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

Three-month period ended November 30, 2019

1. FORWARD-LOOKING STATEMENTS

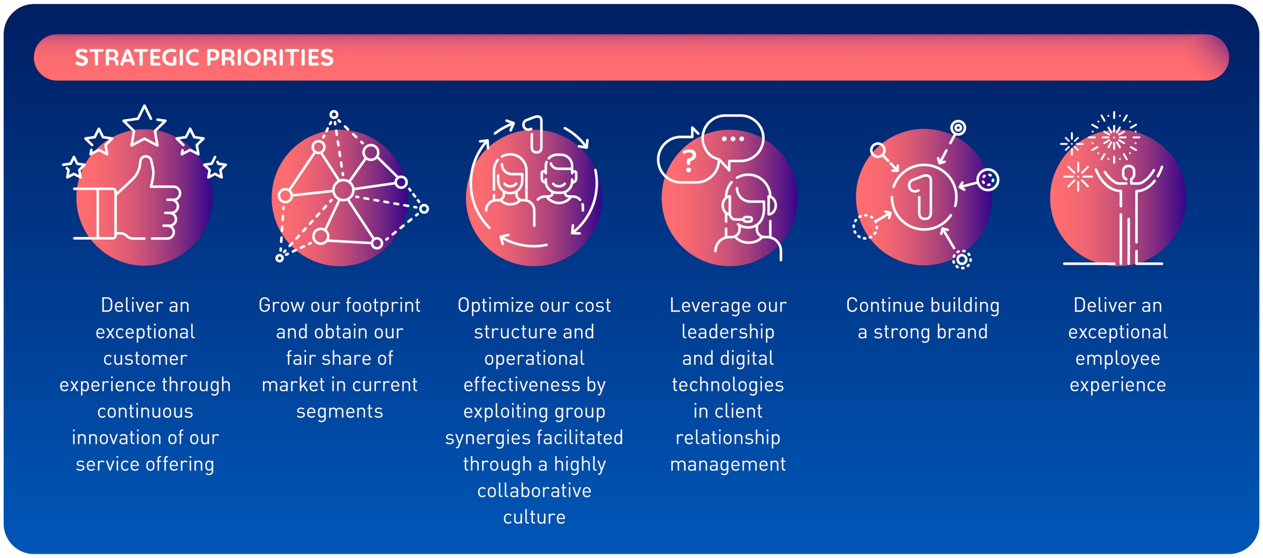
Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, 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 2020 Financial Guidelines" sections of the Corporation's 2019 annual MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the Corporation's 2019 annual MD&A and the present 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, 2019 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A in the Corporation's 2019 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Inc.'s ("Cogeco" or the "Corporation") mission is to connect its customers to the digital world and create outstanding communication experiences. This mission is enabled by our core fundamental values of respect, trust, commitment to customer services, teamwork and innovation.

Our vision is to deliver value to our shareholders by: 1) creating exceptional customer experience, 2) augmenting our geographic reach in Canada and the United States, 3) expanding into new market segments, and 4) mobilizing highly engaged teams. The Corporation has defined six key strategic priorities that embody the roadmap to achieving our mission and vision. These strategic priorities are as follows:



We measure our performance with regard to these objectives by monitoring revenue, adjusted EBITDA(1) and free cash flow(1) on a constant currency basis(1).

COMMUNICATIONS SEGMENT

To achieve these objectives, Cogeco Communications Inc. ("Cogeco Communications") has developed the following strategies:

Canadian broadband services	American broadband services
Delivering organic growth by introducing value added services for residential customers and by growing our business customer base	Delivering exceptional customer experience while fostering team member engagement
Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy	Leveraging Internet superiority and advanced video platform to promote growth and customer satisfaction
Exploring a potential wireless service in a profitable manner and within our financial means	Focusing on growth in the business market and continuing Florida expansion efforts while actively pursuing acquisition opportunities
Enabling business transformation through modern talent management practices that will provide meaningful and engaging employee experiences	Driving unit growth and customer satisfaction through product marketing and brand positioning

Cogeco Communications measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA, free cash flow and capital intensity. For further details please refer to the 2019 Annual Report of Cogeco Communications Inc. available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

MEDIA ACTIVITIES

Cogeco Media focuses on continuous improvement of its programming and opportunistic acquisitions in order to increase its market share and thereby its profitability.

(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.

2.1 KEY PERFORMANCE INDICATORS

REVENUE

Fiscal 2020 first-quarter revenue increased by 1.8% (1.4% in constant currency) mainly due to growth of 1.8% (1.3% in constant currency) in the Communications segment and of 3.1% in the Other segment.

For further details on the Communications segment's revenue, please refer to the "Communications segment" section.

ADJUSTED EBITDA

Fiscal 2020 first-quarter adjusted EBITDA increased by 5.2% (4.7% in constant currency) mostly attributable to higher adjusted EBITDA in the Communications segment as a result of increases in both the American and Canadian broadband services operations.

For further details on the Communications segment's adjusted EBITDA, please refer to the "Communications segment" section.

FREE CASH FLOW

Fiscal 2020 first-quarter free cash flow decreased by 3.6% (3.5% in constant currency) mainly as a result of:

- the increase in acquisitions of property, plant and equipment resulting mostly from the Canadian broadband services operations;
- the increase in current income taxes expense; partly offset by
- higher adjusted EBITDA; and
- the decreases in financial expense and integration, restructuring and acquisition costs.

FISCAL 2020 FINANCIAL GUIDELINES

Cogeco maintained its fiscal 2020 financial guidelines as issued on October 30, 2019. Please consult the "Fiscal 2020 financial guidelines" section of the Corporation’s 2019 Annual Report for further details.

3. BUSINESS DEVELOPMENTS

On January 10, 2020, Cogeco Communications announced that its subsidiary Atlantic Broadband had signed a definitive agreement to purchase Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for US$50 million. The transaction is subject to customary regulatory approvals and is expected to close within three months. Upon closing of the transaction, Atlantic Broadband will add approximately 10,000 customers to its operations.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**618,469**	607,361	1.8	1.4	2,836
Operating expenses	**327,960**	331,160	(1.0)	(1.5)	1,639
Adjusted EBITDA	**290,509**	276,201	5.2	4.7	1,197

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

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

REVENUE

Fiscal 2020 first-quarter revenue increased by 1.8% (1.4% in constant currency) mainly due to:

- an increase of 1.8% (1.3% in constant currency) in the Communications segment mostly as a result of growth in the American broadband services operations; and
- an increase of 3.1% in the Other segment due to the acquisition of 10 regional radio stations on November 26, 2018 from RNC Média inc. (the "RNC Média acquisition") by Cogeco Media during the first quarter of fiscal 2019, offset by a soft advertising market and increased competition in the media activities.

For further details on the Communications segment's revenue, please refer to the "Communications segment" section.

OPERATING EXPENSES

Fiscal 2020 first-quarter operating expenses decreased by 1.0% (1.5% in constant currency) compared to the same period of the prior year, which was mostly attributable to the Communications segment.

For further details on the Communications segment's operating expenses, please refer to the "Communications segment" section.

ADJUSTED EBITDA

Fiscal 2020 first-quarter adjusted EBITDA increased by 5.2% (4.7% in constant currency), which was mostly attributable to higher adjusted EBITDA in the Communications segment as a result of increases in the American and Canadian broadband services operations.

For further details on the Communications segment's adjusted EBITDA, please refer to the "Communications segment" section.

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2020 first-quarter integration, restructuring and acquisition costs amounted to $0.1 million. Fiscal 2019 first-quarter integration, restructuring and acquisition costs amounted to $7.0 million mostly due to restructuring costs incurred in the Canadian broadband services operations in relation to an operational optimization program put in place during the first half of fiscal 2019. The workforce reduction strategy, which included a voluntary departure program focused on support functions, aimed at creating a leaner, more efficient and agile organization pursuant to its digital transformation. In addition, acquisition and integration costs were incurred by the American broadband services operations related to the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition") and by the Corporation's subsidiary, Cogeco Media, in relation to the acquisition of 10 regional radio stations on November 26, 2018.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation of property, plant and equipment(1)	**109,955**	106,701	3.0
Amortization of intangible assets	**14,308**	13,964	2.5
	124,263	120,665	3.0

(1) The depreciation of right-of-use assets amounted to $2.0 million for the three-month period ended November 30, 2019.

Fiscal 2020 first-quarter depreciation and amortization expense increased by 3.0% due to additional depreciation from the acquisitions of property, plant and equipment during the quarter and the impact of IFRS 16 adoption combined with the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

4.4 FINANCIAL EXPENSE

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**40,832**	45,982	(11.2)
Interest on lease liabilities	**647**	—	—
Net foreign exchange losses (gains)	**(4)**	209	—
Amortization of deferred transaction costs	**485**	456	6.4
Capitalized borrowing costs	**(151)**	(120)	25.8
Other	**(1,407)**	636	—
	40,402	47,163	(14.3)

Fiscal 2020 first-quarter financial expense decreased by 14.3% mainly due to:

- lower debt outstanding under the Canadian Revolving Facility following the sale of Cogeco Peer 1 in fiscal 2019;
- lower debt outstanding and interest rates on the First Lien Credit Facilities; and
- interest revenue resulting from investments of excess cash; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

4.5 INCOME TAXES

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Current	**25,300**	13,841	82.8
Deferred	**6,248**	4,731	32.1
	31,548	18,572	69.9

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Profit before income taxes	**125,764**	101,339	24.1
Combined Canadian income tax rate	**26.5%**	26.5%	—
Income taxes at combined Canadian income tax rate	**33,327**	26,855	24.1
Difference in operations' statutory income tax rates	**814**	817	(0.4)
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**31**	—	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(351)**	(19)	—
Tax impacts related to foreign operations	**(6,510)**	(6,761)	(3.7)
Other	**4,237**	(2,320)	—
	31,548	18,572	69.9

Fiscal 2020 first-quarter income taxes expense increased by 69.9% compared to the same period of the prior year mainly attributable to:

- the increase in profit before income taxes in both the Canadian and American broadband services operations;
- a non-recurring $6 million current income tax charge related to a tax reorganization; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

4.6 PROFIT FOR THE PERIOD

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages and earnings per share)	**$**	$	%
Profit for the period from continuing operations	**94,216**	82,767	13.8
Profit for the period	**94,216**	79,145	19.0
Profit for the period from continuing operations attributable to owners of the Corporation	**31,284**	27,314	14.5
Profit for the period attributable to owners of the Corporation	**31,284**	26,168	19.6
Profit for the period attributable to non-controlling interest(1)	**62,932**	52,977	18.8
Basic earnings per share from continuing operations	**1.96**	1.68	16.7
Basic earnings earnings per share	**1.96**	1.61	21.7

(1) The non-controlling interest relates to a participation of approximately 68.2% in Cogeco Communications' profit for the year attributable to owners of the Corporation in addition to the 21% ownership of Caisse de dépôt et placement du Québec ("CDPQ") in Cogeco Communications' Atlantic Broadband subsidiary.

Fiscal 2020 first-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 13.8% and 14.5%, respectively, as a result of:

- higher adjusted EBITDA;
- the decrease in financial expense; and
- the decrease in integration, restructuring and acquisition costs; partly offset by
- the increase in income taxes.

Fiscal 2020 first-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 19.0% and 19.6%, respectively, mainly due discontinued operations which generated a loss of $3.6 million for the same period of the prior year in addition to the elements mentioned above.

5. RELATED PARTY TRANSACTIONS

Cogeco holds 31.8% of Cogeco Communications’ equity shares, representing 82.3% of Cogeco Communications’ voting shares.

Cogeco provides executive, administrative, financial and strategic planning services 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. This cost-plus methodology became effective on May 1, 2019 and was introduced to avoid future variations of the management fee percentage due to frequent changes to Cogeco Communications' consolidated revenue pursuant to business acquisitions and divestitures. Provision is made for future adjustment 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, 2019, management fees paid by Cogeco Communications Inc. amounted to $5.4 million compared to $4.8 million for the same period of fiscal 2019.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the first quarter of fiscal 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	
(in number of units)	**November 30, 2019**	November 30, 2018
Stock options	**110,875**	97,725
PSUs	**14,375**	14,625

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 deferred share units ("DSUs") issued to Board directors of Cogeco:

	Three months ended	
	November 30, 2019	November 30, 2018
(in thousands of dollars)	**$**	$
Stock options	**309**	298
ISUs	**13**	15
PSUs	**312**	200
DSUs	**132**	260
	766	773

There were no other material related party transactions during the periods covered.

6. CASH FLOW ANALYSIS

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Cash flow from operating activities	**149,506**	103,119	45.0
Cash flow from investing activities	**(121,835)**	(156,823)	(22.3)
Cash flow from financing activities	**(46,046)**	42,240	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**99**	(176)	—
Net change in cash and cash equivalents from continuing operations	**(18,276)**	(11,640)	57.0
Net change in cash and cash equivalent from discontinued operations	**—**	(3,172)	(100.0)
Cash and cash equivalents, beginning of the period	**559,393**	86,352	—
Cash and cash equivalents, end of the period	**542,682**	71,540	—

6.1 OPERATING ACTIVITIES

Fiscal 2020 first-quarter cash flow from operating activities increased by 45.0% compared to the same period of the prior year mainly from:

- higher adjusted EBITDA;
- the decrease in changes in non-cash operating activities primarily due to changes in working capital;
- the decreases in income taxes paid and in financial expense paid; and
- the decrease in integration, restructuring and acquisitions costs.

6.2 INVESTING ACTIVITIES

Fiscal 2020 first-quarter investing activities decreased by 22.3% compared to the same period of the prior year mainly due to:

- the acquisition, on October 3, 2018, of a fibre network and corresponding assets in south Florida from the FiberLight acquisition; and
- the acquisition on November 26, 2018, of 10 regional stations from the RNC Média acquisition; partly offset by
- the increase in acquisitions of property, plant and equipment in the Communications segment.

BUSINESS COMBINATION

Acquisition of 10 regional radio stations

On November 26, 2018, Cogeco Media completed the acquisition of 10 regional radio stations (9 located in Québec and 1 in Ontario) from RNC Média inc. The transaction, valued at $19.2 million, was approved on October 11, 2018 by the Canadian Radio-television and Telecommunications Commission.

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

(in thousands of dollars)	Final **November 30, 2019** **$**	Preliminary November 30, 2018 $
Purchase price		
Consideration paid at closing	**17,174**	17,174
Balance due on business combinations	**2,000**	2,000
Working capital adjustment	**(352)**	—
	18,822	19,174
Net assets acquired		
Trade and other receivables	**2,022**	2,354
Prepaid expenses and other	**11**	31
Property, plant and equipment	**1,337**	1,337
Intangible assets	**6,237**	7,354
Goodwill	**9,427**	8,310
Trade and other payables assumed	**(146)**	(168)
Contract liabilities and other liabilities assumed	**(66)**	(44)
	18,822	19,174

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 first-quarter acquisitions of property, plant and equipment increased by 20.6% (19.7% in constant currency) compared to the same period of fiscal 2019 mainly due to the increase of capital expenditures in the Communications segment.

For further details on the Communications segment's capital expenditures, please refer to the "Communications segment" section.

6.3 FREE CASH FLOW

Fiscal 2020 first-quarter free cash flow decreased by 3.6% (3.5% in constant currency) compared to the same period of the prior year mainly as a result of the following:

- the increase in acquisitions of property, plant and equipment resulting mostly from the Canadian broadband services operations;
- the increase in current income taxes expense; partly offset by
- higher adjusted EBITDA; and
- the decreases in financial expense and integration, restructuring and acquisition costs.

6.4 FINANCING ACTIVITIES

Fiscal 2020 first-quarter changes in cash flows from financing activities are mainly explained as follows:

	November 30, 2019	November 30, 2018	Explanations
(in thousands of dollars)	$	$	
Increase in bank indebtedness	13,137	2,090	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	(1,335)	128,572	Increased drawings of $65 million and of US$53 million under the Canadian Revolving Facility during the first quarter of fiscal 2019.
Repayments of long-term debt	(5,648)	(60,658)	Quarterly repayment of the Senior Secured Term Loan B Facility during fiscal 2020 and 2019. Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018.
Repayment of lease liabilities	(1,565)	—	
Repayment of balance due on business combinations	(3,228)	—	Partial repayment of the balance related to the FiberLight acquisition.
	1,361	70,004	

DIVIDENDS

During the first quarter of fiscal 2020, a quarterly eligible dividend of $0.475 per share, was paid to the holders of multiple and subordinate voting shares, totalling $7.6 million, compared to a quarterly eligible dividend of $0.43 per share, or $7.0 million, in the first quarter of fiscal 2019.

NORMAL COURSE ISSUER BID ("NCIB") - Cogeco Inc.

During the first quarter of fiscal 2020, Cogeco 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 compared to 60,790 subordinate voting shares with an average price per share repurchased of $59.97 for a total consideration of $3.6 million for the same period of the prior year.

NCIB - Cogeco Communications Inc.

During the first quarter of fiscal 2020, Cogeco Communications purchased and cancelled 143,100 subordinate voting shares with an average price per share repurchased of $109.64 for a total consideration of $15.7 million. In the comparable period of fiscal 2019, Cogeco Communications did not purchase and cancel subordinate voting shares as the NCIB program started in the third quarter of fiscal 2019.

6.5 DIVIDEND DECLARATION

At its January 14, 2020 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.475 per share for multiple voting and subordinate voting shares, payable on February 11, 2020 to shareholders of record on January 28, 2020. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. COMMUNICATIONS SEGMENT

7.1 OPERATING RESULTS

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**586,827**	576,673	1.8	1.3	2,836
Operating expenses	**299,332**	304,027	(1.5)	(2.1)	1,639
Management fees – Cogeco Inc.	**5,390**	4,795	12.4	12.4	—
Adjusted EBITDA	**282,105**	267,851	5.3	4.9	1,197
Adjusted EBITDA margin	**48.1%**	46.4%			

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

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

REVENUE

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**320,807**	322,465	(0.5)	(0.5)	—
American broadband services	**266,020**	254,208	4.6	3.5	2,836
	586,827	576,673	1.8	1.3	2,836

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

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

Fiscal 2020 first-quarter revenue increased by 1.8% (1.3% in constant currency) resulting from:

- organic growth in the American broadband services operations mainly as a result of:
  - growth in both residential and business Internet service customers; and
  - rate increases mostly implemented during the fourth quarter of fiscal 2019; partly offset by
  - a decrease in video service customers; and
  - lower political advertising revenue.

- a decrease in the Canadian broadband services operations mainly due to:
  - a decline in video service customers partly due to the trailing impact of the implementation of a new customer management system which was in stabilization phase at the beginning of fiscal 2019; and
  - lower net pricing from consumer sales; partly offset by
  - customers' transition to higher value offerings; and
  - continued growth in Internet service customers.

OPERATING EXPENSES

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**149,845**	159,326	(6.0)	(6)	107
American broadband services	**144,370**	136,932	5.4	4.3	1,531
Inter-segment eliminations and other	**5,117**	7,769	(34.1)	(34.1)	1
	299,332	304,027	(1.5)	(2.1)	1,639

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

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

Fiscal 2020 first-quarter operating expenses decreased by 1.5% (2.1% in constant currency) mainly from:

- a decrease in the Canadian broadband services operations due to:
  - lower programming costs resulting from lower video service customers;
  - lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019;
  - additional costs of $4.5 million incurred in the first quarter of fiscal 2019 to support the stabilization phase of the new customer management system implemented in the third quarter of fiscal 2018;
  - retroactive costs of $3.2 million incurred in the first quarter of fiscal 2019 related to higher than expected rates established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period from 2014 to 2018; and
  - the impact of IFRS 16 adoption; partly offset by
  - higher marketing initiatives.
- lower costs in Inter-segment eliminations and other resulting from the timing of corporate projects and initiatives; partly offset by
- additional costs in the American broadband services operations resulting mainly from:
  - higher marketing initiatives; and
  - higher compensation expenses due to additional headcount to support growth; partly offset by
  - the impact of IFRS 16 adoption.

MANAGEMENT FEES

Fiscal 2020 first-quarter management fees paid to Cogeco Inc. reached $5.4 million compared to $4.8 million for the same period of fiscal 2019. For further details on Cogeco Communications' management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**170,962**	163,139	4.8	4.9	(107)
American broadband services	**121,650**	117,276	3.7	2.6	1,305
Inter-segment eliminations and other	**(10,507)**	(12,564)	(16.4)	(16.4)	(1)
	282,105	267,851	5.3	4.9	1,197

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

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

Fiscal 2020 first-quarter adjusted EBITDA increased by 5.3% (4.9% in constant currency) as a result of:

- an increase in the Canadian broadband services operations mainly from a decline in operating expenses; and
- an increase in the American broadband services operations as a result of organic revenue growth.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND OTHER ASSETS

Fiscal 2020 first-quarter acquisitions of property, plant and equipment increased by 20.6% (19.7% in constant currency) mainly as follows:

- In the Canadian broadband services operations, fiscal 2020 first-quarter capital expenditures increased by 28.5% (27.8% in constant currency) resulting from:
    - higher purchases of customer premise equipment due to the timing of certain initiatives; and
    - higher costs related to the new Internet protocol television ("IPTV") platform to be launched in fiscal 2020.

- In the American broadband services operations, fiscal 2020 first-quarter capital expenditures increased by 8.9% (7.7% in constant currency), mainly due to higher purchases of customer premise equipments due to the timing of certain initiatives.

7.2 CUSTOMER STATISTICS

	November 30, 2019			Net additions (losses) Three months ended	
	Consolidated	**Canada**	**United States**	**November 30, 2019**	November 30, 2018
Primary service units(1)	**2,722,302**	**1,818,732**	**903,570**	**10,490**	(39,451)
Internet service customers	**1,246,358**	**794,895**	**451,463**	**11,978**	(2,623)
Video service customers	**954,964**	**646,326**	**308,638**	**(7,174)**	(17,622)
Telephony service customers	**520,980**	**377,511**	**143,469**	**5,686**	(19,206)

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

During the third quarter of fiscal 2018, the Canadian broadband services operations implemented a new customer management system, replacing 22 legacy systems. While the customer management system was still in the stabilization phase, contact center congestion resulted in lower services activations during most of the first quarter of 2019. Contact center and marketing operations had returned to normal at the end of the first quarter of 2019.

Variations of each services are also explained as follows:

INTERNET

Fiscal 2020 first-quarter Internet service customers net additions amounted to 11,978 compared to net losses of 2,623 for the same period of fiscal 2019. The variations were due to:

- the ongoing interest in high speed offerings in Canada;
- the sustained interest in bundle offers;
- the continued demand from Internet resellers in Canada; and
- growth in both the residential and business sectors in the United States; partly offset by
- competitive offers in the industry; and
- seasonal disconnects from the Maine and New Hampshire areas which were lower than the comparable period of the prior year in the United States.

VIDEO

Fiscal 2020 first-quarter video service customers net losses amounted to 7,174 compared to 17,622 for the same period of fiscal 2019. The variations were due to:

- a changing video consumption environment; and
- competitive offers in the industry; partly offset by
- seasonal disconnects from the Maine and New Hampshire areas which were lower than the comparable period of the prior year in the United States;
- customers' ongoing interest in digital advanced video services; and
- customers' interest in video services bundled with fast Internet offerings.

TELEPHONY

Fiscal 2020 first-quarter telephony service customers net additions amounted to 5,686 compared to net losses of 19,206 for the same period fiscal 2019. The variations were due to:

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

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco generally maintains a working capital deficiency due to a low level of trade and other receivables as a large proportion of the Corporation's customers pay before their services are rendered, while trade and other payables are paid after products are delivered or services are rendered, enabling the Corporation to use the resulting cash and cash equivalents to reduce Indebtedness. However, the Corporation had a working capital surplus at August 31, 2019 and November 30, 2019 due to the increase in cash and cash equivalents resulting from the sale of Cogeco Peer 1.

The variations are as follows:

(in thousands of dollars)	November 30, 2019 $	August 31, 2019 $	Change $	Explanations
Current assets				
Cash and cash equivalents	**541,117**	559,393	(18,276)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	**106,716**	98,375	8,341	Mostly related to revenue growth.
Income taxes receivable	**20,495**	18,767	1,728	Not significant.
Prepaid expenses and other	**37,962**	24,184	13,778	Increase in prepayments for annual maintenance agreements.
Derivative financial instrument	**639**	109	530	Not significant.
	706,929	700,828	6,101	
Current liabilities				
Bank indebtedness	**13,137**	—	13,137	Timing of payments made to suppliers.
Trade and other payables	**210,639**	276,782	(66,143)	Timing of payments made to suppliers.
Provisions	**35,299**	36,803	(1,504)	Not significant.
Income tax liabilities	**14,280**	16,693	(2,413)	Related to the payment of income taxes installments during the first quarter of fiscal 2020.
Contract liabilities and other liabilities	**43,633**	43,768	(135)	Not significant.
Balance due on business combinations	**3,280**	6,520	(3,240)	Partial repayment of the balance related to the FiberLight acquisition.
Derivative financial instruments	**25**	—	25	Non significant.
Current portion of long-term debt	**228,252**	22,624	205,628	Related to the Senior Secured Debentures Series 2 maturing in November 2020 combined with the recognition of the current portion of lease liabilities following the adoption of IFRS 16.
	548,545	403,190	145,355	
Working capital surplus	**158,384**	297,638	(139,254)	

8.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	November 30, 2019 $	August 31, 2019 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,096,189**	2,024,173	72,016	Recognition of right-of-use assets following the adoption of IFRS 16 combined with acquisitions of property, plant and equipment during the first quarter of fiscal 2020.
Intangible assets	**2,921,788**	2,938,116	(16,328)	Related to the amortization of intangible assets during the first quarter of fiscal 2020.
Goodwill	**1,400,834**	1,400,334	500	Not significant.
Non-current liabilities				
Long-term debt	**3,292,870**	3,439,399	(146,529)	Related to the Senior Secured Debentures Series 2 maturing in November 2020 and long-term debt repayment, partly offset by the recognition of the long-term portion of lease liabilities following the adoption of IFRS 16.
Derivative financial instruments	**30,915**	46,044	(15,129)	Lower fair value of the interest rate swap agreements hedging US$1.1 billion of the US$1.7 billion Senior Secured Term Loan B due to an increase in long-term interest rate.
Shareholders' equity				
Equity attributable to non-controlling interest(1)	**1,913,317**	1,869,111	44,206	Mostly related to the participation of 68.2% in Cogeco Communications' profit for the period attributable to owners of the Corporation.

(1) The non-controlling interest relates to a participation of approximately 68.2% in Cogeco Communications' equity attributable to owners of the Corporation in addition to the 21% ownership of CDPQ in Cogeco Communications' Atlantic Broadband subsidiary.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at December 31, 2019 is presented in the table below. Additional details are provided in note 12 of the condensed interim consolidated financial statements.

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	**1,812,860**	**12**
Subordinate voting shares	**14,269,629**	**115,882**

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 2019 Annual Report, have not materially changed since August 31, 2019.

On December 20, 2019, the Corporation extended its $100 million Term Revolving Facility maturity date by an additional year until February 3, 2025.

On December 6, 2019, Cogeco Communications' Term Revolving Facility was decreased by $50 million to $750 million and the maturity date was extended by an additional year until January 24, 2025. Moreover, on the same date, the maturity date of the US$150 million Senior Secured Revolving Facility, benefiting two subsidiaries related to Atlantic Broadband, was extended by an additional 18 months until July 4, 2024.

At November 30, 2019, the Corporation had used $20.9 million of its $100 million Term Revolving Facility and an amount of $0.6 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $79.1 million and $799.4 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $199.3 million (US $150 million), of which $3.2 million (US$2.4 million) was used at November 30, 2019 for a remaining availability of $196.1 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, 2019	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	BBB-	BBB (low)	NR
Atlantic Broadband			
First Liens Credit Facilities	BB-	NR	B1

NR : Not rated

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

8.6 FINANCIAL MANAGEMENT

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, 2019, 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, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2019:

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 $7.8 million based on the outstanding debt at November 30, 2019.

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $11.7 million based on the outstanding debt at November 30, 2019.

Furthermore, Cogeco Communications' net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, notably changes in the value of the Canadian dollar versus the US dollar. The risk related to the US dollar aggregate investments is mitigated since a portion was borrowed in US dollars.

The following table shows the aggregate investments in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge these investments at November 30, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,016 million	Net investments in foreign operations in US dollar

The exchange rate used to convert the US dollar currency into Canadian dollars for the statement of financial position accounts at November 30, 2019 was $1.3289 ($1.3295 at August 31, 2019) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $83.2 million.

Market risk

The Corporation and its subsidiary, Cogeco Communications, use derivative instruments to manage the cash flow exposure to the risk of changes in the price of their subordinate voting shares under the deferred share unit ("DSU") plans. As such, the Corporation and Cogeco Communications use equity swap agreements to economically hedge the market price appreciation risk of their subordinate voting shares. As at November 30, 2019 the fair value of the equity swaps was $0.7 million and recognized as an asset. A 5% increase in the market price of the subordinate voting shares at November 30, 2019 would result in a gain of approximately $0.4 million due to the equity swaps fair value appreciation, offset by a $0.4 million increase in the DSU plans expense.

8.7 FOREIGN CURRENCY

For the three-month period ended November 30, 2019, the average rates prevailing used to convert the operating results of the Communications segment were as follows:

	November 30, 2019	November 30, 2018	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	**1.3223**	1.3082	0.01	1.1

The following table highlights in Canadian dollars, the impact of a $0.01 variation of the Canadian dollar against the US dollar on the Communications segment's results for the three-month period ended November 30, 2019:

	Communications segment
Three month ended November 30, 2019	Exchange rate impact
(in thousands of dollars)	**$**
Revenue	**2,836**
Operating expenses	**1,639**
Management fees - Cogeco Inc.	**—**
Adjusted EBITDA	**1,197**
Acquisitions of property, plant and equipment	**914**
Free cash flow	**(51)**

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 of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. Cogeco'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*.

The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR at November 30, 2019, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three-month period ended November 30, 2019.

10. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco can be found in the 2019 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2019 Annual Report, which are hereby incorporated by reference.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued its costing decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers (the "Cable Carriers"), jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. On November 22, 2019, the FCA granted leave to appeal the CRTC decision and stayed the order pending final judgement, with the result that operators do not have to implement the new rates nor to make the retroactive payments. In addition to the FCA appeal, on November 13, 2019, the Cable Carriers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Cabinet petition was gazetted on December 13, 2019 and set the deadline for interested parties to file comments to February 12, 2020. Furthermore, on December 13, 2019, the Cable Carriers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the oder. The Corporation has therefore not recorded the impact of the new reduced rates in the financial statements for the three-month period ended November 30, 2019.

11. ACCOUNTING POLICIES

11.1 ADOPTION OF NEW ACCOUNTING STANDARD AND INTERPRETATION

IFRS 16

Effective September 1, 2019, the Corporation adopted IFRS 16 *Leases* using the modified retrospective approach whereby the financial statements of prior periods presented are not restated and the cumulative effect of the initial application is adjusted to opening retained earnings. IFRS 16 replaces previous accounting standards for leases, including IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease,* and establishes a comprehensive model for the identification of lease arrangements, their recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead the recognition on the statement of financial position of a right-of-use asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make the lease payments) for all leases at lease commencement, with certain exceptions permitted through elections and practical expedients. The accounting treatment for lessors and for leases previously classified as finance leases remains largely the same as under IAS 17.

As a result of adopting IFRS 16, the Corporation has recognized an increase to both assets and liabilities on the consolidated statement of financial position, stemming from the recognition of the right-of-use ("ROU") assets and the corresponding lease liabilities. Lease liabilities at transition have been measured at the present value of remaining future lease payments discounted at the related incremental borrowing rate as at September 1, 2019. ROU assets at transition have been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued rent related to that lease. The ROU assets are presented within *Property, plant and equipment* and the lease liabilities within *Long-term debt.*

The total lease expenses over the lease term remain unchanged, however the timing of recognition of these expenses are effected. Relative to leases that have previously been accounted for as operating leases, the Corporation has recognized a decrease in *Operating expenses* (due to the removal of rent expense), an increase in *Depreciation and amortization* (due to the depreciation of the ROU asset) and an increase in *Financial expense* (due to the accretion of the lease liability), on the consolidated statement of profit or loss.

Although the actual cash flows relative to leases that have previously been accounted for as operating leases are uneffected, the Corporation has presented an increase in cash flows from operating activities and a decrease in cash flows from financing activities, on the consolidated statement of cash flows. This is the result of the presentation of the payment of the principal component of these leases as a cash flow use within the financing activities under the new standard, versus an operating activities cash flow use under IAS 17.

As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Electing to exclude intangible assets from the application of IFRS 16.

The table below shows the impact of adopting IFRS 16 on the September 1, 2019 consolidated statement of financial position:

	August 31, 2019		**September 1, 2019**
	As reported	IFRS 16 impact	Upon adoption of IFRS 16
(in thousands of dollars)	$	$	$
Property, plant and equipment	2,024,173	61,525	2,085,698
Current portion of long-term debt	22,624	5,882	28,506
Long-term debt	3,439,399	60,578	3,499,977
Contract liabilities and other liabilities	14,450	(4,935)	9,515

The difference between operating lease commitments of $191 million at August 31, 2019 and lease liabilities of $66.5 million recognized upon adoption of IFRS 16 at September 1, 2019 was mainly the result of:

- the exclusion of approximately $89 million of lease payments related to agreements that do not meet the criteria set out in IFRS 16, most notably for rent of support structures;
- the exclusion of approximately $43 million of certain costs contractually committed under lease contracts, which do not qualify to be accounted for as lease liabilities, such as variable lease payments not tied to an index or rate;
- the diminishing effect of discounting the minimum lease payments, using the weighted average incremental borrowing rate of 3.86% at September 1, 2019, of approximately $23 million;
- the inclusion of approximately $35 million of lease payments related to reasonably certain renewal periods or extension options that had not been exercised at August 31, 2019;

IFRIC 23

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The adoption of IFRIC 23 on September 1, 2019 had no impact on the consolidated financial statements.

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", acquisitions of property, plant and equipment and "free cash flow". Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similarly measures presented by other companies.

Non-IFRS measure	Application	Calculation	Most comparable IFRS measure
Free cash flow	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: - Cash flow from operating activities add: - Amortization of deferred transaction costs and discounts on long-term debt; - Changes in non-cash operating activities; - Income taxes paid; and - Financial expense paid deduct: - Current income taxes; - Financial expense; - Acquisition of property, plant and equipment(1); and - Repayment of lease liabilities.	Cash flow from operating activities
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 from continuing operations; add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period from continuing operations
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisitions 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 are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. The average foreign exchange rate during the three-month period ended November 30, 2018 was 1.3082 USD/CDN.	No comparable IFRS measure

(1) Excludes the acquisition of right-of-use assets and the purchases of Spectrum licenses.

12.1 FREE CASH FLOW RECONCILIATION

	Three months ended	
	November 30, 2019	November 30, 2018
(in thousands of dollars)	**$**	$
Cash flow from operating activities	**151,071**	103,119
Amortization of deferred transaction costs and discounts on long-term debt	**2,558**	2,153
Changes in non-cash operating activities	**86,656**	95,390
Income taxes paid	**17,221**	27,471
Current income taxes	**(25,300)**	(13,841)
Financial expense paid	**40,684**	46,942
Financial expense	**(40,402)**	(47,163)
Acquisition of property, plant and equipment	**(122,030)**	(101,149)
Repayment of lease liabilities	**(1,565)**	—
Free cash flow	**108,893**	112,922

12.2 ADJUSTED EBITDA RECONCILIATION

	Three months ended	
	November 30, 2019	November 30, 2018
(in thousands of dollars)	**$**	$
Profit for the period from continuing operations	**94,216**	82,767
Income taxes	**31,548**	18,572
Financial expense	**40,402**	47,163
Depreciation and amortization	**124,263**	120,665
Integration, restructuring and acquisition costs	**80**	7,034
Adjusted EBITDA	**290,509**	276,201

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	November 30,		August 31,		May 31,		February 28,	
	2019	2018	2019	2018	2019	2018	2019	2018
(in thousands of dollars, except per share data)	**$**	$	$	$	$	$	$	$
Operations								
Revenue	**618,469**	607,361	610,510	592,277	617,617	598,877	608,574	554,143
Adjusted EBITDA	**290,509**	276,201	280,981	268,942	289,935	277,397	284,863	252,879
Integration, restructuring and acquisition costs	**80**	7,034	839	1,812	1,155	2,260	3,823	15,999
Profit for the period from continuing operations	**94,216**	82,767	95,193	78,340	102,559	76,116	87,646	161,914
Profit (loss) for the period from discontinued operations	**—**	(3,622)	1,920	(1,052)	82,451	(5,365)	(5,369)	(16,079)
Profit for the period	**94,216**	79,145	97,113	77,288	185,010	70,751	82,277	145,835
Profit for the period from continuing operations attributable to owners of the Corporation	**31,284**	27,314	30,798	25,498	33,744	26,854	27,366	51,710
Profit for the period attributable to owners of the Corporation	**31,284**	26,168	31,445	25,165	59,883	25,155	25,667	46,618
Cash flow								
Cash flow from operating activities	**151,071**	103,119	314,905	268,679	267,388	171,757	204,665	202,362
Acquisitions of property, plant and equipment	**122,030**	101,149	146,599	164,472	97,169	98,950	94,138	112,886
Free cash flow	**108,893**	112,922	87,611	51,354	140,393	109,446	128,229	59,726
Earnings (loss) per share(1)								
Basic								
From continuing operations	**1.96**	1.68	1.91	1.56	2.09	1.64	1.69	3.16
From discontinued operations	**—**	(0.07)	0.04	(0.02)	1.62	(0.10)	(0.10)	(0.31)
From continuing and discontinued operations	**1.96**	1.61	1.95	1.54	3.71	1.54	1.58	2.85
Diluted								
From continuing operations	**1.94**	1.67	1.89	1.55	2.07	1.63	1.67	3.13
From discontinued operations	**—**	(0.07)	0.04	(0.02)	1.61	(0.10)	(0.10)	(0.31)
From continuing and discontinued operations	**1.94**	1.60	1.93	1.52	3.68	1.52	1.57	2.82
Dividends per share	**0.475**	0.43	0.43	0.39	0.43	0.39	0.43	0.39

(1) 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 Communications segment, the number of Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several towns with education institutions. In the United States, certain areas are also subject to seasonal fluctuations due to the winter and summer seasons.

14. ADDITIONAL INFORMATION

This MD&A was prepared on January 14, 2020. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

/s/ Louis Audet	/s/ Philippe Jetté
Louis Audet	Philippe Jetté
Executive Chairman of the Board	President and Chief Executive Officer

Cogeco Inc.
Montréal, Québec
January 14, 2020