97,113	97,496	185,010	113,384	82,277
Profit for the period from continuing operations attributable to owners of the Corporation	40,489	31,284	30,707	30,798	31,118	33,744	34,975	27,366
Profit for the period attributable to owners of the Corporation	40,489	31,284	30,707	31,445	31,118	59,883	34,975	25,667
<b>Cash flow</b>								
Cash flows from operating activities	235,532	151,071	262,365	314,905	292,075	267,388	236,117	204,665
Acquisition of property, plant and equipment	116,491	122,030	130,210	146,599	123,778	97,169	111,222	94,138
Free cash flow <sup>(1)</sup>	148,236	108,893	111,012	87,611	119,153	140,393	125,067	128,229
<b>Per share data <sup>(2)</sup></b>								
Earnings (loss) per share								
Basic								
From continuing operations	2.55	1.96	1.93	1.91	1.96	2.09	2.19	1.69
From discontinued operations	—	—	—	0.04	—	1.62	—	(0.10)
From continuing and discontinued operations	2.55	1.96	1.93	1.95	1.96	3.71	2.19	1.58
Diluted								
From continuing operations	2.53	1.94	1.92	1.89	1.94	2.07	2.18	1.67
From discontinued operations	—	—	—	0.04	—	1.61	—	(0.10)
From continuing and discontinued operations	2.53	1.94	1.92	1.93	1.94	3.68	2.18	1.57
Dividends per share	0.545	0.475	0.475	0.43	0.475	0.43	0.475	0.43

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

(2) Per multiple and subordinate voting share.

### 13.1 SEASONAL VARIATIONS

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



## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Three-month period ended November 30, 2020

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

		Three months ended November 30,	
	Notes	2020	2019
<i>(In thousands of Canadian dollars, except per share data)</i>		\$	\$
<b>Revenue</b>	3	<b>646,355</b>	618,469
Operating expenses	5	<b>325,265</b>	327,960
Integration, restructuring and acquisition costs	4	<b>1,181</b>	80
Depreciation and amortization	6	<b>125,544</b>	124,263
Financial expense	7	<b>36,279</b>	40,402
<b>Profit before income taxes</b>		<b>158,086</b>	125,764
Income taxes	8	<b>37,639</b>	31,548
<b>Profit for the period</b>		<b>120,447</b>	94,216
<b>Profit for the period attributable to:</b>			
Owners of the Corporation		<b>40,489</b>	31,284
Non-controlling interest		<b>79,958</b>	62,932
		<b>120,447</b>	94,216
<b>Earnings per share</b>			
Basic	9	<b>2.55</b>	1.96
Diluted	9	<b>2.53</b>	1.94

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

	Three months ended November 30,	
	2020	2019
<i>(In thousands of Canadian dollars)</i>	\$	\$
<b>Profit for the period</b>	<b>120,447</b>	94,216
<b>Other comprehensive income</b>		
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	8,392	15,129
Related income taxes	(2,223)	(3,985)
	<b>6,169</b>	11,144
<i>Foreign currency translation adjustments</i>		
Net foreign currency translation differences on net investments in foreign operations	(11,556)	(669)
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	3,003	234
Related income taxes	25	—
	<b>(8,528)</b>	(435)
	<b>(2,359)</b>	10,709
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	5,292	6,765
Related income taxes	(1,403)	(1,793)
	<b>3,889</b>	4,972
	<b>1,530</b>	15,681
<b>Comprehensive income for the period</b>	<b>121,977</b>	109,897
<b>Comprehensive income for the period attributable to:</b>		
Owners of the Corporation	43,032	37,965
Non-controlling interest	78,945	71,932
	<b>121,977</b>	109,897

# COGECO INC.

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Equity attributable to owners of the Corporation					Total shareholders' equity
	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to non-controlling interest	
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	\$
	(Note 11)		(Note 12)			
Balance at August 31, 2019	106,106	9,165	10,116	629,381	1,869,111	2,623,879
Profit for the period	—	—	—	31,284	62,932	94,216
Other comprehensive income for the period	—	—	3,449	3,232	9,000	15,681
Comprehensive income for the period	—	—	3,449	34,516	71,932	109,897
Share-based payment	—	1,158	—	—	970	2,128
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(223)	—	—	4,718	4,495
Dividends (Note 11 C))	—	—	—	(7,599)	(19,420)	(27,019)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(2,449)	2,449	—
Purchase and cancellation of subordinate voting shares	(190)	—	—	(2,124)	—	(2,314)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,801)	—	—	—	—	(2,801)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	2,325	(1,494)	—	(831)	—	—
Purchase and cancellation of subordinate voting shares by a subsidiary	—	—	—	(3,722)	(11,968)	(15,690)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(5,643)	(5,643)
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(941)	—	(227)	1,168	—
Total distributions to shareholders	(666)	(1,500)	—	(16,952)	(27,726)	(46,844)
Balance at November 30, 2019	105,440	7,665	13,565	646,945	1,913,317	2,686,932
<b>Balance at August 31, 2020</b>	<b>105,019</b>	<b>11,120</b>	<b>(2,445)</b>	<b>647,807</b>	<b>1,944,598</b>	<b>2,706,099</b>
Profit for the period	—	—	—	40,489	79,958	120,447
Other comprehensive income (loss) for the period	—	—	(2)	2,545	(1,013)	1,530
Comprehensive income for the period	—	—	(2)	43,034	78,945	121,977
Share-based payment	—	615	—	—	753	1,368
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(14)	—	—	286	272
Dividends (Note 11 C))	—	—	—	(8,653)	(20,502)	(29,155)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(226)	226	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(1,074)	—	—	—	—	(1,074)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,203	(3,189)	—	(14)	—	—
Purchase and cancellation of subordinate voting shares by a subsidiary	—	—	—	(348)	(1,131)	(1,479)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(4,439)	(4,439)
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,476)	—	(49)	1,525	—
Total contributions by (distributions to) shareholders	2,129	(4,064)	—	(9,290)	(23,282)	(34,507)
<b>Balance at November 30, 2020</b>	<b>107,148</b>	<b>7,056</b>	<b>(2,447)</b>	<b>681,551</b>	<b>2,000,261</b>	<b>2,793,569</b>

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

	Notes	November 30, 2020	August 31, 2020
		\$	\$
<i>(In thousands of Canadian dollars)</i>			
<b>Assets</b>			
Current			
Cash and cash equivalents	13 B)	429,647	406,113
Trade and other receivables		108,320	97,414
Income taxes receivable		5,864	4,835
Prepaid expenses and other		52,138	30,197
		<b>595,969</b>	538,559
Non-current			
Other assets		45,783	45,465
Property, plant and equipment		2,123,956	2,124,214
Intangible assets		2,861,328	2,886,556
Goodwill		1,400,933	1,409,036
Deferred tax assets		18,046	20,866
		<b>7,046,015</b>	7,024,696
<b>Liabilities and Shareholders' equity</b>			
<b>Liabilities</b>			
Current			
Bank indebtedness		2,534	7,610
Trade and other payables		242,666	226,247
Provisions		34,829	34,114
Income tax liabilities		20,079	40,040
Contract liabilities and other liabilities		42,728	47,387
Derivative financial instruments		2,370	4,374
Current portion of long-term debt	10	66,308	32,914
		<b>411,514</b>	392,686
Non-current			
Long-term debt	10	3,102,908	3,192,301
Derivative financial instruments		61,175	67,375
Contract liabilities and other liabilities		11,797	11,800
Pension plan liabilities and accrued employee benefits		18,750	23,307
Deferred tax liabilities		646,302	631,128
		<b>4,252,446</b>	4,318,597
<b>Shareholders' equity</b>			
Equity attributable to owners of the Corporation			
Share capital	11 B)	107,148	105,019
Share-based payment reserve		7,056	11,120
Accumulated other comprehensive loss	12	(2,447)	(2,445)
Retained earnings		681,551	647,807
		<b>793,308</b>	761,501
Equity attributable to non-controlling interest		2,000,261	1,944,598
		<b>2,793,569</b>	2,706,099
		<b>7,046,015</b>	7,024,696

Contingencies (Note 16)  
Subsequent event (Note 17)



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

		Three months ended November 30,	
	Notes	2020	2019
(In thousands of Canadian dollars)		\$	\$
<b>Cash flows from operating activities</b>			
Profit for the period		120,447	94,216
Adjustments for:			
Depreciation and amortization	6	125,544	124,263
Financial expense	7	36,279	40,402
Income taxes	8	37,639	31,548
Share-based payment		1,140	3,219
(Gain) loss on disposals and write-offs of property, plant and equipment		(568)	984
Defined benefit plans expense, net of contributions		963	1,000
		321,444	295,632
Changes in non-cash operating activities	13 A)	(19,262)	(86,656)
Financial expense paid		(24,462)	(40,684)
Income taxes paid		(42,188)	(17,221)
		235,532	151,071
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(116,491)	(122,030)
Advance payment related to a business combination		(10,000)	—
Proceeds on disposals of property, plant and equipment		1,075	195
		(125,416)	(121,835)
<b>Cash flows from financing activities</b>			
(Decrease) increase in bank indebtedness		(5,076)	13,137
Net decrease under the revolving facilities		(35,091)	(1,335)
Repayment of notes, debentures and credit facilities		(5,554)	(5,648)
Repayment of lease liabilities		(1,422)	(1,565)
Repayment of balance due on business combinations		(1,258)	(3,228)
Purchase and cancellation of subordinate voting shares		—	(2,314)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	11 B)	(1,074)	(2,801)
Dividends paid on multiple and subordinate voting shares	11 C)	(8,653)	(7,599)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		272	4,495
Purchase and cancellation of subordinate voting shares by a subsidiary		(1,479)	(15,690)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		(4,439)	(5,643)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	11 C)	(20,502)	(19,420)
		(84,276)	(47,611)
<b>Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency</b>		(2,306)	99
<b>Net change in cash and cash equivalents</b>		23,534	(18,276)
Cash and cash equivalents, beginning of the period		406,113	559,393
<b>Cash and cash equivalents, end of the period</b>		429,647	541,117

# COGECO INC.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### November 30, 2020

(unaudited)

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

## NATURE OF OPERATIONS

Cogeco Inc. ("Cogeco" or the "Corporation") is a diversified holding corporation which operates in the communications and media sectors.

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

Its Cogeco Media subsidiary owns and operates 23 radio stations with complementary radio formats and extensive coverage serving a wide range of audiences mainly across the province of Québec, as well as Cogeco News, its news agency.

Cogeco is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CGO". The subordinate voting shares of Cogeco Communications are also listed on the TSX under the trading symbol "CCA".

The Corporation's registered office is located at 1 Place Ville Marie, Suite 3301, Montréal, Québec, H3B 3N2.

## 1. BASIS OF PRESENTATION

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

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

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results, except that the number of Internet and video services customers are generally lower in the second half of a fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several towns with educational institutions. In the American broadband services segment, certain areas are also subject to seasonal fluctuations during the winter and summer seasons.

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

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

**COGECO INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**November 30, 2020**

(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, 2020						
	Cogeco Communications					Consolidated
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total	Other	
	\$	\$	\$	\$	\$	\$
<b>Revenue <sup>(1)</sup></b>	<b>328,009</b>	<b>290,904</b>	<b>—</b>	<b>618,913</b>	<b>27,442</b>	<b>646,355</b>
Operating expenses	141,895	152,378	7,695	301,968	23,297	325,265
Management fees – Cogeco Inc.	—	—	5,852	5,852	(5,852)	—
<b>Segment profit (loss)</b>	<b>186,114</b>	<b>138,526</b>	<b>(13,547)</b>	<b>311,093</b>	<b>9,997</b>	<b>321,090</b>
Integration, restructuring and acquisition costs <sup>(2)</sup>				1,215	(34)	1,181
Depreciation and amortization				124,250	1,294	125,544
Financial expense				35,210	1,069	36,279
<b>Profit before income taxes</b>				<b>150,418</b>	<b>7,668</b>	<b>158,086</b>
Income taxes				35,522	2,117	37,639
<b>Profit for the period</b>				<b>114,896</b>	<b>5,551</b>	<b>120,447</b>
Acquisition of property, plant and equipment	65,610	49,347	1,265	116,222	269	116,491

(1) Revenue by geographic market includes \$355,451 in Canada and \$290,904 in the United States.

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

Three months ended November 30, 2019						
	Cogeco Communications					Consolidated
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total	Other	
	\$	\$	\$	\$	\$	\$
<b>Revenue <sup>(1)</sup></b>	<b>320,807</b>	<b>266,020</b>	<b>—</b>	<b>586,827</b>	<b>31,642</b>	<b>618,469</b>
Operating expenses	149,845	144,370	5,117	299,332	28,628	327,960
Management fees – Cogeco Inc.	—	—	5,390	5,390	(5,390)	—
<b>Segment profit (loss)</b>	<b>170,962</b>	<b>121,650</b>	<b>(10,507)</b>	<b>282,105</b>	<b>8,404</b>	<b>290,509</b>
Integration, restructuring and acquisition costs				61	19	80
Depreciation and amortization				123,135	1,128	124,263
Financial expense				39,270	1,132	40,402
<b>Profit before income taxes</b>				<b>119,639</b>	<b>6,125</b>	<b>125,764</b>
Income taxes				29,931	1,617	31,548
<b>Profit for the period</b>				<b>89,708</b>	<b>4,508</b>	<b>94,216</b>
Acquisition of property, plant and equipment	75,130	45,833	339	121,302	728	122,030

(1) Revenue by geographic market includes \$352,449 in Canada and \$266,020 in the United States.

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## 5. OPERATING EXPENSES

	Three months ended November 30,	
	2020	2019
	\$	\$
Salaries, employee benefits and outsourced services	108,602	111,486
Service delivery costs	168,335	164,927
Customer related costs	20,930	24,489
Other external purchases	27,398	27,058
	325,265	327,960

## 6. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2020	2019
	\$	\$
Depreciation of property, plant and equipment <sup>(1)</sup>	110,709	109,955
Amortization of intangible assets	14,835	14,308
	125,544	124,263

(1) Includes depreciation of right-of-use assets amounting to \$2.0 million for the three-month period of fiscal 2021 and 2020.

## 7. FINANCIAL EXPENSE

	Three months ended November 30,	
	2020	2019
	\$	\$
Interest on long-term debt, excluding interest on lease liabilities	34,051	40,832
Interest on lease liabilities	585	647
Net foreign exchange loss (gain)	809	(4)
Amortization of deferred transaction costs	230	485
Capitalized borrowing costs	(50)	(151)
Other	654	(1,407)
	36,279	40,402

## 8. INCOME TAXES

	Three months ended November 30,	
	2020	2019
	\$	\$
Current	21,313	25,300
Deferred	16,326	6,248
	37,639	31,548

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

	Three months ended November 30,	
	2020	2019
	\$	\$
Profit before income taxes	158,086	125,764
Combined Canadian income tax rate	26.5 %	26.5 %
Income taxes at combined Canadian income tax rate	41,893	33,327
Difference in operations' statutory income tax rates	599	814
Impact on income taxes arising from non-deductible expenses and non-taxable profit	221	(351)
Tax impacts related to foreign operations	(5,143)	(6,510)
Other	69	4,268
Income taxes at effective income tax rate	37,639	31,548
Effective income tax rate	23.8%	25.1%

## 9. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2020	2019
	\$	\$
Profit for the period attributable to owners of the Corporation	40,489	31,284
Weighted average number of multiple and subordinate voting shares outstanding	15,883,525	15,978,909
Effect of dilutive incentive share units	57,785	63,210
Effect of dilutive performance share units	51,907	64,243
Weighted average number of diluted multiple and subordinate voting shares outstanding	15,993,217	16,106,362

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## 10. LONG-TERM DEBT

	November 30, 2020	August 31, 2020
	\$	\$
Notes, debentures and credit facilities	3,104,586	3,157,678
Lease liabilities	61,030	62,681
Balance due on business combinations	3,600	4,856
	3,169,216	3,225,215
Less current portion	66,308	32,914
	3,102,908	3,192,301

### Notes, debentures and credit facilities

	Maturity	Interest rate %	November 30, 2020	August 31, 2020
			\$	\$
<b>Corporation</b>				
Term Revolving Facility				
Revolving loan	February 2025	—	—	49,899
Revolving loan - US\$11 million <sup>(1)</sup>	February 2025	1.35 <sup>(3)</sup>	14,262	—
Unsecured Debentures <sup>(2)</sup>	November 2021	6.50	35,281	35,268
<b>Subsidiaries</b>				
Senior Secured Notes				
Series A - US\$25 million	September 2024	4.14	32,349	32,538
Series B - US\$150 million	September 2026	4.29	193,987	195,123
Senior Secured Notes - US\$215 million	June 2025	4.30	278,066	279,687
Senior Secured Debentures Series 3	February 2022	4.93	199,727	199,671
Senior Secured Debentures Series 4	May 2023	4.18	299,112	299,027
First Lien Credit Facilities				
Senior Secured Term Loan B Facility - US\$1,622.5 million (US\$1,626.8 million at August 31, 2020)	January 2025	2.15 <sup>(3) (4)</sup>	2,051,802	2,066,465
			3,104,586	3,157,678
Less current portion			57,321	22,171
			3,047,265	3,135,507

- (1) An amount of US\$11 million drawn under the Corporation's Term Revolving Facility was hedged until January 8, 2021, using a cross-currency swap agreement which sets the amount redeemable at maturity at \$14.3 million and the effective interest rate on the Canadian dollar equivalent at 1.2%.
- (2) In April 2020, the Corporation had consented to a moratorium on interest payments for one semester initiated by one of the lenders. Therefore, the interest accrued between November 7, 2019 and May 6, 2020 for that lender had been capitalized and will be repaid at the maturity of the unsecured debentures on November 8, 2021.
- (3) Interest rate on debt includes the applicable credit spread.
- (4) A US subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of US\$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate into fixed rates ranging from 2.017% to 2.262% for maturities between January 31, 2021 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 3.50%.

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## 11. SHARE CAPITAL

### A) AUTHORIZED

Unlimited number of:

Preferred shares of first and second rank, issuable in series and non-voting, except when specified in the Articles of Incorporation of the Corporation or in the Law.

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

### B) ISSUED AND PAID

	November 30, 2020	August 31, 2020
	\$	\$
1,602,217 multiple voting shares	10	10
14,399,638 subordinate voting shares	115,237	115,237
	115,247	115,247
50,149 subordinate voting shares held in trust under the Incentive Share Unit Plan (60,511 at August 31, 2020)	(4,047)	(4,938)
50,898 subordinate voting shares held in trust under the Performance Share Unit Plan (66,443 at August 31, 2020)	(4,052)	(5,290)
	107,148	105,019

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

	Number of shares	Amount \$
Balance at August 31, 2020	60,511	4,938
Subordinate voting shares acquired	13,713	1,074
Subordinate voting shares distributed to employees	(24,075)	(1,965)
<b>Balance at November 30, 2020</b>	<b>50,149</b>	<b>4,047</b>

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

	Number of shares	Amount \$
Balance at August 31, 2020	66,443	5,290
Subordinate voting shares distributed to employees	(15,545)	(1,238)
<b>Balance at November 30, 2020</b>	<b>50,898</b>	<b>4,052</b>



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**C) DIVIDENDS**

For the three-month period ended November 30, 2020, a quarterly eligible dividend of \$0.545 per share was paid to the holders of multiple and subordinate voting shares, totaling \$8.7 million, compared to a quarterly eligible dividend of \$0.475 per share or \$7.6 million for the three-month period ended November 30, 2019.

For the three-month period ended November 30, 2020, a quarterly eligible dividend of \$0.64 per share, for a total of \$20.5 million, was paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest, compared to a quarterly eligible dividend of \$0.58 per share, for a total of \$19.4 million for the three-month period ended November 30, 2019.

	Three months ended November 30,	
	2020	2019
	\$	\$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	873	861
Dividends on subordinate voting shares	7,780	6,738
	8,653	7,599
Attributable to non-controlling interest		
Dividends on subordinate voting shares	20,502	19,420

At its January 14, 2021 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of \$0.545 per share for multiple and subordinate voting shares, payable on February 11, 2021 to shareholders of record on January 28, 2021.

**D) SHARE-BASED PAYMENT PLANS**

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

For the three-month period ended November 30, 2020, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at November 30, 2020 and August 31, 2020.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at November 30, 2020:

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

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

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

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

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

Outstanding at August 31, 2020	59,400
Granted <sup>(1)</sup>	14,825
Distributed	(24,075)
Cancelled	(800)
<b>Outstanding at November 30, 2020</b>	<b>49,350</b>

(1) The weighted average fair value of the ISUs granted during the period was \$80.35.

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at November 30, 2020:

Outstanding at August 31, 2020	76,141
Granted <sup>(1)</sup>	24,900
Distributed	(24,282)
Cancelled	(2,409)
<b>Outstanding at November 30, 2020</b>	<b>74,350</b>

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

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

Outstanding at August 31, 2020	65,063
Granted <sup>(1)</sup>	12,225
Distributed	(15,545)
Cancelled	(13,825)
Dividend equivalents	329
<b>Outstanding at November 30, 2020</b>	<b>48,247</b>

(1) The weighted average fair value of the PSUs granted during the period was \$80.35.

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at November 30, 2020:

Outstanding at August 31, 2020	112,886
Granted <sup>(1)</sup>	32,325
Distributed	(30,767)
Cancelled	(10,768)
Dividend equivalents	696
<b>Outstanding at November 30, 2020</b>	<b>104,372</b>

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

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

Outstanding at August 31, 2020	38,320
Dividend equivalents	259
<b>Outstanding at November 30, 2020</b>	<b>38,579</b>

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at November 30, 2020:

Outstanding at August 31, 2020	50,958
Dividend equivalents	339
<b>Outstanding at November 30, 2020</b>	<b>51,297</b>

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

	Three months ended November 30,	
	2020	2019
	\$	\$
Stock options	613	469
ISUs	841	707
PSUs	(86)	952
DSUs	(228)	1,091
	<b>1,140</b>	<b>3,219</b>

## 12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	\$	\$	\$
Balance at August 31, 2019	(10,740)	20,856	10,116
Other comprehensive income (loss)	3,544	(95)	3,449
Balance at November 30, 2019	(7,196)	20,761	13,565
Balance at August 31, 2020	(16,780)	14,335	(2,445)
Other comprehensive income (loss)	1,762	(1,764)	(2)
<b>Balance at November 30, 2020</b>	<b>(15,018)</b>	<b>12,571</b>	<b>(2,447)</b>

## 13. ADDITIONAL CASH FLOW INFORMATION

### A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2020	2019
	\$	\$
Trade and other receivables	(12,041)	(7,988)
Prepaid expenses and other	(12,073)	(13,770)
Other assets	(714)	(2,756)
Trade and other payables	11,097	(63,404)
Provisions	(125)	(1,827)
Contract liabilities and other liabilities	(5,406)	3,089
	<b>(19,262)</b>	<b>(86,656)</b>

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## B) CASH AND CASH EQUIVALENTS

	November 30, 2020	August 31, 2020
	\$	\$
Cash	364,822	406,113
Cash equivalents <sup>(1)</sup>	64,825	—
	429,647	406,113

(1) Comprised of high interest bank 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 annual consolidated financial statements.

#### Credit risk

The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents, and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the condensed interim consolidated statements of financial position.

The Corporation reduces the credit risk with regards to the derivative financial instruments by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. At November 30, 2020, management believes this credit risk to be minimal, since the lowest credit rating of the counterparties to the agreements is "A-" by Standard & Poor's rating services ("S&P").

Cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote.

To mitigate the credit risk in relation to its trade accounts receivable, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Furthermore, a large portion of the Corporation's customers are billed and pay before the services are rendered. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and the United States, there is no significant concentration of credit risk.

#### Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2020, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' 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, Cogeco Communications' US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2020:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately \$6.9 million based on the outstanding debt and swap agreements at November 30, 2020.

**Foreign exchange risk**

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase the annual financial expense by approximately \$9.5 million based on the outstanding debt and swap agreements at November 30, 2020.

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

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at November 30, 2020 was \$1.2965 (\$1.3042 at August 31, 2020) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately \$92.0 million.

**B) FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

	November 30, 2020		August 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Notes, debentures and credit facilities	3,104,586	3,258,785	3,157,678	3,311,359

**C) CAPITAL MANAGEMENT**

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

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

At November 30, 2020 and August 31, 2020, the Corporation and its subsidiary, Cogeco Communications, were in compliance with all of their debt covenants and were not subject to any other externally imposed capital requirements.

The financial covenants related to the indebtedness of Cogeco Inc. are primarily based on a ratio of net indebtedness to adjusted EBITDA, computed on the basis of Cogeco Media subsidiary's adjusted EBITDA results and the dividends and management fees received from Cogeco Communications, net of corporate expenses.

The following table summarizes certain of the key ratios used to monitor and manage Cogeco Communications' capital structure:

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

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

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

## 15. RELATED PARTY TRANSACTIONS

Cogeco is the parent company of Cogeco Communications and, as of November 30, 2020, held 32.8% of Cogeco Communications' equity shares, representing 83% of the votes attached to Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to Cogeco Communications 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 Communications or the Corporation from time to time during the term of the Agreement. For the three-month period of fiscal 2021, management fees paid by Cogeco Communications amounted to \$5.9 million (\$5.4 million for the same period of fiscal 2020).

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

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

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

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

## 16. CONTINGENCIES

### CRTC's wholesale Internet services 2019 rate decision

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, the Corporation, together with other telecommunications service providers (the "Telecommunications Service Providers"), filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. While leave to appeal and an interlocutory stay of the CRTC order were both granted, the FCA ultimately dismissed the appeal and lifted the stay on September 10, 2020. On November 12, 2020, the Telecommunications Service Providers sought leave to appeal the Federal Court of Appeal decision to the Supreme Court of Canada.

In parallel, on December 13, 2019, the Telecommunications Service Providers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the order. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition, on November 13, 2019, the Telecommunications Service Providers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Governor in Council rendered an order on August 15, 2020 confirming that the rates set by the CRTC decision do not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

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

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**November 30, 2020**

*(unaudited)*

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

## **17. SUBSEQUENT EVENT**

### **Acquisition of DERYtelecom**

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

# PRIMARY SERVICE UNIT STATISTICS

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