

Growing stronger every day.

2021 ANNUAL REPORT



A world of your **very own**

COGECO: GROWING STRONGER EVERY DAY, FOR MORE THAN 60 YEARS

Cogeco is a growing competitive force in the North American telecommunications and media sectors with a legacy of over 60 years.

We enjoy a unique and enviable position as the only broadband services company with a significant presence in both Canada and the United States. Today, we are the second largest cable operator in Québec and Ontario, and the eighth largest in the United States where we operate in 12 states. We also operate the largest private radio news network in Québec.

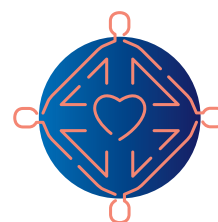
We continue to grow our footprint through network investments to help address the digital divide between large urban centres and regional areas, as well as through targeted acquisitions in areas where we are positioned as a consolidator of regional cable operators. We are focused on delivering great customer experiences, continuously innovating and investing in product enhancements and service improvements. We are proud to serve our customers with local teams, to contribute to the connectivity needs of our communities, and to invest in their social and cultural life.



\$2.6 billion
in revenue



4,400
employees



Supporting
700 local
non-profit
organizations



First telecommunications company
in Canada with emissions targets approved
by the Science-Based Target initiative



Among Corporate Knights' Global
100 Most Sustainable Corporations
in the World

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2021 FINANCIAL PERFORMANCE

+5.0%

REVENUE (in thousands of Canadian dollars)

2021		2,603,845
2020		2,479,474

+4.9%

ADJUSTED EBITDA¹ (in thousands of Canadian dollars)

2021		1,225,468
2020		1,168,487

+9.3%

PROFIT FOR THE YEAR (in thousands of Canadian dollars)

2021		439,015
2020		401,833

+9.4%

CASH FLOWS FROM OPERATING ACTIVITIES (in thousands of Canadian dollars)

2021		1,029,767
2020		941,628

+9.7%

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT (in thousands of Canadian dollars)

2021		534,702
2020		487,240

+7.4%

FREE CASH FLOW¹ (in thousands of Canadian dollars)

2021		498,273
2020		464,125

¹ The indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the Management's Discussion and Analysis ("MD&A"), including reconciliation to the most comparable IFRS financial measures.

FINANCIAL HIGHLIGHTS

Years ended August 31,

(in thousands of Canadian dollars, except percentages and per share data)

	2021 \$	2020 \$	Change %	Change in constant currency ^{1,2} %	Foreign exchange impact ¹ \$
OPERATIONS					
Revenue	2,603,845	2,479,474	5.0	7.7	(67,157)
Adjusted EBITDA ²	1,225,468	1,168,487	4.9	7.3	(28,367)
Integration, restructuring and acquisition costs ³	8,744	11,562	(24.4)		
Profit for the year	439,015	401,833	9.3		
Profit for the year attributable to owners of the Corporation	141,856	128,084	10.8		
CASH FLOW					
Cash flows from operating activities	1,029,767	941,628	9.4		
Acquisition of property, plant and equipment ⁴	534,702	487,240	9.7	14.5	(23,200)
Free cash flow ²	498,273	464,125	7.4	7.2	927
FINANCIAL CONDITION					
Cash and cash equivalents	368,434	406,113	(9.3)		
Total assets	7,536,313	7,024,696	7.3		
Indebtedness ^{2,5}	3,377,115	3,290,354	2.6		
Equity attributable to owners of the Corporation	816,658	761,501	7.2		
PER SHARE DATA⁶					
Earnings per share					
Basic	8.92	8.05	10.8		
Diluted	8.87	7.98	11.2		
Dividends	2.18	1.90	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 prior year. For the year ended August 31, 2020, the average foreign exchange rate used for translation was 1.3456 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, including reconciliation to the most comparable IFRS financial measures.

³ For the year ended August 31, 2021, integration, restructuring and acquisition costs resulted mostly from costs incurred in connection with the acquisition and integration of DERYtelecom, which was completed on December 14, 2020, and due diligence costs and legal fees related to the acquisition of the Ohio broadband systems, which was completed on September 1, 2021. For the year ended August 31, 2020, integration, restructuring and acquisition costs resulted primarily from organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

⁴ For the year ended August 31, 2021, acquisition of property, plant and equipment in constant currency amounted to \$557.9 million.

⁵ Indebtedness is defined as the total of bank indebtedness and principal on long-term debt.

⁶ Per multiple and subordinate voting share.

“ Our quality service delivery platform continues to be enhanced with substantial network infrastructure investments, and the integration of digital tools which harness the power of artificial intelligence. ”

- Louis Audet



MESSAGE FROM THE BOARD CHAIR

Fiscal 2021 has been a year of impressive growth and achievement for the company, its shareholders and the communities we serve in more than 1,000 different towns and cities in eastern North America. With a presence in Ontario and Québec in Canada, and 12 states in the United States, Cogeco offers a unique growth proposition in the communications universe.

Our quality service delivery platform continues to be enhanced with substantial network infrastructure investments, and the integration of digital tools which harness the power of artificial intelligence. This allows us to better serve our customers and enables us to reach increasing numbers of new customers in unserved areas. In doing so, Cogeco partners with federal, provincial and state governments to bridge the digital gap and bring fibre-to-the-home connectivity to previously difficult to reach communities. We take pride in contributing to that effort. Our network of 23 radio stations creates and distributes local content that provokes emotions and reaches people on traditional, mobile and digital platforms.

In October 2020, our Canadian subsidiary, Cogeco Connexion, announced the acquisition of DERYtelecom, the third largest cable operator in the province of Québec, passing 176,000 homes and serving 100,000 customers. The markets served by DERYtelecom are adjacent to our existing network and offer a further opportunity to extend our network to unserved areas.

In September 2021, we completed the acquisition of networks passing 689,000 homes and businesses in Cleveland and Columbus, Ohio, serving some 198,000 customers. This furthers the growth strategy of our American subsidiary, Atlantic Broadband, as a platform to pursue consolidation within the U.S.

Customer acquisition and financial results have continued to place us at the top of the list of our peers. We take pride in having grown our dividends at the rate of approximately 12% per year, over the past five years.

Canadian federal entities have initiated the introduction of wholesale regulatory mechanisms which, if brought to a satisfactory conclusion, could allow us to offer mobile telephony services in our existing service areas, providing for another interesting growth opportunity.

Throughout our broadband and radio footprint, our teams continue to carry on their responsibility for social leadership and community involvement in the localities we have the privilege to serve.

We have continued to focus our efforts on bettering the environment. Our greenhouse gas emissions reduction targets have been approved by the Science Based Targets initiative that has declared them in conformity with the levels necessary to attain the objectives of the Paris Accord. Our initiatives have elicited broad recognition. Community involvement has been part of our core values since the company was created in 1957. Consequently, we continue to support local initiatives and non-profit organizations across the communities we serve. Again, this year, our governance practices have been recognized as being among the best of family-controlled enterprises by the Globe and Mail Board Games Report on the Toronto Stock Exchange traded companies.

I am pleased to report that the three-year transition period to pass the baton completely to our President and Chief Executive Officer, Philippe Jetté, came to its conclusion on August 31, 2021. The organization, the communities it serves, our Board of Directors and our shareholders can be proud of the success of this transition to a new generation of leaders.

In conclusion, I would like to thank our Board of Directors for the sense of direction and perennity it has given to our company. Our management and all our colleagues deserve our sincere appreciation for another great year serving our customers well and profitably.



LOUIS AUDET
Board Chair

MESSAGE FROM THE PRESIDENT & CEO

Dear fellow shareholders,

We have come to the end of another remarkable year. Fiscal 2021 has been a year for setting down fresh roots and expanding our horizons. We have come a long way, having passed through the early turmoil of the pandemic in 2020. However, we are far from the lives we lived before. I continue to be proud and amazed at everything we have accomplished together over the course of fiscal 2021, all while adapting to a new reality and managing the stresses of our changing world, and still growing stronger every day.

Consolidated revenue increased by 5.0% in fiscal 2021 to reach \$2.6 billion, while adjusted EBITDA reached \$1.2 billion, up by 4.9%. Profit for the year reached \$439.0 million and the Corporation generated free cash flow of \$498.3 million. Dividends paid to our shareholders increased by 14.7% to \$2.18 per share.

Growing stronger every day

Throughout the fiscal year, we have pursued our mission to bring people together through powerful communications and entertainment experiences, with a strategy that is driven by customers' needs, builds on our core strengths and is fueled by our strong organizational culture and highly engaged teams. Operating in a very competitive and evolving ecosystem, we have pursued our strategy based on our five growth pillars which are enabled by organic growth, acquisitions and initiatives that centre on innovation.

Our growth strategy is anchored on a solid backbone which allows us to continuously innovate and invest in product enhancements and service improvements. We are continuing our transformation process by developing more digital services and continuously innovating automation in both Canada and the U.S. to deliver exceptional digital experiences for our customers. Through our digital transformation, we are putting our customers first, we aim to gain agility and speed as well as increase our efficiency.

With that said, I am very proud to present some of the key highlights of our year, which are presented in more detail later in this annual report.

MESSAGE FROM THE PRESIDENT & CEO (CONTINUED)

COGECO CONNEXION, OUR CANADIAN BROADBAND SEGMENT

We began the fiscal year welcoming Frédéric Perron to the Cogeco family as President of Cogeco Connexion. He has brought with him renewed energy and a perspective which has quickly seen the team building a culture based on agility and accountability, and the best organic revenue growth since 2017.

Cogeco Connexion completed the acquisition of DERYtelecom, the third largest cable operator in Québec, serving approximately 100,000 customers and generating approximately \$105 million in revenue. The integration of DERYtelecom, acquired in December 2020, is well-advanced and generating expected synergies.

Cogeco's deep roots in regions and rural communities should continue to contribute to its success in collaborating with governments to help close the gap in digital access between large urban centres and rural areas. Over the course of the year, Cogeco Connexion announced several network expansion projects in Québec and Ontario, which are part of the ongoing four-year commitment to invest over \$1 billion in the operation and expansion of our advanced Canadian broadband network.

We continued to enhance our service and product offering to meet evolving customer needs. We successfully launched the EPICO IP television platform in Québec and Ontario, and further expanded our offering of high-speed Internet services with speeds of up to 1 Gbps in the majority of our footprint.

The Canadian Radio-television and Telecommunications Commission (CRTC) rendered two important decisions during the third quarter of the fiscal year, which demonstrated a regulatory approach that takes into account the importance of investment to the expansion of service and competition. These decisions provide more certainty for both our wireline broadband network expansion investments and our plan to enter the wireless market in Canada under the right conditions. Regarding the wholesale rates for Internet services, the CRTC's decision announced in May to maintain the 2016 wholesale rates provides a more stable regulatory framework, which helps ensure continuity in our current and planned investments to increase access to high-speed Internet in communities in underserved and unserved areas. Separately, Cogeco also welcomed the CRTC's decision on mobile wireless to allow regional players investing in telecommunications infrastructure and spectrum to access the wireless networks of Canada's dominant providers.

As we prepare for a possible entry into the wireless market in Canada, we have committed to investing \$295 million to acquire 38 spectrum licences in Québec and Ontario, increasing our spectrum coverage to 91% of our Canadian broadband footprint which represents a population of 3.6 million Canadians. These spectrum investments, together with the recent CRTC regulatory decision on wireless services and our robust and growing regional broadband network, position Cogeco to further develop plans to enter the mobile wireless services market in a financially disciplined way in all of our core markets in Canada.

ATLANTIC BROADBAND, OUR AMERICAN BROADBAND SEGMENT

Several projects, aligned with our strategic pillars, have been underway at Atlantic Broadband, in support of our growth strategy. Under the leadership of Frank van der Post, the team has built an organizational culture to support the future ambitions of the business.

The team has enhanced the customer experience through a new Internet-first offer strategy, an initiative that is transformational for Atlantic Broadband and its customers. It provides simplified and attractive everyday pricing for consistent, long-term value for customers, that is clear and easy to understand. The strategy quickly proved successful with more customers subscribing to faster speeds and a new managed Wi-Fi solution.

Atlantic Broadband has begun an exciting and ambitious expansion plan which includes extending our network to areas adjacent to our current footprint, as well as plans to extend our network into communities not previously served by Atlantic Broadband. As we have been very successful with our network expansions in Florida for some time, we intend to replicate such a model in other states.

Most exciting in fiscal 2021 was the definitive agreement with WideOpenWest, Inc. to purchase all of its broadband systems located in Ohio. The agreement was closed on the first day of our fiscal year 2022. The acquisition allows us to add significant scale to our growing and profitable U.S. broadband business. It is a strong strategic fit for the company as it is complementary to our existing U.S. footprint and capitalizes on Atlantic Broadband's existing platform. Under the guidance of our business unit's experienced management team, we are in a unique position to grow our customer base, revenues and adjusted EBITDA and to pursue our market expansion strategy.

COGECO MEDIA, OUR MEDIA SEGMENT

While the effects of the pandemic continued to affect our radio business, we maintained our financial discipline throughout the fiscal year and our financial results were as expected. We remain optimistic about the outlook for Cogeco Media as Québec's economic performance is improving. We also continue to enjoy the commitment of our listeners as many of our stations stood at the top of the Numeris rankings. For our Montréal talk station 98.5, it was ranked once again the most listened-to radio station in Canada. We were also pleased to welcome our new President of Cogeco Media, Caroline Paquet, who joined the team in July 2021. Caroline's successful track record spans over 25 years and she is well positioned to lead the team as it continues to innovate and pursue growth.

Growing inclusively, with our communities

At Cogeco, we take immense pride in pursuing our corporate social responsibility agenda. In 2021, we took great strides to this end, and were gratified to have our activities recognized by leading voices in environmental, social and governance practices and reporting.

As part of our global climate ambitions, our new greenhouse gas emissions targets were approved by the internationally recognized Science Based Targets initiative, making us the first telecommunications company in Canada to have gained this approval. These targets are in line with levels required to meet the most ambitious goal of the Paris Climate Agreement. Cogeco also joined global corporate leaders representing more than \$3.6 trillion in market capitalization, in signing the Business Ambition for 1.5°C commitment led by the UN Global Compact. In addition, we received a 2020 Climate Change score of A- from CDP which puts Cogeco in the leadership band for implementing best practices in measuring, understanding and addressing corporate climate impacts.

Cogeco was also named once more amongst the Global 100 Most Sustainable Corporations and Canada's Best 50 Corporate Citizens. Once again, we received the Caring Company Certification from Imagine Canada, which recognizes outstanding leadership in community investment and social responsibility in Canada.

We have sustained our efforts around diversity and inclusion, having shared with our stakeholders our commitment. We value diversity and inclusion, as together, they enable a highly collaborative and engaging work environment, drive innovation and the development of new ideas, better support our communities and customers to drive inclusive growth in our society, while also correlating with improved organizational performance.

Rooted in the communities which we served for over 60 years, we are today the second largest cable operator in Québec and Ontario and the eighth largest cable operator in the United States, and operate the largest private radio news network in Québec. Our network of radio stations across the province maintains, year after year, some of the highest ratings and listenerships in the province.

We continue to actively pursue organic growth opportunities and acquisitions in areas where we are positioned as a consolidator of regional cable operators. We are actively investing in our operations and networks to continue to offer ever faster Internet speeds and high performance products while expanding our network into new areas to help address the digital divide between large urban centres and regional and rural areas. As an inclusive leader, we place social commitment and corporate social responsibility at the heart of our priorities. Fiscal 2021 has brought new challenges across all of our business units but it has also offered new opportunities.

As we look forward to a new reality, I am honoured to have the support of our leadership team and our Board of Directors, but most of all, a talented team of over 4,400 colleagues who embody, on a daily basis, Cogeco's values of innovation, commitment to customer service, teamwork, social engagement, and respect. Together, we make a difference in people's lives. Every day, our investments in digital infrastructure and our products and services help connect people, support crucial everyday activities while enabling a modern economy and a better future.



PHILIPPE JETTÉ
President & Chief Executive Officer



“ Our strategy is driven by customers' needs, builds on our core strengths and is fueled by our strong organizational culture and highly engaged teams. ”

- Philippe Jetté

2021 ESG HIGHLIGHTS

Our environmental, social and governance (ESG) initiatives and targets support progress towards the United Nations's Sustainable Development Goals as indicated below.

Environment



First Canadian telecommunications company with an approved science-based emissions reduction target.

23% reduction in scopes 1 and 2 emissions since F19, on track to achieve our 65% reduction target by 2030.

Our first Climate Action Plan and TCFD report is being published in November 2021 and can be found on the corpo.cogeco.com website.

24% of energy consumed was from renewable sources.



Social



Unveiled our commitment to diversity and inclusion and established a Diversity and Inclusion Leadership Committee. 35% women in managerial positions and above.

Our frequency of lost-time accidents per 200,000 hours worked was well below the industry average in the jurisdictions where we operate.

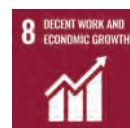
Employee engagement increased by 5 points compared to F20.

Donated more than 1% of our pre-tax profit representing \$16.7M in cash and in-kind donations.

Deployed \$42M in network investment to enable the closing of the digital divide in underserved and unserved communities.

Completed a full Third-Party Risk Assessment data security process review and developed a risk registry and supporting processes accordingly.

Increased the frequency of cybersecurity vulnerability testing.



Governance



Customer satisfaction, along with employee engagement, and health and safety results, impact a portion of the variable compensation of executives.

60% of Board members (considering the members of both the Boards of Cogeco and Cogeco Communications) are from designated groups (47% women, 7% visible minorities and 7% disabled).

Cogeco continues to be in the top tier of Canadian family-controlled dual-class companies (as ranked by The Globe and Mail's Board Games).

96% of employees have completed the Code of Ethics training.



Cogeco's ESG initiatives support the organization's growth strategy.

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

MD&A

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1. FORWARD-LOOKING STATEMENTS

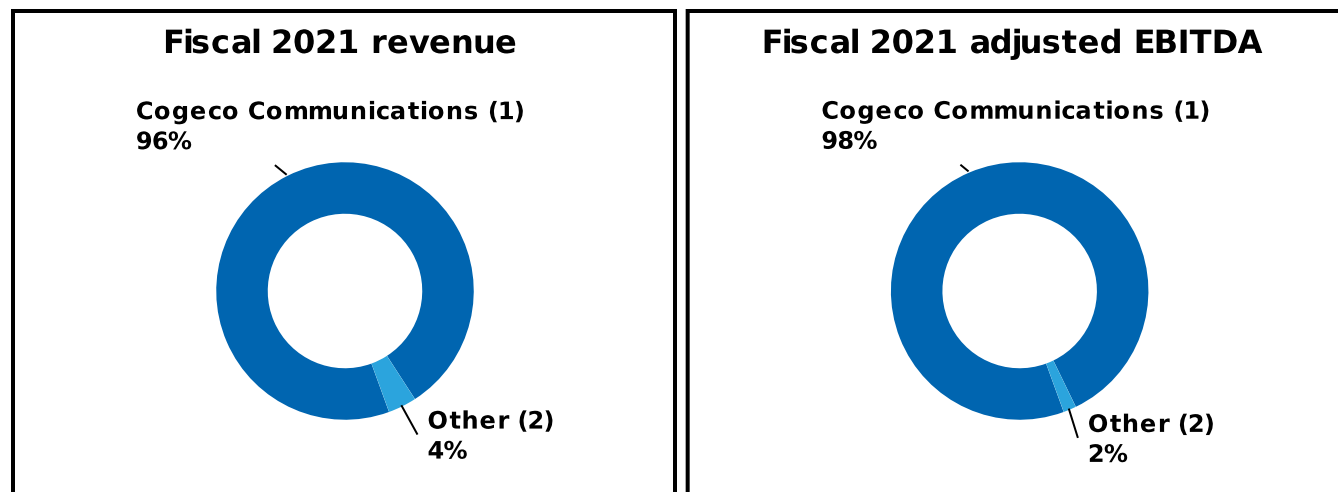
Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, 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, purchase price allocation, tax rates, weighted average cost of capital, 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 2022 financial guidelines" sections of the present 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, 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, litigation risks and public health crisis and emergencies such as the current COVID-19 pandemic, 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" section of 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 consolidated financial statements and the notes thereto prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2021.

In preparing this MD&A, the Corporation has taken into account information available up to November 11, 2021, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

2. OVERVIEW OF THE BUSINESS

Cogeco is a diversified holding corporation which operates in the communications and media sectors. 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. During fiscal 2021, the Corporation changed the presentation of its operating segments information in order to align with the operating segments presentation of its subsidiary, Cogeco Communications. For the year ended August 31, 2021, the proportions of the Corporation's consolidated revenue and adjusted EBITDA ⁽¹⁾ were as follows:



(1) Cogeco Communications is comprised of the two operating segments: Canadian broadband services and American broadband services.

(2) Other is comprised of the results of Cogeco Media and the corporate activities of Cogeco, as well as consolidation elimination entries.

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

2.1 CANADIAN AND AMERICAN BROADBAND SERVICES

DESCRIPTION OF SERVICES

Through its subsidiary Cogeco Communications Inc. ("Cogeco Communications"), the Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers as well as business services across its coverage areas.

The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 12 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Ohio, Pennsylvania, South Carolina, Virginia and West Virginia.

The following four services represent our core suite of offerings:

Internet services: We offer a wide range of Internet packages with top download speeds of up to 1 Gbps in Canada and the United States. We also offer best-in-class managed Wi-Fi, with new home Wi-Fi solutions launched in fiscal 2021 in both Canada and the United States. These solutions improve the overall customer experience by providing expanded Wi-Fi coverage with enhanced reliability and consistent speed in every area of the home. Both Cogeco Connexion and Atlantic Broadband's home Wi-Fi solutions include self-installation devices which are provided to customers on a rental basis and work with any of the available gateways or modems. We also offer a simple and complete security suite and email solutions to our Internet customers with automatic updates to protect their devices. As an added benefit, Internet customers can connect wirelessly to the Internet at no extra cost from designated Wi-Fi Internet hotspots in our Canadian and American footprints.

Video services: We offer our customers a full array of digital video services and programming offerings. Our customers have access to a basic service, various digital tier packages, pay-per-view ("PPV") channels, video on demand ("VOD") services, advanced video services and a first Internet protocol television ("IPTV") service, branded EPICO, which was officially launched in Canada in fiscal 2021. An IPTV service will also be launched at the end of the calendar year in the United States with a progressive roll out next year.

Telephony services: Telephony services use internet protocol ("IP") to transport digitized voice signals over the same private network that brings video and Internet services to customers. Residential customers can subscribe to different packages. All residential telephony service customers have access to direct international calling and can subscribe to various international long distance plans, voicemail and other popular custom calling features.

(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, including reconciliation to the most comparable IFRS financial measures.

Business services: We offer to our business customers, depending on the area, a wide range of Internet packages, video services, telephony services and other advanced network connectivity services, such as session initiation protocol ("SIP"), primary rate interface ("PRI") trunk solutions, hosted private branch exchange ("HPBX") solutions and business and software efficiency services.

Furthermore, we actively bundle our services into "double play" and "triple play" offerings at competitive prices to promote cross-selling within our customer base and to attract new customers.

NETWORKS AND INFRASTRUCTURE

Cogeco Connexion and Atlantic Broadband provide residential Internet, video and telephony services and business services through advanced fibre optic and two-way broadband distribution networks. Cogeco Connexion and Atlantic Broadband deliver these services through their own long distance fibre optic systems, advanced hybrid fibre-coaxial ("HFC") broadband distribution networks, point-to-point fibre networks and fibre-to-the-home ("FTTH") network technologies.

Cogeco Connexion's distribution network covers a large territory from Western Ontario to Eastern Québec. Atlantic Broadband's distribution network covers the East Coast of the United States, from the southern part of Maine to southern Virginia, as well as portions of South Carolina and a large footprint in Southern Florida, in addition to the Ohio market, which became part of Atlantic Broadband's footprint as of the closing of the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Columbus and Cleveland ("Ohio broadband systems"), which occurred on September 1, 2021. Each of Cogeco Connexion's and Atlantic Broadband's core transport networks have a broad reach and are designed to easily interconnect, at very high speed, their many local distribution systems to video content providers, other public telephony networks, software application providers and the Internet.

For residential services, Cogeco Connexion and Atlantic Broadband are constantly densifying optical fibres to nodes serving small clusters of homes passed, with multiple fibres per node in most cases, to rapidly increase speed and capacity of the system when necessary. This "just in time" process, known as "node splitting", leads to further improve the quality and reliability while increasing the capacity of two-way services such as Internet, VOD and telephony and optimizing the efficiency of capital investments. The HFC distribution infrastructure is designed with radio frequency ("RF") capacity of up to 1 GHz of bandwidth capacity, depending on the market served and customer needs. This hybrid combination of fibre optic and coaxial cable is the most efficient choice when it comes to delivering high quality networks with judicious capital investments.

Cogeco Connexion and Atlantic Broadband's telephony service uses VoIP technology which makes it possible to have a telephone conversation over a dedicated Internet IP network instead of dedicated voice transmission lines. IP networks allow the elimination of circuit switching telephony and the associated waste of bandwidth. Instead, packet switching is used, whereby IP packets with voice data are sent over the network only when data needs to be sent, for example when a caller is talking. VoIP's advantages over traditional telephony include lower costs per call, especially for long-distance calls, and lower infrastructure costs as, once the IP infrastructure is installed, little or no additional telephony infrastructure is needed.

Cogeco Connexion and Atlantic Broadband use CableLabs' DOCSIS technology to deliver Internet and business services over HFC networks. DOCSIS has numerous advanced features to ensure a continuous transmission and high quality of service delivery. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds and to provide other products such as symmetrical services, which are particularly well suited for commercial customer applications. Cogeco Connexion offers Internet speeds of up to 1 Gbps in approximately 72% of its footprint and 120 Mbps in virtually all of its footprint. As of August 31, 2021, Atlantic Broadband offered up to 1 Gbps Internet speeds to approximately 94% of its footprint of serviceable homes and businesses, and with the recent acquisition of the Ohio broadband systems, to approximately 97%. Cogeco Connexion and Atlantic Broadband intend to continue deploying 1 Gbps speeds in the coming years through several technologies depending on the location, with DOCSIS 3.1 being the most cost effective.

Cogeco Connexion and Atlantic Broadband are deploying FTTH technology in all new residential developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. Cogeco Connexion and Atlantic Broadband's current FTTH deployment utilizes Passive Optical Networking ("PON") technology, as it is a robust solution offering customers symmetrical speeds.

2.2 OTHER

Through its subsidiary, Cogeco Media Inc. ("Cogeco Media"), Cogeco owns and operates 22 radio stations across Québec and one station in Ontario, delivering varied and complementary programming to a wide range of audiences, including Rythme 105.7, CKOI 96.9, 98.5, 92.5 The Beat and Radio Circulation in Montréal; FM93 and Rythme 102.9 in Québec City; Rythme 100.1 and 106.9 in Mauricie, Rythme 93.7-98.1 and 107.7 in Estrie, CIME stations in the Laurentians, 104.7 in Outaouais, Capitale Rock and Wow network stations in Abitibi-Témiscamingue, and the Planète network stations in Saguenay-Lac-St-Jean, as well as the CIME network in Lachute and in Hawkesbury (Ontario). Cogeco Media also owns Cogeco News, the largest private radio news network in Québec.

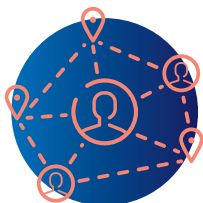
On May 6, 2021, Cogeco Media announced that it had entered into an agreement with Arsenal Média to acquire and sell radio stations located in the Saguenay-Lac-Saint-Jean and Abitibi-Témiscamingue regions, respectively. Cogeco Media will acquire a radio station owned by Arsenal Média in the Saguenay-Lac-Saint-Jean region, known as the CILM radio station, and will simultaneously sell to Arsenal Média two radio stations owned by Cogeco Media in the Abitibi-Témiscamingue region, known as the Capitale Rock and Wow radio stations. This transaction is subject to customary closing conditions, including the approval of the Canadian Radio-television and Telecommunications Commission.

OUR STRATEGY

PURSUING OUR STRATEGY FOR CONTINUED LONG-TERM GROWTH

Cogeco's mission to bring people together through powerful communications and entertainment experiences continues to enable strong strategic focus and discipline.

In a highly competitive and evolving ecosystem, our commitment to excellence endures as evidenced by more than 60 years of history, dedication and growth. Leveraging our unique North American broadband platform, our reliable and resilient networks as well as our financial discipline, we have built our strategy around three key vectors of growth:



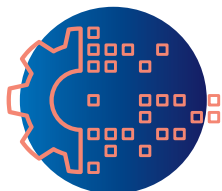
Organic

We aim to differentiate ourselves from the competition and deliver superior quality service by providing a distinctive customer experience. We also seek to grow our footprint by expanding our network in adjacent areas.



Acquisitions

As a consolidator of targeted regional cable operators, we continue to seek attractive acquisition targets in both the U.S. and Canada, where we add value through our operational expertise.



Innovation

We continuously innovate and invest in product enhancements and service improvements to the benefit of our customers, fueled in large part by the digital transformation journey we have embarked upon. Also, we continue to forge ahead with our plan to enter the Canadian mobile services market through a capital efficient model.


A strategy is only as strong as the foundations it's built on. For Cogeco, these foundations include building a solid organizational culture, guided by our core values, and ensuring that strong ESG practices are systematically embedded as a reflection of our commitment to a more sustainable and inclusive future.

OUR GROWTH PILLARS

In line with our vision to be the organization that delivers the best and most sustainable value to its stakeholders, be they our customers, communities, employees, suppliers or shareholders, we focus on five strategic growth pillars:



These growth pillars are closely aligned to our environmental, social and governance (ESG) practices which form an integral part of and influence our business strategy.

ESG components		CSR pillars			
Strategic Growth Pillars	Market Expansion		Environmental  Manage our Environmental Footprint	Social  Be a trusted and reliable partner for Our Customers Take part in developing Our Employees Take part in developing Our Communities	Governance  Maintain a Sound Culture and Strong Corporate Governance Practices as enablers of value creation
	Cost Efficiency	✓	✓	✓	✓
	Brand Value	✓	✓	✓	✓
	Customer Experience	✓	✓		✓
	Employee Experience	✓		✓	✓






For more details on our ESG strategy and related achievements and priorities, please refer to the "Environmental, social and governance (ESG) practices" section.

Each Business Unit of the Corporation has in turn elaborated a strategic plan that is aligned to the growth pillars defined above. The key areas of focus of those strategic plans are as follows:





CANADIAN BROADBAND SERVICES SEGMENT

Our Growth Pillars	✓ Progress in Fiscal 2021	🎯 Focus in Fiscal 2022
<p>Customer Experience</p> 	<p>Continued to enhance our service and product offering to meet evolving customer experience expectations.</p> <p>Offered enhanced video services through our recently launched state-of-the-art IPTV entertainment system branded EPICO in Canada.</p> <p>Continued to expand our offering of Internet with speeds of up to 1 Gbps in the majority of our footprint.</p> <p>Launched best-in-class home mesh Wi-Fi whole home solution.</p> <p>Launched a new Interactive Voice Response (IVR) and Workforce Management system to optimize routing of consumer calls to enhance call resolution efficiency and effectiveness.</p> <p>Continued to invest in network quality, reliability and resilience by implementing network upgrades, operational improvements (e.g. new troubleshooting procedures) and performance monitoring enhancements.</p> <p>Augmented our consumer end to end digital experience resulting in an uptake of online transactions.</p>	<p>Grow market share by enhancing our service offering to provide our customers with a distinctive experience.</p> <p>Leverage and broaden our new IPTV entertainment service, EPICO, expanding to new customer segments and increasing availability on our footprint.</p> <p>Continue to expand the 1 Gbps coverage on our footprint in Québec.</p> <p>Further enhance customer experience through a focus on First Call Resolution and First Time Right.</p> <p>Personalize online services including tailored marketing.</p> <p>Continue to evolve self-serve capabilities as part of our digital evolution program.</p> <p>Introduce new marketing automation and “next best action” capabilities leveraging artificial intelligence.</p> <p>Continue to enhance our data analytics capabilities to better understand and serve our customers.</p> <p>Maintain a sharp focus on network quality and resilience.</p>
<p>Employee Experience</p> 	<p>Delivered an employee experience that furthers performance and well-being and promotes strong customer service.</p> <p>Re-designed our organizational and operating model, removing layers of hierarchy and establishing clear P&L accountability.</p> <p>Deployed a new employee competency model and enhanced our employee value proposition (e.g. tools, benefits).</p> <p>Continued to implement and/or adapt working protocols, health & safety guidelines and procedures, and employee training, in response to the evolving COVID-19 pandemic.</p> <p>Continued to obtain regular input from employees through engagement surveys, increasing our global engagement score.</p> <p>Completed the launch of a new integrated employee cloud-based platform to enhance the employee experience.</p> <p>Enhanced communications and initiatives surrounding diversity and inclusion.</p>	<p>Continue to cultivate an engaging employee experience that drives performance and a distinctive customer experience. Continue to foster collaboration and engagement and promote wellness and safety.</p> <p>Evolve our workforce competencies and skills to further drive engagement and meet customers expectations.</p> <p>Continue to enhance our employee value proposition with career development and wellness initiatives.</p> <p>Implement additional strategies to promote diversity and inclusion.</p> <p>Continue to capitalize on our operating model by focusing on value-added activities.</p> <p>Implement the future design of the workplace and finalize our future remote working approach.</p>






CANADIAN BROADBAND SERVICES SEGMENT (CONTINUED)

Our Growth Pillars	 Progress in Fiscal 2021	 Focus in Fiscal 2022
<p>Market Expansion</p> 	<p>Improved our organic market share trajectory and captured significant inorganic opportunities.</p> <p>Unlocked new opportunities for growth and synergies with the acquisition of DERYtelecom, Québec's 3rd largest cable provider offering video, Internet and phone services to approximately 100,000 customers in 13 regions in the province.</p> <p>Proactively participated in governments' subsidized program to expand our footprint in underserved and unserved areas.</p> <p>Committed to invest \$295 million to acquire 38 spectrum licences in Québec and Ontario increasing our spectrum coverage to 91% of our Canadian broadband footprint, representing a population of 3.6 million Canadians.</p>	<p>Continue to augment our reach and expand into new market segments.</p> <p>Consistently deliver solid market share growth in all our key regions.</p> <p>Continue to actively seek and participate in government programs to provide broadband access in underserved and unserved areas.</p> <p>Gradually expand our service offering to DERYtelecom customers.</p> <p>Continue to monitor the market for growth opportunities through acquisitions.</p> <p>Further develop plans to enter the mobile wireless services market under the right conditions.</p>
<p>Cost Efficiency</p> 	<p>Delivered cost efficiencies and savings.</p> <p>Continued to improve our customer digital platforms resulting in an increase of online transactions and lower delivery costs (e.g. reduced calls and truck rolls).</p> <p>Launched and implemented new ways of working, shared services and automation initiatives.</p> <p>Investigated and identified data analytics opportunities for further automation and improved management of content and customer interactions to drive efficiency.</p> <p>Improved service and reduced customer pain points driving down service calls per customer by 23%.</p>	<p>Continue to pursue cost efficiency opportunities.</p> <p>Realize the full potential of the new enterprise resource planning (ERP) system.</p> <p>Pursue our digital transformation mainly through engaging customers to use self-care and virtual connect and through diagnostic tools.</p> <p>Continue to simplify our ways of working to further increase efficiency and productivity.</p> <p>Continue to leverage procurement synergies with Cogeco's U.S. broadband business unit.</p> <p>Further explore opportunities for shared services and automation to reduce cost and unlock value.</p> <p>Launch new tools to enhance workforce management.</p>
<p>Brand Value</p> 	<p>Increased our brand investments, government relations and community involvement.</p> <p>Increased brand investments, government and community relations at all levels.</p> <p>Continued to support our local communities during the COVID-19 pandemic.</p> <p>Announced our commitment to diversity and inclusion.</p> <p>Showcased our local presence with our community teams, local TV stations and brand ambassadors, demonstrating our active commitment to the regions in which we operate.</p> <p>Developed a new brand strategy and campaign for the Ontario market.</p>	<p>Further increase marketing investments to raise brand awareness and be the preferred brand in our markets.</p> <p>Continue to evolve our brand strategy, invest in raising brand awareness and showcase our local presence.</p> <p>Leverage strong community involvement and social responsibility practices to further strengthen brand social media presence.</p> <p>Elevate public relations and social media presence.</p> <p>Continue to optimize media investments to both acquire and retain customers.</p> <p>Rebrand DERYtelecom.</p>

AMERICAN BROADBAND SERVICES SEGMENT

Our Growth Pillars	 Progress in Fiscal 2021	 Focus in Fiscal 2022
<p>Customer Experience</p> 	<p>Enhanced the customer experience through our digital transformation initiatives.</p> <p>Launched a new Broadband First offer strategy putting broadband at the center of the customer experience and offering best-in-class managed Wi-Fi.</p> <p>Launched a new website with improvements to the customer digital experience.</p> <p>Refined existing data analytics and developed additional predictive tools and performance dashboards to improve customer insights.</p> <p>Continued to invest in network quality, reliability and resilience.</p>	<p>Offer a best-in-class sales and customer service experience, with a laser focus on operational excellence and continue to drive the benefits of the new offer strategy.</p> <p>Launch our IPTV service.</p> <p>Further enhance customer experience through a focus on First Call Resolution and First Time Right.</p> <p>Accelerate investments in digital transformation initiatives to provide customers with an omni-channel experience and refined website and online capabilities.</p> <p>Evolve data analytics capabilities to better understand and serve our customers.</p> <p>Maintain a sharp focus on network quality and resilience.</p>
<p>Employee Experience</p> 	<p>Launched initiatives to strengthen our organization for the future and drive employee engagement.</p> <p>Built the organizational design and culture to support the future ambitions of the organization.</p> <p>Deployed a new employee competency model and enhanced our employee value proposition (e.g. tools, benefits).</p> <p>Continued to implement and/or adapt working protocols, health & safety guidelines and procedures, and employee training, in response to the evolving COVID-19 pandemic.</p> <p>Obtained regular input from employees through engagement surveys, increasing our global engagement score.</p> <p>Completed the launch of a new integrated employee cloud-based platform to enhance employee experience.</p> <p>Enhanced communications and initiatives surrounding diversity and inclusion.</p>	<p>Transform employees into ambassadors and empower leaders to create an employee experience that creates engagement driving customer satisfaction.</p> <p>Evolve our workforce competencies and skills to drive engagement and meet customers expectations.</p> <p>Build on employee Net Promoter Score (NPS) improvements and continue to enhance our employee value proposition with career development and wellness initiatives.</p> <p>Implement additional strategies to promote diversity and inclusion.</p> <p>Implement the future design of the workplace and finalize our future remote working approach.</p>

AMERICAN BROADBAND SERVICES SEGMENT (CONTINUED)

Our Growth Pillars	 Progress in Fiscal 2021	 Focus in Fiscal 2022
<p>Market Expansion</p> 	<p>Achieved a successful growth year with targeted build-outs.</p> <p>Acquired Ohio broadband systems from WideOpenWest (WOW!), adding approximately 200,000 customers and increasing our U.S. revenue base by 28%. With this acquisition, we became the eighth largest cable provider in the U.S. market (up from ninth).</p> <p>Executed targeted edge-outs in all regions.</p> <p>Initiated fibre-to-the-home edge-outs in adjacent cities with solid demographic and economic growth potential.</p>	<p>Grow the areas of operation, while building and maintaining state-of-the-art networks.</p> <p>Pursue expansion into adjacent cities with attractive growth potential.</p> <p>Integrate newly acquired Ohio broadband systems and prepare to introduce innovative service enhancements to these new customers.</p> <p>Pursue acquisitions strategy.</p> <p>Actively seek and participate in government programs to provide broadband access in underserved and unserved areas.</p>
<p>Cost Efficiency</p> 	<p>Achieved significant operating cost savings.</p> <p>Implemented organizational changes to enhance productivity and efficiency.</p> <p>Drove savings with digitization efforts moving more transactions and service functionality online.</p> <p>Continued to accelerate digital interactions with customers.</p>	<p>Continue to deploy operational excellence and cost efficiency initiatives.</p> <p>Pursue our digital transformation mainly through engaging customers to use self-care and virtual connect and through diagnostic tools.</p> <p>Control operating expense growth through continued organizational and process improvements.</p> <p>Continue to leverage procurement synergies across the group of companies.</p>
<p>Brand Value</p> 	<p>Build a strong internal and external brand with highly engaged employees.</p> <p>Launched a new offer strategy with a focus on Internet services.</p> <p>Continued to support communities during the pandemic through various means such as participation in the Emergency Broadband Benefit Program launched by the FCC.</p> <p>Participated in exchanges on bringing broadband to underserved and unserved communities.</p> <p>Implemented Free TV advertising time to minority owned local businesses.</p>	<p>Leverage a strong brand that will attract new customers, increase customer value, reduce customer churn, support our communities and make employees proud to work for the company.</p> <p>Launch rebrand of Atlantic Broadband.</p> <p>Develop colleagues as strong brand ambassadors.</p> <p>Rebrand WOW!'s acquired Ohio operations following the integration period.</p> <p>Participate in government funding programs to bring broadband to underserved and unserved communities and increase connectivity.</p>

MEDIA ACTIVITIES

Our media business focuses on the continuous improvement of its programming and the diversification of its products portfolio in order to increase its market share and thereby its profitability.

2.4 BUSINESS DEVELOPMENTS

Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Atlantic Broadband completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio ("Ohio broadband systems") for a purchase price of US\$1.125 billion, subject to customary post-closing adjustments. The transaction was executed through an asset purchase agreement. With the closing of this transaction, Atlantic Broadband is expanding its activities in Ohio and significantly growing its customer base. The acquired Ohio broadband systems passed approximately 689,000 homes and businesses in Cleveland and Columbus and served approximately 196,000 Internet, 54,000 video and 33,000 telephony customers. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to Atlantic Broadband's existing footprint and capitalizes on its existing platform. In the short term, the acquired operations will continue to operate under the WOW! name and trademark and be rebranded following the integration period.

The purchase price and transaction costs have been financed through the issuance of a US\$900 million secured Term B loan by Atlantic Broadband maturing in 2028 and excess cash on hand.

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

Issuance of \$500 million senior secured notes

On September 20, 2021, Cogeco Communications completed, pursuant to a private placement, the issuance of \$500 million senior secured notes, bearing interest at 2.991% and maturing on September 22, 2031. Cogeco Communications used the net proceeds of the offering to fund spectrum auction spend, repay existing indebtedness and for other general corporate purposes. The senior secured notes will be direct and unsubordinated secured debt obligations of Cogeco Communications and will rank equally and *pari passu*, with all other secured senior indebtedness of Cogeco Communications.

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. This acquisition enables Cogeco Connexion to expand its activities in more than 200 municipalities in Québec and adds approximately 100,000 customers to its customer base. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility. As the transaction was executed essentially through an asset purchase, Cogeco Connexion expects to realize tax benefits with a present value of approximately \$40 million. These benefits are due to the tax amortization of tangible and intangible assets which are both stepped up to current market value in an asset purchase transaction.

38 spectrum licences secured in the 3500 MHz band auction

On July 29, 2021, Innovation, Science and Economic Development ("ISED") Canada published the results of the 3500 MHz band auction, which started on June 15, 2021 and ended on July 23, 2021. Cogeco Connexion secured 38 spectrum licences, for a total purchase price of \$295 million, of which \$205 million is to acquire 30 MHz of spectrum in the Greater Toronto area, a region which represents approximately 33% of the Corporation's broadband footprint in Ontario. The balance of the spectrum licences covers several other Ontario regions, as well as the region of Trois-Rivières in Québec. With these new spectrum holdings and previously acquired licences, Cogeco Connexion will hold spectrum covering approximately 91% of its broadband footprint, representing a population of 3.6 million Canadians.

In accordance with the terms and conditions of the spectrum auction, the Corporation's first deposit of \$59 million, representing 20% of the total purchase price, was paid to ISED on August 13, 2021. The final payment of \$236 million, expected to be made on October 4, 2021, has been postponed pending a decision by ISED regarding the establishment of rules to mitigate possible interference between the 3500 MHz band and frequency bands used by aviation radio altimeters at international airports. Final payment and issuance of the spectrum licences will be made after decision is taken on that matter by ISED. In connection with the spectrum auction, Cogeco Connexion contracted a \$150 million unsecured letter of credit, which was submitted to ISED Canada as a pre-auction deposit, with the application to bid. This unsecured letter of credit will remain outstanding until the final payment is made.

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

As part of Cogeco Communications' ongoing four-year commitment to invest over \$1 billion in the operation and expansion of its Canadian broadband network, Cogeco Connexion announced investments in several high-speed Internet network expansion projects in Québec and Ontario over the past year. These investments, in collaboration with provincial and federal governments, are in line with Cogeco Connexion's plan to pursue its growth and to extend its regional high-speed Internet coverage across Ontario and Québec, contributing to providing broadband access in underserved and unserved areas.

On March 22, 2021, Cogeco Communications announced that Cogeco Connexion will carry out 13 new high-speed Internet network expansion projects in several regions of Québec, with the financial support of provincial and federal governments. These digital infrastructure investment projects are scheduled to be completed by September 2022. On March 26, 2021, Cogeco Connexion received \$187.5 million of a total estimated amount of \$208 million expected to be received from the Québec and Canadian governments, to be used to fund these expansion projects. The remainder is expected to be received upon completion of the projects. The amount of subsidies may vary depending on actual construction costs.

Cogeco Connexion will also carry out 9 new high-speed Internet network expansion projects in several communities in Ontario, in collaboration with the Ontario and Canadian governments. These regional infrastructure projects represent a total joint investment of approximately \$53 million, of which Cogeco will invest around \$15 million. Cogeco Connexion is expecting to be awarded further government subsidized projects in Ontario over the next year.

Opportunity to expand in adjacent Atlantic Broadband footprint with good growth profile and attractive demographics

Atlantic Broadband is regularly investing to expand its broadband footprint, in order to generate revenue and customer growth. Building on the successful Florida expansion in recent years and capitalizing on demand for high-speed Internet, Atlantic Broadband intends to intensify its network expansion activities in the coming years in adjacent areas with good growth profiles and attractive demographics. Planning and initial construction are underway in some areas of New Hampshire and West Virginia with commercial launches scheduled to start in early calendar year 2022.

Acquisition and sale of radio stations

On May 6, 2021, Cogeco Media announced that it had entered into an agreement with Arsenal Média to acquire and sell radio stations located in the Saguenay-Lac-Saint-Jean and Abitibi-Témiscamingue regions, respectively. Cogeco Media will acquire a radio station owned by Arsenal Média in the Saguenay-Lac-Saint-Jean region, known as the CILM radio station, and will simultaneously sell to Arsenal Média two radio stations owned by Cogeco Media in the Abitibi-Témiscamingue region, known as the Capitale Rock and Wow radio stations.

This transaction is subject to customary closing conditions, including the approval of the Canadian Radio-television and Telecommunications Commission.

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

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

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

As for our radio operations, they were negatively impacted by the pandemic due to certain segments of the retail industry reducing or cutting their advertising activities, which resulted in radio advertising revenue being directly impacted by COVID-19 related lockdown measures. As public health restrictions continue to be lifted, certain segments of the retail industry are gradually resuming their advertising activities. In order to mitigate the impact on its operations, Cogeco Media managed its operating expenses tightly, as it did since the beginning of the pandemic, while maintaining quality programming.

Although we are pleased with the financial results for fiscal 2021, 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 2022 financial guidelines" section for more details.

2.6 KEY PERFORMANCE INDICATORS

The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with IFRS and should not be considered an alternative to other measures of performance in accordance with IFRS. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies. The Corporation measures its performance, with regard to these objectives, by monitoring revenue, adjusted EBITDA ⁽¹⁾ and free cash flow ⁽¹⁾ on a constant currency basis ⁽¹⁾.

	Actual Fiscal 2020	Original projections Fiscal 2021 ⁽²⁾ (constant currency) ⁽³⁾	Revised projections ⁽¹⁾ Fiscal 2021 ⁽²⁾ (constant currency) ⁽³⁾	Actual Fiscal 2021 ⁽²⁾ (constant currency) ⁽³⁾	Achievement of the revised projections Fiscal 2021
<i>(In millions of Canadian dollars, except percentages)</i>	\$			\$ %	
Financial guidelines					
Revenue	2,479	Low single-digit percentage growth	Mid to high single-digit percentage growth	2,671 7.7	Achieved
Adjusted EBITDA ⁽³⁾	1,168	Remain constant	Mid to high single-digit percentage growth	1,254 7.3	Achieved
Free cash flow ⁽³⁾	464	Low single-digit percentage growth	High single-digit percentage growth	497 7.2	Under-achieved

(1) Fiscal 2021 financial guidelines were revised at the time of issuing fiscal 2021 first-quarter results giving effect to the impact from the acquisition of DERYtelecom which was completed on December 14, 2020, and considering stronger than expected fiscal 2021 first-quarter financial results.

(2) Actual results and projections are presented in constant currency based on fiscal 2020 average foreign exchange rate of 1.3456 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.

For further details on the Corporation's operating results, please refer to the "Operating and financial results", the "Segmented operating and financial results" and the "Cash flows analysis" sections.

REVENUE

Fiscal 2021 revenue in constant currency increased by 7.7%, achieving the Corporation's revised projections, as a result of both the Canadian and American broadband services segments being in line with expectations.

ADJUSTED EBITDA ⁽¹⁾

Fiscal 2021 adjusted EBITDA in constant currency increased by 7.3%, achieving the Corporation's revised projections, as a result of both the Canadian and American broadband services segments being in line with expectations.

FREE CASH FLOW ⁽¹⁾

Fiscal 2021 free cash flow in constant currency increased by 7.2%, under-achieving the Corporation's revised projections due to higher than expected capital expenditures in the American broadband services segment. Atlantic Broadband accelerated its purchases of customer premise equipment and networking equipment during the fourth quarter in order to avoid supply chain shortages in light of current supply chain disruptions impacting many industries and as a result of higher than expected customer additions during the year. These capital expenditures are expected to be used to support the segment's growth driven by recent acquisitions, ongoing demand for high-speed Internet and network expansion projects.

(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.

2.7 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	2021	2020	2019 ⁽¹⁾
<i>(In thousands of Canadian dollars, except percentages and per share data)</i>	\$	\$	\$
Operations			
Revenue	2,603,845	2,479,474	2,444,062
Adjusted EBITDA ⁽²⁾	1,225,468	1,168,487	1,131,980
Integration, restructuring and acquisition costs	8,744	11,562	12,851
Profit for the year from continuing operations	439,015	401,833	368,165
Profit for the year from discontinued operations	—	—	75,380
Profit for the year	439,015	401,833	443,545
Profit for the year from continuing operations attributable to owners of the Corporation	141,856	128,084	119,222
Profit for the year attributable to owners of the Corporation	141,856	128,084	143,163
Cash flow			
Cash flows from operating activities	1,029,767	941,628	890,077
Acquisition of property, plant and equipment	534,702	487,240	439,055
Free cash flow ⁽²⁾	498,273	464,125	469,155
Financial condition			
Cash and cash equivalents	368,434	406,113	559,393
Total assets	7,536,313	7,024,696	7,125,037
Indebtedness ^{(2) (3)}	3,377,115	3,290,354	3,514,185
Long-term financial liabilities ⁽⁴⁾	3,110,616	3,260,521	3,486,458
Equity attributable to owners of the Corporation	816,658	761,501	754,768
Per share data ⁽⁵⁾			
Earnings per share			
Basic			
From continuing operations	8.92	8.05	7.38
From discontinued operations	—	—	1.48
From continuing and discontinued operations	8.92	8.05	8.86
Diluted			
From continuing operations	8.87	7.98	7.32
From discontinued operations	—	—	1.47
From continuing and discontinued operations	8.87	7.98	8.79
Dividends	2.18	1.90	1.72

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

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

(4) Long-term financial liabilities include long-term debt, derivative financial instruments and other financial liabilities.

(5) Per multiple and subordinate voting shares.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years ended August 31,	2021 ⁽¹⁾	2020	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Revenue	2,603,845	2,479,474	5.0	7.7	(67,157)
Operating expenses	1,378,377	1,310,987	5.1	8.1	(38,790)
Adjusted EBITDA	1,225,468	1,168,487	4.9	7.3	(28,367)

(1) For fiscal 2021, the average foreign exchange rate used for translation was 1.2691 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3456 USD/CDN.

REVENUE

Years ended August 31,	2021	2020	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian broadband services	1,393,097	1,287,772	8.2	8.2	—
American broadband services	1,117,356	1,096,511	1.9	8.0	(67,157)
Cogeco Communications	2,510,453	2,384,283	5.3	8.1	(67,157)
Other	93,392	95,191	(1.9)	(1.9)	—
Consolidated	2,603,845	2,479,474	5.0	7.7	(67,157)

Fiscal 2021 revenue increased by 5.0% (7.7% in constant currency) resulting mainly from:

- organic growth in both the American broadband services and the Canadian broadband services segments, resulting mainly from growth in Internet service customers, stemming from the ongoing interest in high-speed Internet offerings which was enhanced since the beginning of the COVID-19 pandemic, and rate increases implemented for certain services;
- the DERYtelecom acquisition completed on December 14, 2020, which contributed to the revenue growth in the Canadian broadband services segment; and
- the Thames Valley Communications acquisition completed on March 10, 2020, which contributed to the revenue growth in the American broadband services segment; partly offset by
- a retroactive adjustment of \$4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates during the third quarter of fiscal 2021, within the Canadian broadband services segment; and
- lower revenue in the media activities due to radio advertising revenue being directly impacted by certain segments of the retail industry reducing or cutting their advertising activities in the context of the COVID-19 pandemic.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications, and the impact of the \$4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, revenue in constant currency increased by 4.4% in fiscal 2021.

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

OPERATING EXPENSES

Years ended August 31,	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	\$	\$	%	%	\$
Canadian broadband services	642,568	587,752	9.3	9.6	(1,780)
American broadband services	605,856	600,425	0.9	7.1	(37,010)
Corporate and eliminations	32,908	23,245	41.6	41.6	—
Cogeco Communications	1,281,332	1,211,422	5.8	9.0	(38,790)
Other	97,045	99,565	(2.5)	(2.5)	—
Consolidated	1,378,377	1,310,987	5.1	8.1	(38,790)

Fiscal 2021 operating expenses increased by 5.1% (8.1% in constant currency), mainly resulting from:

- higher operating expenses in the Canadian broadband services segment mainly resulting from the DERYtelecom acquisition and increased IT expenses;
- higher marketing and advertising expenses, in both the Canadian broadband services and the American broadband services segments, to support overall customer base growth;
- higher operating expenses in the American broadband services segment driven by revenue growth, including higher operating expenses resulting from the Thames Valley Communications acquisition, combined with annual video programming rate increases; and
- higher corporate costs, primarily due to costs incurred and initiatives undertaken to support the Corporation's future growth and strategies; partly offset by
- 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.

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

ADJUSTED EBITDA

Years ended August 31,	2021	2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	\$	\$	%	%	\$
Canadian broadband services	750,529	700,020	7.2	7.0	1,780
American broadband services	511,500	496,086	3.1	9.2	(30,147)
Corporate and eliminations	(56,373)	(47,377)	(19.0)	(19.0)	—
Cogeco Communications	1,205,656	1,148,729	5.0	7.4	(28,367)
Other	19,812	19,758	0.3	0.3	—
Consolidated	1,225,468	1,168,487	4.9	7.3	(28,367)

Fiscal 2021 adjusted EBITDA increased by 4.9% (7.3% in constant currency) as a result of:

- an increase in the Canadian broadband services segment mainly resulting from the impact of the DERYtelecom acquisition and organic revenue growth, partly offset by a retroactive adjustment of \$4.6 million recognized as a reduction of revenue during the third quarter of fiscal 2021 following the CRTC's decision on aggregated wholesale Internet rates; and
- an increase in the American broadband services segment, mainly resulting from organic revenue growth; partly offset by
- higher marketing and advertising expenses, in both the Canadian broadband services and the American broadband services segments; and
- higher corporate costs, primarily due to costs incurred and initiatives undertaken to support the Corporation's future growth and strategies.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications and the impact of the \$4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, adjusted EBITDA in constant currency increased by 4.2% in fiscal 2021.

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

3.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2021 integration, restructuring and acquisition costs amounted to \$8.7 million, mostly related to costs incurred in connection with the acquisition and integration of DERYtelecom, which was completed on December 14, 2020, and due diligence costs and legal fees related to the acquisition of the Ohio broadband systems, which was completed on September 1, 2021.

Fiscal 2020 integration, restructuring and acquisition costs amounted to \$11.6 million, primarily from organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

3.3 DEPRECIATION AND AMORTIZATION

Years ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Depreciation of property, plant and equipment ⁽¹⁾	471,518	444,940	6.0
Amortization of intangible assets	43,737	59,017	(25.9)
	515,255	503,957	2.2

(1) Includes depreciation of right-of-use assets amounting to \$7.5 million in fiscal 2021 (\$8.3 million in 2020).

Fiscal 2021 depreciation and amortization expense increased by 2.2%, mainly due to:

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

3.4 FINANCIAL EXPENSE

Years ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Interest on long-term debt, excluding interest on lease liabilities	128,606	160,177	(19.7)
Interest on lease liabilities	2,290	2,479	(7.6)
Gain on debt modification	—	(22,898)	(100.0)
Net foreign exchange (gain) loss	(947)	198	—
Amortization of deferred transaction costs	840	1,185	(29.1)
Capitalized borrowing costs	(163)	(584)	(72.1)
Other	(2,414)	(4,350)	(44.5)
	128,212	136,207	(5.9)

Fiscal 2021 financial expense decreased by 5.9%, mainly due to:

- lower interest expense on the Senior Secured Term Loan B Facility resulting from the decrease in the interest rate and in the principal amount outstanding;
- the early redemption of the Senior Secured Debentures Series 2 in July 2020;
- a non-recurring \$5.9 million favorable reversal of a previously recognized provision upon reaching a settlement during the fourth quarter of fiscal 2021; and
- the depreciation of the US dollar against the Canadian dollar compared to the prior year; partly offset by
- the \$22.9 million non-cash gain on debt modification recognized during the second quarter of fiscal 2020 related to the amendment made to the Senior Secured Term Loan B Facility on February 3, 2020 resulting from the reduction of the interest rate by 0.25%; and
- lower interest revenue.

3.5 INCOME TAXES

Years ended August 31, (In thousands of Canadian dollars, except percentages)	2021 \$	2020 \$	Change %
Current	67,560	59,432	13.7
Deferred	66,682	55,496	20.2
	134,242	114,928	16.8

Years ended August 31, (In thousands of Canadian dollars, except percentages)	2021 \$	2020 \$	Change %
Profit before income taxes	573,257	516,761	10.9
Combined Canadian income tax rate	26.5 %	26.5 %	—
Income taxes at combined Canadian income tax rate	151,913	136,942	10.9
Difference in operations' statutory income tax rates	1,864	2,174	(14.3)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(147)	111	—
Tax impacts related to foreign operations	(18,576)	(24,135)	(23.0)
Other	(812)	(164)	—
Income taxes at effective income tax rate	134,242	114,928	16.8
Effective income tax rate	23.4%	22.2%	5.4

Fiscal 2021 income taxes expense increased by 16.8% mainly due to the increase in profit before income taxes.

3.6 PROFIT FOR THE YEAR

Years ended August 31, (In thousands of Canadian dollars, except percentages and earnings per share)	2021 \$	2020 \$	Change %
Profit for the year	439,015	401,833	9.3
Profit for the year attributable to owners of the Corporation	141,856	128,084	10.8
Profit for the year attributable to non-controlling interest ⁽¹⁾	297,159	273,749	8.6
Basic earnings per share	8.92	8.05	10.8

(1) At August 31, 2021, the non-controlling interest relates to a participation of approximately 66.5% in the profit for the year 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 profit for the year and profit for the year attributable to owners of the Corporation increased by 9.3% and 10.8%, respectively, as a result of:

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

4. 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. During fiscal 2021, the Corporation changed the presentation of its operating segments information in order to align with the operating segments presentation of its subsidiary, Cogeco Communications.

4.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	2021 ⁽¹⁾	2020	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
(In thousands of Canadian dollars, except percentages)	\$	\$	%	%	\$
Revenue	1,393,097	1,287,772	8.2	8.2	—
Operating expenses	642,568	587,752	9.3	9.6	(1,780)
Adjusted EBITDA	750,529	700,020	7.2	7.0	1,780
Adjusted EBITDA margin ⁽³⁾	53.9 %	54.4 %			
Acquisition of property, plant and equipment	256,636	248,582	3.2	5.4	(5,303)
Capital intensity ⁽³⁾	18.4 %	19.3 %			

(1) For fiscal 2021, the average foreign exchange rate used for translation was 1.2691 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3456 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.

REVENUE

Fiscal 2021 revenue increased by 8.2% as reported and in constant currency mainly as a result of:

- the DERYtelecom acquisition completed on December 14, 2020;
- rate increases implemented for certain services; and
- the cumulative effect of sustained demand for residential high-speed Internet since the beginning of the pandemic, which was enhanced by customers spending more time at home for work, online education and entertainment purposes, resulting in Internet service customers growth and a higher product mix for the overall base; partly offset by
- a decline in video and telephony service customers as some customers have migrated to Internet-only services; and
- a retroactive adjustment of \$4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates during the third quarter of fiscal 2021.

Excluding the acquisition of DERYtelecom and the impact of the \$4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, revenue in constant currency increased by 2.3% for fiscal 2021.

OPERATING EXPENSES

Fiscal 2021 operating expenses increased by 9.3% (9.6% in constant currency), mainly due to:

- the DERYtelecom acquisition completed on December 14, 2020;
- increased IT expenses related to higher software-as-a-service (SaaS) costs; and
- higher marketing and advertising expenses to support overall customer base growth, compared to unusually low costs during the previous year in the context of the COVID-19 pandemic; partly offset by
- lower bad debt expenses compared to fiscal 2020 resulting from improved customers credit risk since the beginning of the COVID-19 pandemic.

ADJUSTED EBITDA

Fiscal 2021 adjusted EBITDA increased by 7.2% (7.0% in constant currency), mainly resulting from:

- the impact of the DERYtelecom acquisition; and
- organic revenue growth; partly offset by
- a retroactive adjustment of \$4.6 million recognized as a reduction of revenue during the third quarter of fiscal 2021 following the CRTC's decision on aggregated wholesale Internet rates; and
- higher marketing and advertising expenses.

Excluding the acquisition of DERYtelecom and the impact of the \$4.6 million recognized following the CRTC's decision on aggregated wholesale Internet rates, adjusted EBITDA in constant currency increased by 2.3% for fiscal 2021.

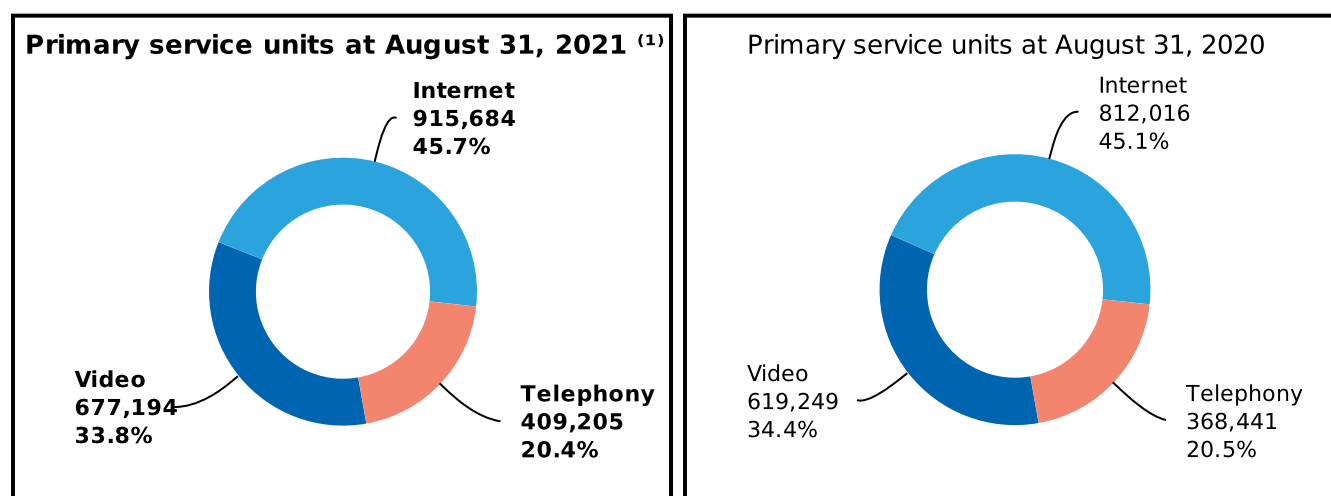
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

Fiscal 2021 acquisition of property, plant and equipment increased by 3.2% (5.4% in constant currency) resulting from:

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

Fiscal 2021 capital intensity reached 18.4% compared to 19.3% for fiscal 2020. The capital intensity decrease is mainly explained by revenue growth exceeding increased capital spending.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS



(1) The addition of the percentages may not sum to 100% due to rounding.

	August 31, 2021	Net additions (losses) Years ended August 31,		% of penetration ⁽¹⁾	
		2021 ⁽²⁾	2020 ⁽³⁾	August 31, 2021	August 31, 2020
Primary service units	2,002,083	(21,662)	(12,887)		
Internet service customers	915,684	18,026	21,902	46.2	45.7
Video service customers	677,194	(22,273)	(30,515)	34.1	34.9
Telephony service customers	409,205	(17,415)	(4,274)	20.6	20.7

(1) As a percentage of homes passed.

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

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

INTERNET

Fiscal 2021 Internet service customers net additions amounted to 18,026 compared to 21,902 for the prior year. The net additions of fiscal 2021 were mainly resulting from the ongoing interest in high-speed offerings, which was enhanced by customers spending more time at home for work and entertainment purposes in the context of the COVID-19 pandemic.

VIDEO

Fiscal 2021 video service customers net losses amounted to 22,273 compared to 30,515 for the prior year. The net losses of fiscal 2021 were mainly due to the continuous change in the video consumption environment, with an increasing proportion of customers only subscribing to Internet services.

TELEPHONY

Fiscal 2021 telephony service customers net losses amounted to 17,415 compared to 4,274 for the prior year. The net losses of fiscal 2021 were mainly due to increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

DISTRIBUTION OF CUSTOMERS

At August 31, 2021, 67% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

4.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	2021 ⁽¹⁾	2020	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
(In thousands of Canadian dollars, except percentages)	\$	\$	%	%	\$
Revenue	1,117,356	1,096,511	1.9	8.0	(67,157)
Operating expenses	605,856	600,425	0.9	7.1	(37,010)
Adjusted EBITDA	511,500	496,086	3.1	9.2	(30,147)
Adjusted EBITDA margin ⁽³⁾	45.8 %	45.2 %			
Acquisition of property, plant and equipment	271,474	231,422	17.3	25.0	(17,897)
Capital intensity ⁽³⁾	24.3 %	21.1 %			

(1) For fiscal 2021, the average foreign exchange rate used for translation was 1.2691 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3456 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.

REVENUE

Fiscal 2021 revenue increased by 1.9% (8.0% in constant currency). In local currency, revenue amounted to US\$880.4 million compared to US\$814.8 million for fiscal 2020. The increase resulted mainly from:

- a higher Internet service customer base and a higher value product mix;
- annual rate increases implemented for certain services;
- the reinstatement of late fees charged to customers that were suspended for a portion of the fourth quarter in fiscal 2020 as a relief measure in the context of the COVID-19 pandemic; and
- revenue growth from the Thames Valley Communications acquisition completed on March 10, 2020.

OPERATING EXPENSES

Fiscal 2021 operating expenses increased by 0.9% (7.1% in constant currency) mainly as a result of:

- higher video services costs resulting from annual video programming rate increases;
- higher marketing and advertising expenses to support overall customer base growth;
- higher operating expenses resulting from the Thames Valley Communications acquisition and to drive and support continued customer growth; and
- a non-recurring gain on disposal of property, plant and equipment amounting to US\$1.7 million recorded during the third quarter of fiscal 2020.

ADJUSTED EBITDA

Fiscal 2021 adjusted EBITDA increased by 3.1% (9.2% in constant currency). In local currency, adjusted EBITDA amounted to US\$402.8 million compared to US\$368.6 million for fiscal 2020. The increase is mainly resulting from:

- revenue growth driven by the cumulative effect of high-speed Internet service additions over the past year and by rate increases implemented for certain services; and
- the impact of the Thames Valley Communications acquisition; partly offset by
- higher marketing and advertising expenses.

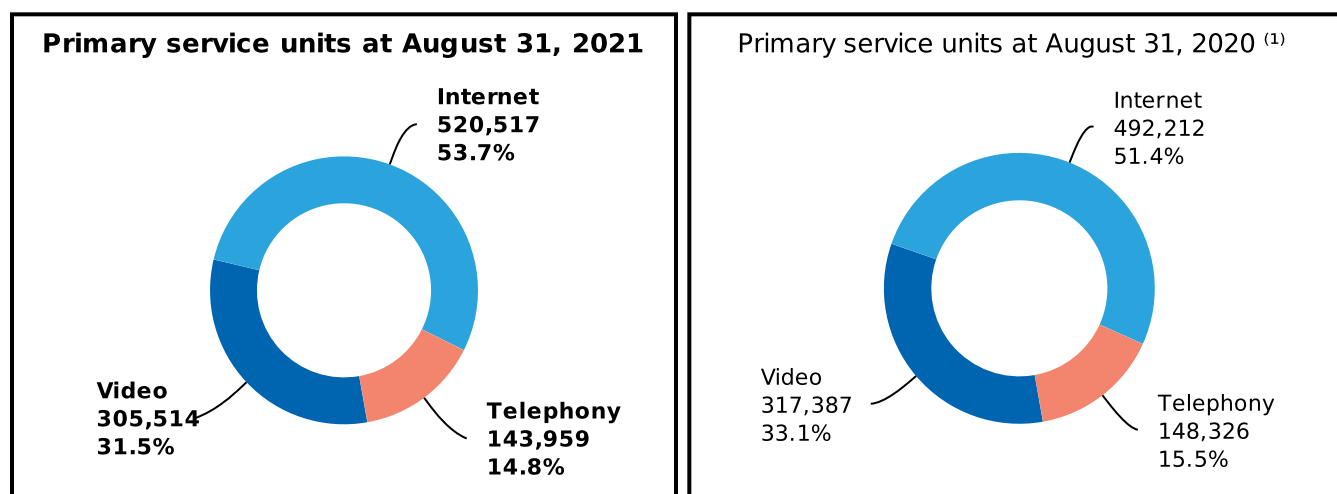
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

Fiscal 2021 acquisition of property, plant and equipment increased by 17.3% (25.0% in constant currency) resulting mainly from:

- higher purchases of customer premise equipment in order to support increased demand for high-speed Internet product;
- accelerated purchases of customer premise equipment and networking equipment in order to avoid supply chain shortages impacting many industries; and
- the timing of certain initiatives.

Fiscal 2021 capital intensity reached 24.3% compared to 21.1% for fiscal 2020. The capital intensity increase is mainly due to higher capital expenditures, as explained above.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS



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

	August 31, 2021	Net additions (losses)		% of penetration ⁽¹⁾	
		Years ended August 31,		August 31, 2021	August 31, 2020
		2021	2020 ⁽²⁾ ⁽³⁾		
Primary service units	969,990	12,065	40,502		
Internet service customers	520,517	28,305	36,998	55.6	53.3
Video service customers	305,514	(11,873)	(279)	32.6	34.4
Telephony service customers	143,959	(4,367)	3,783	15.4	16.1

(1) As a percentage of homes passed.

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

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

INTERNET

Fiscal 2021 Internet service customers net additions amounted to 28,305 compared to 36,998 for the prior year. The net additions of fiscal 2021 were mainly resulting from:

- growth in the residential sector primarily driven by ongoing demand for high-speed offerings, which was enhanced by customers spending more time at home for work and entertainment purposes in the context of the COVID-19 pandemic;
- sales effort activities being resumed in certain sales channels impacted by the pandemic combined with increased marketing efforts toward Internet led offerings under the Broadband First strategy; and
- growth in the commercial sector.

The significant growth in fiscal 2020 was mainly driven by the sudden increase in high-speed Internet demand in the residential sector resulting directly from the COVID-19 pandemic, which began in the second half of the year.

VIDEO

Fiscal 2021 video service customers net losses amounted to 11,873 compared to 279 for the prior year. The net losses of fiscal 2021 were mainly due to:

- the new emphasis started in the second quarter of fiscal 2021 on offers that are Internet led and the cessation of non-bulk residential video-only new offer;
- certain customers declining to subscribe to video services as they move to strictly streaming video content; and
- competitive offers in the industry; partly offset by
- continued growth in the bulk residential customers' activations related mainly to the Florida expansion initiatives.

TELEPHONY

Fiscal 2021 telephony service customers net losses amounted to 4,367 compared to net additions of 3,783 for the prior year. The net losses of fiscal 2021 were mainly due to:

- the new emphasis started in the second quarter of fiscal 2021 on offers that are Internet led; partly offset by
- growth in the business sector mainly driven by Hosted Voice product offerings.

DISTRIBUTION OF CUSTOMERS

At August 31, 2021, 47% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

5. RELATED PARTY TRANSACTIONS

Cogeco held, as of August 31, 2021, 33.5% of Cogeco Communications' equity shares, representing 83.4% of the votes attached to Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For the year ended August 31, 2021, management fees paid by Cogeco Communications amounted to \$23.5 million compared to \$24.1 million for fiscal 2020.

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

Years ended August 31,	2021	2020
<i>(In number of units)</i>		
Stock options	74,275	110,875
PSUs	10,375	14,375
DSUs	792	1,847

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:

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Stock options	1,242	1,205
ISUs	6	39
PSUs	632	1,386
DSUs	269	217
	2,149	2,847

The Corporation had a \$1.8 million payable to Cogeco Communications at August 31, 2020.

6. CASH FLOWS ANALYSIS

Years ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Cash flows from operating activities	1,029,767	941,628	9.4
Cash flows used in investing activities	(986,242)	(560,500)	76.0
Cash flows used in financing activities	(73,408)	(530,952)	(86.2)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(7,796)	(3,456)	—
Net change in cash and cash equivalents	(37,679)	(153,280)	(75.4)
Cash and cash equivalents, beginning of the year	406,113	559,393	(27.4)
Cash and cash equivalents, end of the year	368,434	406,113	(9.3)

6.1 OPERATING ACTIVITIES

Fiscal 2021 cash flows from operating activities increased by 9.4%, mainly from:

- higher adjusted EBITDA;
- changes in other non-cash operating activities primarily due to the timing of payments of trade and other payables and the collection of trade accounts receivable; and
- reduced interest paid; partly offset by
- higher income taxes paid, mainly due to the timing of income tax instalments, as a portion of last fiscal year's instalments was paid in September 2020 pursuant to governments allowing certain payment delays in the context of the COVID-19 pandemic.

6.2 INVESTING ACTIVITIES

Fiscal 2021 cash flows used in investing activities increased by 76.0%, mainly due to:

- the acquisition of DERYtelecom completed during the second quarter of fiscal 2021;
- a \$59 million deposit paid in order to secure 38 spectrum licences in the 3500 MHz band auction; and
- the increase in acquisition of property, plant and equipment, primarily in the American broadband service segment; partly offset by
- cash flows used in connection with the acquisitions of Thames Valley Communications and iTéract last year.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

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

Years ended August 31,	2021	2020	Change	Change in constant currency ⁽¹⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	<i>\$</i>	<i>\$</i>	<i>%</i>	<i>%</i>
Canadian broadband services	256,636	248,582	3.2	5.4
Capital intensity ⁽²⁾	18.4 %	19.3 %		
American broadband services	271,474	231,422	17.3	25.0
Capital intensity ⁽²⁾	24.3 %	21.1 %		
Corporate and eliminations	5,076	3,986	27.3	27.3
Cogeco Communications	533,186	483,990	10.2	15.0
Capital intensity ⁽²⁾	21.2 %	20.3 %		
Other	1,516	3,250	(53.4)	(53.4)
Consolidated	534,702	487,240	9.7	14.5

(1) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3456 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.

Fiscal 2021 acquisition of property, plant and equipment increased by 9.7% (14.5% in constant currency), mainly due to:

- higher capital expenditures in the American broadband services segment in order to support the segment's revenue growth driven by increased demand for high-speed Internet product, combined with accelerated purchases of customer premise equipment and networking equipment in order to avoid supply chain shortages impacting many industries; and
- higher capital expenditures in the Canadian broadband services segment mainly driven by higher costs related to the maintenance, growth and expansion of Cogeco Connexion's network infrastructure, and higher purchases of property, plant and equipment related to the DERYtelecom acquisition; partly offset by
- the timing of certain initiatives in both the American and Canadian broadband services segments.

Fiscal 2021 capital intensity of Cogeco Communications reached 21.2% compared to 20.3% for the prior year. The capital intensity increase is mainly explained by higher capital expenditures, particularly in the American broadband services segment.

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

6.3 FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

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

Years ended August 31,	2021	2020	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	
(Decrease) increase in bank indebtedness	(3,150)	7,610	Related to the timing of payments made to suppliers.
Net increase under the revolving facilities	207,608	25,544	Mainly related to the DERYtelecom acquisition, which was financed in part through the Corporation's Term Revolving Facility, and to the \$59 million deposit paid in order to secure 38 spectrum licences in the 3500 MHz band auction.
Repayment of notes, debentures and credit facilities	(21,410)	(269,169)	Related to the quarterly repayments on the Senior Secured Term Loan B Facility, compared to the redemption of the Senior Secured Debentures Series 2 during the fourth quarter of fiscal 2020 combined with the repayment of US\$35 million on the Senior Secured Term Loan B Facility during the second quarter of fiscal 2020 in addition to the quarterly repayments.
Repayment of lease liabilities	(5,420)	(6,286)	Comparable.
Repayment of balance due on business combinations	(2,308)	(3,228)	Repayment of balance due related to the FiberLight, RNC Média and iTéract acquisitions.
	175,320	(245,529)	

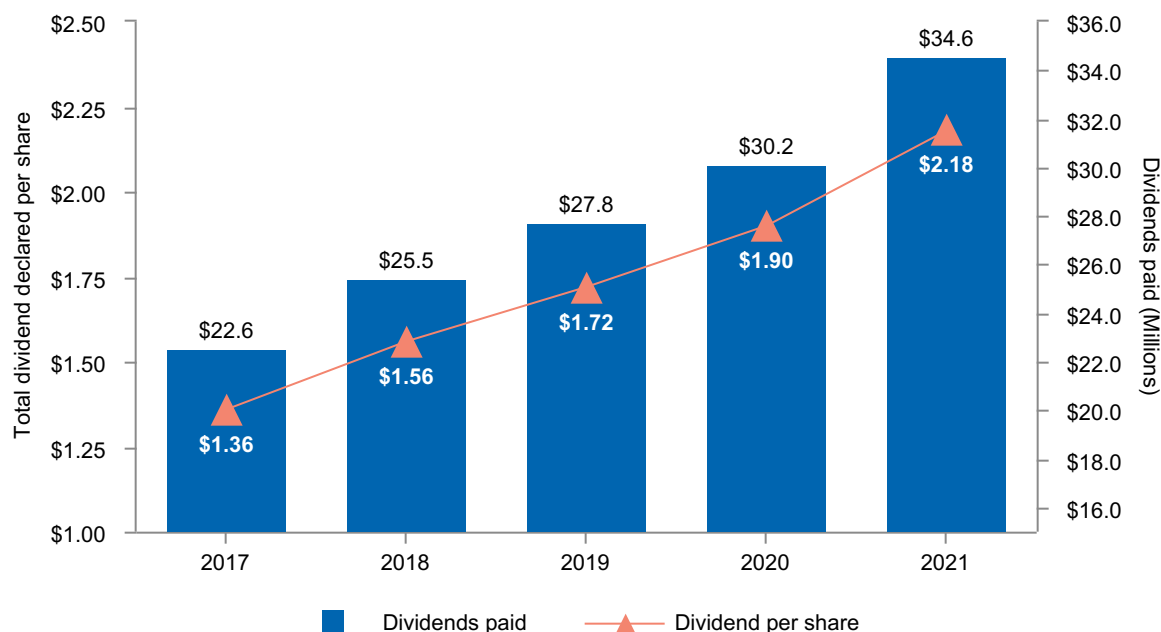
DIVIDENDS

During fiscal 2021, quarterly eligible dividends of \$0.545 per share, totalling \$2.18 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of \$34.6 million. In fiscal 2020, quarterly eligible dividends of \$0.475 per share, totalling \$1.90 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of \$30.2 million. In addition, dividends paid by a subsidiary to non-controlling interest during fiscal 2021 amounted to \$80.9 million compared to \$75.9 million for the prior year.

The dividends declaration dates and payments for multiple and subordinate voting shares are as follows:

Declaration date	Record date	Payment date	Dividend per share (in dollars)
October 27, 2020	November 10, 2020	November 24, 2020	0.545
January 14, 2021	January 28, 2021	February 11, 2021	0.545
April 13, 2021	April 27, 2021	May 11, 2021	0.545
July 14, 2021	July 28, 2021	August 11, 2021	0.545
October 30, 2019	November 13, 2019	November 27, 2019	0.475
January 14, 2020	January 28, 2020	February 11, 2020	0.475
April 7, 2020	April 21, 2020	May 5, 2020	0.475
July 15, 2020	July 29, 2020	August 12, 2020	0.475

During the last five years, dividends paid per share increased by 12.5% on a compounded annual basis. Total dividends and dividends per share over the last five years are as follows:



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 fiscal 2020, Cogeco purchased and cancelled 119,450 subordinate voting shares with a weighted average price per share repurchased of \$95.32 for a total consideration of \$11.4 million.

The NCIB purchases were as follows:

Quarters ended	2020			
	Nov. 30	Feb. 29	May 31	Aug. 31
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>				
	\$	\$	\$	\$
Subordinate voting shares purchased and cancelled	23,440	61,415	34,595	—
Weighted average purchase price per share	98.74	99.54	85.50	—
Purchase costs	2,314	6,114	2,958	—

Cogeco Communications

During fiscal 2021, Cogeco Communications purchased and cancelled 1,134,100 subordinate voting shares with a weighted average price per share repurchased of \$115.91 for a total consideration of \$131.5 million. During fiscal 2020, Cogeco Communications purchased and cancelled 1,592,000 subordinate voting shares with a weighted average price per share repurchased of \$103.98 for a total consideration of \$165.5 million.

On April 30, 2021, Cogeco Communications announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 2,068,000 subordinate voting shares from May 4, 2021 to May 3, 2022, representing approximately 10% percent of the public float of Cogeco Communications' issued and outstanding subordinate shares as of April 21, 2021. Under its previous NCIB that commenced on May 4, 2020 and ended on May 3, 2021, Cogeco Communications could purchase for cancellation a maximum of 1,809,000 subordinate shares.

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

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.

The NCIB purchases were as follows:

					2021
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$	\$	\$	\$
Subordinate voting shares purchased and cancelled	14,900	313,700	414,000	391,500	1,134,100
Weighted average purchase price per share	99.24	111.72	118.28	117.41	115.91
Purchase costs	1,479	35,046	48,967	45,967	131,459
					2020
Quarters ended	Nov. 30	Feb. 29	May 31	Aug. 31	Total
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$	\$	\$	\$
Subordinate voting shares purchased and cancelled	143,100	652,400	601,900	194,600	1,592,000
Weighted average purchase price per share	109.64	108.50	98.73	100.89	103.98
Purchase costs	15,690	70,787	59,425	19,633	165,535

6.4 FREE CASH FLOW

Years ended August 31,	2021 ⁽¹⁾	2020	Change	Change in constant currency ⁽²⁾ ⁽³⁾	Foreign exchange impact ⁽²⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Adjusted EBITDA ⁽³⁾	1,225,468	1,168,487	4.9	7.3	(28,367)
Amortization of deferred transaction costs and discounts on long-term debt	9,355	9,582	(2.4)	2.9	(505)
Share-based payment	10,723	10,911	(1.7)	(1.7)	—
Gain on disposals and write-offs of property, plant and equipment and other	(1,314)	(530)	—	—	—
Defined benefit plans contributions, net of expense	(1,321)	(700)	88.7	88.7	—
Integration, restructuring and acquisition costs	(8,744)	(11,562)	(24.4)	(22.0)	270
Financial expense ⁽⁴⁾	(128,212)	(159,105)	(19.4)	(15.6)	6,076
Current income taxes	(67,560)	(59,432)	13.7	13.9	117
Acquisition of property, plant and equipment	(534,702)	(487,240)	9.7	14.5	23,200
Repayment of lease liabilities	(5,420)	(6,286)	(13.8)	(11.6)	136
Free cash flow ⁽³⁾	498,273	464,125	7.4	7.2	927

(1) For fiscal 2021, the average foreign exchange rate used for translation was 1.2691 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3456 USD/CDN.

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

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

Fiscal 2021 free cash flow increased by 7.4% (7.2% in constant currency) mainly resulting from:

- higher adjusted EBITDA in both the Canadian and American broadband services segments; and
- reduced financial expense; partly offset by
- higher capital expenditures in both the Canadian and American broadband services segments; and
- the increase in current income taxes.

7. FINANCIAL POSITION

7.1 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 variations are as follows:

	August 31, 2021	August 31, 2020	Change	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	
Current assets				
Cash and cash equivalents	368,434	406,113	(37,679)	Refer to the "Cash flows analysis" section.
Restricted cash	170,434	—	170,434	Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Trade and other receivables	97,624	97,414	210	Not significant.
Income taxes receivable	6,488	4,835	1,653	Not significant.
Prepaid expenses and other	35,496	30,197	5,299	Mainly related to the increase in prepayments for annual service agreements.
Derivative financial instruments	1,507	—	1,507	Not significant.
	679,983	538,559	141,424	
Current liabilities				
Bank indebtedness	4,460	7,610	(3,150)	Not significant.
Trade and other payables	287,915	226,247	61,668	Mainly related to timing of payments made to suppliers, a higher level of trade and other payables resulting from the DERYtelecom acquisition and higher employee benefits-related accruals.
Provisions	19,314	34,114	(14,800)	Mainly related to the settlement of a claim during the fourth quarter and a contract renegotiation with a content provider.
Income tax liabilities	6,551	40,040	(33,489)	Related to the timing of payment of income tax instalments, of which a portion of last year's instalments was paid in September 2020 pursuant to governments allowing certain payment delays in the context of the COVID-19 pandemic, partly offset by the current income taxes expense for the year.
Contract liabilities and other liabilities	57,479	47,387	10,092	Mainly from the DERYtelecom acquisition and higher contract liabilities in connection with increased revenue-generating activities.
Government subsidies received in advance	170,434	—	170,434	Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Derivative financial instruments	—	4,374	(4,374)	Not significant.
Current portion of long-term debt	261,970	32,914	229,056	Mainly related to the Senior Secured Debentures Series 3 maturing in February 2022 and the Unsecured Debentures maturing in November 2021, which are classified as current.
	808,123	392,686	415,437	
Working capital (deficiency) surplus	(128,140)	145,873	(274,013)	

7.2 OTHER SIGNIFICANT CHANGES

	August 31, 2021	August 31, 2020	Change	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	
Non-current assets				
Restricted cash	13,100	—	13,100	Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Other assets	105,722	45,465	60,257	Mainly related to the \$59 million deposit paid in August 2021 in order to secure 38 spectrum licences in the 3500 MHz band auction.
Property, plant and equipment	2,391,467	2,124,214	267,253	Mainly related to capital investments during fiscal 2021 and the acquisition of DERYtelecom, partly offset by the depreciation expense for the year, as well as the depreciation of the US dollar against the Canadian dollar.
Intangible assets	2,826,066	2,886,556	(60,490)	Related to the depreciation of the US dollar against the Canadian dollar and amortization for the year, partly offset by intangible assets acquired as part of the acquisition of DERYtelecom.
Goodwill	1,504,162	1,409,036	95,126	Related to the DERYtelecom acquisition, partly offset by the depreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	3,067,940	3,192,301	(124,361)	Mainly related to the classification of the Senior Secured Debentures Series 3 and the Unsecured Debentures as current portion of long-term debt, the decrease in amounts borrowed under the Corporation's Term Revolving Facility, combined with the depreciation of the US dollar against the Canadian dollar and the quarterly repayment on the Senior Secured Term Loan B Facility, partly offset by the acquisition of DERYtelecom which was financed in part with Cogeco Communications' Term Revolving Facility.
Derivative financial instruments	42,000	67,375	(25,375)	Mainly related to changes in market interest rates and the depreciation of the US dollar against the Canadian dollar.
Government subsidies received in advance	13,100	—	13,100	Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects.
Pension plan liabilities and accrued employee benefits	10,757	23,307	(12,550)	Actuarial gains recorded in other comprehensive income in fiscal 2021.
Deferred tax liabilities	693,832	631,128	62,704	Timing of temporary differences, partly offset by the depreciation of the US dollar against the Canadian dollar.

8. CAPITAL RESOURCES AND LIQUIDITY

8.1 CAPITAL STRUCTURE

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 the Cogeco Media subsidiary's adjusted EBITDA results and the dividends and management fees received from Cogeco Communications, net of corporate expenses.

COGECO COMMUNICATIONS

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2022 guidelines:

Years ended August 31,	2022 Guidelines ⁽¹⁾	2021	2020
Weighted average cost of indebtedness ⁽²⁾	3.3 %	3.3 %	3.8 %
Fixed rate indebtedness ⁽³⁾	69 %	60 %	78 %
Weighted average term: long-term debt (in years)	3.9	3.2	4.2
Net indebtedness ^{(4) (5)} / adjusted EBITDA ⁽⁵⁾	3.3	2.45	2.45
Adjusted EBITDA ⁽⁵⁾ / financial expense ⁽⁶⁾	N/A ⁽⁷⁾	9.7	7.5

(1) Based on mid-range guidelines.

(2) Excludes amortization of deferred transaction costs and commitment fees but includes the impact of interest rate swaps.

(3) Taking into consideration the interest rate swaps in effect at the end of each fiscal year.

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

(5) 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.

(6) Financial expense for fiscal 2020 excludes the \$22.9 million gain on debt modification related to the amendment made to the Senior Secured Term Loan B facility.

(7) Specific guidance on interest coverage cannot be provided given that financial expense guidance is not provided.

Fiscal 2021 financial leverage ratio relating to net indebtedness over adjusted EBITDA is comparable to last year.

8.2 OUTSTANDING SHARE DATA

A description of Cogeco's share data at October 31, 2021 is presented in the table below. Additional details are provided in Note 19 of the consolidated financial statements.

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

8.3 FINANCING

At August 31, 2021, the Corporation's Term Revolving Facility of \$100 million was unused and an amount of \$255.9 million was used from Cogeco Communications' Term Revolving Facility of \$750 million, for remaining availabilities of \$100 million and \$494.1 million, respectively. In addition, two subsidiaries of Cogeco Communications benefit from a Senior Secured Revolving Facility of \$189.3 million (US\$150 million), of which \$3.1 million (US\$2.4 million) was used at August 31, 2021, in the form of letters of credit, for a remaining availability of \$186.2 million (US\$147.6 million). An unsecured letter of credit facility was put in place by Cogeco Communications to issue a \$150 million letter of credit in connection with the 3500 MHz band auction (refer to the "Contractual obligations, contingencies and guarantees" section).

8.4 COGECO COMMUNICATIONS' CREDIT RATINGS

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

At August 31, 2021	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	BBB-	BBB (low)	NR
Corporate credit issuer default rating	BB+	BB (high)	NR
Atlantic Broadband			
First Lien Credit Facilities	BB	NR	B1
Corporate credit issuer default rating	BB	NR	B1

NR : Not rated

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

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

8.5 FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents, restricted cash and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statements of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a high credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2021, management believes that the credit risk relating to its derivative financial instruments is 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 short-term investments. The Corporation has deposited the cash and cash equivalents, and the restricted cash with reputable financial institutions, for which management believes the risk of loss to be remote. At August 31, 2021 and 2020, cash and cash equivalents consisted solely of cash in banks.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) are examined. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. 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. 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.

The following table provides further details on trade and other receivables, net of allowance for doubtful accounts:

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Trade accounts receivable	95,462	95,298
Allowance for doubtful accounts	(6,907)	(7,152)
	88,555	88,146
Other accounts receivable	9,069	9,268
	97,624	97,414

Trade accounts receivable past due is defined as the amount outstanding beyond normal credit terms and conditions for the respective customers. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. A large portion of the Corporation's customers are billed and pay before the services are rendered.

The following table provides further details on trade accounts receivable past due, net of allowance for doubtful accounts:

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Less than 60 days past due	22,207	18,971
60 to 90 days past due	1,505	1,033
More than 90 days past due	491	428
	24,203	20,432

The following table shows changes in the allowance for doubtful accounts:

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	7,152	7,156
Provision for impaired receivables	15,931	21,128
Net use	(16,122)	(20,885)
Foreign currency translation adjustments	(54)	(247)
Balance, end of the year	6,907	7,152

Liquidity risk

The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due.

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2021:

	Contractual cash flows						
	2022	2023	2024	2025	2026	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	4,460	—	—	—	—	—	4,460
Trade and other payables ⁽¹⁾	280,545	—	—	—	—	—	280,545
Notes, debentures and credit facilities	256,764	321,449	21,449	2,524,355	—	189,255	3,313,272
Lease liabilities	4,771	4,119	4,048	3,855	3,847	38,743	59,383
Other liabilities	169	169	169	169	—	—	676
	546,709	325,737	25,666	2,528,379	3,847	227,998	3,658,336

(1) Excluding accrued interest on notes, debentures and credit facilities.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter:

	2022	2023	2024	2025	2026	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Interest payments on notes, debentures and credit facilities ⁽¹⁾	85,313	78,792	65,820	38,939	8,119	4,060	281,043
Interest payments on lease liabilities	1,887	2,399	1,953	1,723	1,587	9,635	19,184
Interest receipts on derivative financial instruments ⁽¹⁾	(822)	(679)	(396)	(67)	—	—	(1,964)
Interest payments on derivative financial instruments ⁽¹⁾	20,717	17,097	9,879	1,643	—	—	49,336
	107,095	97,609	77,256	42,238	9,706	13,695	347,599

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2021 and their respective maturities.

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 August 31, 2021, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, Cogeco Communications' U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2021:

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

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately \$13.1 million based on the outstanding debt and swap agreements at August 31, 2021.

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 financial expense by approximately \$8.3 million based on the outstanding debt and swap agreements at August 31, 2021.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents and trade and other payables denominated mainly in US dollars, and the impact of a 10% decrease in the exchange rate of the US dollar into Canadian dollar would increase financial expense by approximately \$3.0 million. The Corporation's exposure is as follows:

At August 31,	2021	2020
	US	US
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial assets (liabilities)		
Cash and cash equivalents	30,636	2,940
Trade and other payables	(169)	(2,743)
	30,467	197

Furthermore, a foreign currency exposure arises from Cogeco Communications' net investment in its U.S. 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 U.S. 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 U.S. subsidiary's US dollar denominated First Lien Credit Facilities.

The following table shows the aggregate investment in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge this investment at August 31, 2021:

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US\$390 million	US\$1,164 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2021 was \$1.2617 (\$1.3042 at August 31, 2020) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately \$97.6 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 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.

The following table shows the Corporation's equity derivative contracts outstanding at August 31, 2021:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	46,600 units	January 2022	\$82.12	Equity price exposure

The following table shows Cogeco Communications' equity derivative contracts outstanding at August 31, 2021:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	58,300 units	January 2022	\$100.86	Equity price exposure

As at August 31, 2021, the fair value of the equity swaps was \$1.3 million and recognized as an asset. As a result of the equity swaps, a 10% increase in the market price of the subordinate voting shares would not have a material financial impact on the Corporation's results.

8.6 FOREIGN CURRENCY

For the years ended August 31, 2021 and 2020, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

Years ended August 31,	2021	2020	Change	Change
	\$	\$	\$	%
US dollar vs Canadian dollar	1.2691	1.3456	(0.08)	(5.7)

The following table highlights in Canadian dollars, the impact of a \$0.08 variation of the Canadian dollar against the US dollar, which corresponds to the variation in the exchange rate between fiscal 2021 and fiscal 2020, on Cogeco Communications' segmented and consolidated operating results for the year ended August 31, 2021:

	Canadian broadband services	American broadband services	Consolidated ⁽¹⁾
Year ended August 31, 2021	Exchange rate impact	Exchange rate impact	Exchange rate impact
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$
Revenue	—	(67,157)	(67,157)
Operating expenses	(1,780)	(37,010)	(38,790)
Adjusted EBITDA	1,780	(30,147)	(28,367)
Acquisition of property, plant and equipment	(5,303)	(17,897)	(23,200)
Free cash flow			927

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

8.7 CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND GUARANTEES

A) CONTRACTUAL OBLIGATIONS

The following table presents the Corporation's contractual obligations, at August 31, 2021, that are due in each of the next five years and thereafter:

Years ended August 31, (In thousands of Canadian dollars)	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$	Thereafter \$	Total \$
Acquisition of property, plant and equipment ⁽¹⁾	309,655	1,800	1,800	1,800	1,800	—	316,855
Acquisition of intangible assets ⁽²⁾	236,073	—	—	—	—	—	236,073
Other long-term contracts ⁽³⁾	58,956	50,308	44,169	28,006	28,102	28,319	237,860
Lease commitments ⁽⁴⁾	684	1,180	1,176	1,176	666	161	5,043
Financial liabilities and lease liabilities, and related capital amounts	546,709	325,737	25,666	2,528,379	3,847	227,998	3,658,336
Interest payable on long-term debt	107,095	97,609	77,256	42,238	9,706	13,695	347,599
	1,259,172	476,634	150,067	2,601,599	44,121	270,173	4,801,766

(1) Include contractual obligations in connection with the Corporation's high-speed Internet expansion projects, accelerated purchases of certain equipment in order to avoid potential supply chain shortages and minimum spend commitments for acquisition of customer premise equipment.

(2) Include commitments related to the acquisition of the spectrum licences secured in the 3500 MHz band auction.

(3) Include long-term commitments under service and product contracts for operating expenditures, including minimum spend commitments.

(4) Include leases committed not yet commenced and leases of low value items.

Acquisition and sale of radio stations

On May 6, 2021, the Corporation's subsidiary, Cogeco Media, announced that it had entered into an agreement with Arsenal Média to acquire and sell radio stations located in the Saguenay-Lac-Saint-Jean and Abitibi-Témiscamingue regions, respectively. Cogeco Media will acquire a radio station owned by Arsenal Média in the Saguenay-Lac-Saint-Jean region, known as the CILM radio station, and will simultaneously sell to Arsenal Média two radio stations owned by Cogeco Media in the Abitibi-Témiscamingue region, known as the Capitale Rock and Wow radio stations.

This transaction is subject to customary closing conditions, including the approval of the Canadian Radio-television and Telecommunications Commission.

B) CONTINGENCIES

Final rates for aggregated wholesale Internet access services

On May 27, 2021, the CRTC released Telecom Decision 2021-181, which ruled on applications by cable carriers (including Cogeco Communications) and telecommunications carriers to review and vary Telecom Order 2019-288. In Telecom Order 2019-288, the CRTC had set final rates for Cogeco Connexion's aggregated wholesale high-speed Internet access service that were significantly lower than the interim rates set in October 2016, and had made them retroactive to March 31, 2016. In Telecom Decision 2021-181, the CRTC overturned the 2019 rate reductions and made the interim rates it had previously established in 2016, with certain adjustments, final. As a result of this decision, Cogeco Communications was required to make retroactive payments to wholesale Internet access customers for the period of March to October 2016 and has recognized an amount of \$4.6 million as a reduction of revenue during the third quarter of fiscal 2021.

Since then, two independent Internet service providers ("Resellers") and a trade association representing Resellers have petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision. On July 28, 2021, a Reseller sought leave to appeal Telecom Decision 2021-181 to the Federal Court of Appeal, which was granted on September 15, 2021. The Corporation, along with several other cable carriers, has asked the Governor in Council to deny the petitions and intervened before the Federal Court of Appeal.

Royalties payable for retransmission of distant television signals

On July 22, 2021, the Federal Court of Appeal issued a decision in response to two applications for judicial review filed by six broadcasting distribution undertakings ("BDUs") (including Cogeco Communications) and nine collective societies challenging a decision by the Copyright Board setting the quantum of royalties payable for the retransmission of distant Canadian and U.S. television over-the-air signals in Canada, for the 2014-2018 period. The Federal Court of Appeal determined that the 2014 and 2015 rates would be final but agreed with the collective societies that the Copyright Board had made errors in determining the 2016 to 2018 rates. The Federal Court of Appeal has sent the matter back to the Copyright Board, which will hold a new proceeding to determine the rates from 2016 onwards, which could increase as a result of this decision.

Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has not recorded any financial impact as at August 31, 2021.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to these consolidated financial statements. At August 31, 2021 and 2020, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those included in Note 16 of the consolidated financial statements.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2021 and 2020, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16 of the consolidated financial statements.

3500 MHz band auction

In connection with the 3500 MHz band auction, Cogeco Connexion contracted a \$150 million unsecured letter of credit, which was submitted to ISSED Canada as a pre-auction deposit, with the application to bid. This unsecured letter of credit will remain outstanding until the final payment is made.

Sale of a business

In connection with the sale of a business, the Corporation and its subsidiaries have agreed to indemnify the purchaser against claims related to events that occurred prior to the date of sale.

Long-term debt

Under the terms of Cogeco Communications' US Senior Secured Notes, the subsidiary has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

Employees and contractual indemnification agreements

The Corporation's subsidiary, Cogeco Media, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss.

Sale of services

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

Purchase and development of assets

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

9. QUARTERLY OPERATING RESULTS

9.1 QUARTERLY FINANCIAL HIGHLIGHTS

Three months ended	Fiscal 2021				Fiscal 2020			
	Nov. 30	Feb. 28	May 31	Aug. 31	Nov. 30	Feb. 29	May 31	Aug. 31
<i>(In thousands of Canadian dollars, except percentages and per share data)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Operations								
Revenue	646,355	653,156	649,260	655,074	618,469	610,797	626,013	624,195
Adjusted EBITDA ⁽¹⁾	321,090	308,414	302,340	293,624	290,509	279,609	298,444	299,925
Integration, restructuring and acquisition costs	1,181	2,330	1,272	3,961	80	5,458	12	6,012
Profit for the period	120,447	110,156	104,994	103,418	94,216	113,384	97,496	96,737
Profit for the period attributable to owners of the Corporation	40,489	33,737	34,548	33,082	31,284	34,975	31,118	30,707
Cash flow								
Cash flows from operating activities	235,532	241,619	269,078	283,538	151,071	236,117	292,075	262,365
Acquisition of property, plant and equipment	116,491	115,748	126,745	175,718	122,030	111,222	123,778	130,210
Free cash flow ⁽¹⁾	148,236	140,555	136,567	72,915	108,893	125,067	119,153	111,012
Per share data ^{(2) (3)}								
Earnings per share								
Basic	2.55	2.12	2.17	2.08	1.96	2.19	1.96	1.93
Diluted	2.53	2.11	2.16	2.07	1.94	2.18	1.94	1.92
Dividends per share	0.545	0.545	0.545	0.545	0.475	0.475	0.475	0.475

(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, including reconciliation to the most comparable IFRS financial measures.

(2) The addition of quarterly information may not correspond to the annual total due to rounding.

(3) Per multiple and subordinate voting share.

9.2 SEASONAL VARIATIONS

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

9.3 FOURTH-QUARTER OPERATING AND FINANCIAL RESULTS

CONSOLIDATED

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2021 ⁽¹⁾	2020	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Revenue	655,074	624,195	4.9	8.4	(21,515)
Operating expenses	361,450	324,270	11.5	15.3	(12,550)
Adjusted EBITDA	293,624	299,925	(2.1)	0.9	(8,965)

(1) For the three-month period ended August 31, 2021, the average foreign exchange rate used for translation was 1.2450 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2020 which was 1.3424 USD/CDN.

REVENUE

Three months ended August 31, (In thousands of Canadian dollars, except percentages)	2021 \$	2020 \$	Change %	Change in constant currency %	Foreign exchange impact \$
Canadian broadband services	356,850	324,197	10.1	10.1	—
American broadband services	275,834	280,971	(1.8)	5.8	(21,515)
Cogeco Communications	632,684	605,168	4.5	8.1	(21,515)
Other	22,390	19,027	17.7	17.7	—
Consolidated	655,074	624,195	4.9	8.4	(21,515)

Fiscal 2021 fourth-quarter revenue increased by 4.9% (8.4% in constant currency) resulting from:

- the DERYtelecom acquisition completed on December 14, 2020, which contributed to the revenue growth in the Canadian broadband services segment;
- organic growth in both the American broadband services and the Canadian broadband services segments, resulting mainly from growth in Internet service customers, stemming from the ongoing interest in high-speed Internet offerings which was enhanced since the beginning of the COVID-19 pandemic, and rate increases implemented for certain services; and
- the revenue increase in the media activities, mainly following the easing of public health restrictions, whereby last year's fourth quarter radio advertising revenue was directly impacted by COVID-19 related lockdown measures.

Excluding the acquisition of DERYtelecom, revenue in constant currency increased by 3.8% for the fourth quarter of fiscal 2021.

OPERATING EXPENSES

Three months ended August 31, (In thousands of Canadian dollars, except percentages)	2021 \$	2020 \$	Change %	Change in constant currency %	Foreign exchange impact \$
Canadian broadband services	171,128	142,242	20.3	20.7	(618)
American broadband services	153,903	155,182	(0.8)	6.9	(11,932)
Corporate and eliminations	11,175	6,304	77.3	77.3	—
Cogeco Communications	336,206	303,728	10.7	14.8	(12,550)
Other	25,244	20,542	22.9	22.9	—
Consolidated	361,450	324,270	11.5	15.3	(12,550)

Fiscal 2021 fourth-quarter operating expenses increased by 11.5% (15.3% in constant currency), mainly resulting from:

- higher operating expenses in the Canadian broadband services segment mainly resulting from the DERYtelecom acquisition;
- higher marketing and advertising expenses, in both the Canadian broadband services and the American broadband services segments, to support overall customer base growth;
- higher operating expenses in the American broadband services segment resulting from annual video programming rate increases and overall higher operating expenses to drive and support continued customer growth; and
- higher operating expenses in the media activities resulting from revenue growth.

ADJUSTED EBITDA

Three months ended August 31, (In thousands of Canadian dollars, except percentages)	2021 \$	2020 \$	Change %	Change in constant currency %	Foreign exchange impact \$
Canadian broadband services	185,722	181,955	2.1	1.7	618
American broadband services	121,931	125,789	(3.1)	4.6	(9,583)
Corporate and eliminations	(17,083)	(13,209)	(29.3)	(29.3)	—
Cogeco Communications	290,570	294,535	(1.3)	1.7	(8,965)
Other	3,054	5,390	(43.3)	(43.3)	—
Consolidated	293,624	299,925	(2.1)	0.9	(8,965)

Fiscal 2021 fourth-quarter adjusted EBITDA decreased by 2.1% (increased by 0.9% in constant currency). The increase in constant currency is resulting mainly from:

- an increase in the American broadband services segment, mainly resulting from revenue growth; and
- an increase in the Canadian broadband services segment mainly resulting from the impact of the DERYtelecom acquisition and organic revenue growth; partly offset by
- higher marketing and advertising expenses, which unfavorably impacted the adjusted EBITDA of both the Canadian and American broadband services segments; and
- unusual reduction in expenses in the Canadian broadband services segment, totaling approximately \$4 million last year, resulting from a retroactive effect of new programming contracts recognized during the fourth quarter of fiscal 2020 following contract renegotiations and other reduced expenses in light of the COVID-19 pandemic.

Excluding the acquisition of DERYtelecom, adjusted EBITDA in constant currency decreased by 3.5% for the fourth quarter of fiscal 2021.

INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2021 fourth-quarter integration, restructuring and acquisition costs amounted to \$4.0 million, mostly related to due diligence costs and legal fees related to the acquisition of the Ohio broadband systems, which was completed on September 1, 2021, as well as integration costs incurred in connection with the acquisition of DERYtelecom.

Fiscal 2020 fourth-quarter integration, restructuring and acquisition costs amounted to \$6.0 million, primarily from organizational changes initiated across the Corporation resulting in cost optimization.

DEPRECIATION AND AMORTIZATION

Three months ended August 31, (In thousands of Canadian dollars, except percentages)	2021 \$	2020 \$	Change %
Depreciation of property, plant and equipment ⁽¹⁾	122,680	110,670	10.9
Amortization of intangible assets	9,574	15,354	(37.6)
	132,254	126,024	4.9

(1) Includes depreciation of right-of-use assets amounting to \$1.8 million for the three-month period ended August 31, 2021 (\$2.0 million in 2020).

Fiscal 2021 fourth-quarter depreciation and amortization expense increased by 4.9%, mainly due to:

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

FINANCIAL EXPENSE

Three months ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Interest on long-term debt, excluding interest on lease liabilities	30,955	39,287	(21.2)
Interest on lease liabilities	567	607	(6.6)
Net foreign exchange gain	(1,983)	(147)	—
Amortization of deferred transaction costs	202	232	(12.9)
Capitalized borrowing costs	(31)	(122)	(74.6)
Other	(5,175)	682	—
	24,535	40,539	(39.5)

Fiscal 2021 fourth-quarter financial expense decreased by 39.5% mainly due to:

- a non-recurring \$5.9 million favorable reversal of a previously recognized provision upon reaching a settlement during the fourth quarter of fiscal 2021;
- the early redemption of the Senior Secured Debentures Series 2 in July 2020, of which a \$2.8 million early redemption premium cost was recorded last year;
- lower interest expense on the Senior Secured Term Loan B Facility resulting from the decrease in the interest rate and in the principal amount outstanding; and
- the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

INCOME TAXES

Three months ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Current	20,892	13,276	57.4
Deferred	8,564	17,337	(50.6)
	29,456	30,613	(3.8)

Three months ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Profit before income taxes	132,874	127,350	4.3
Combined Canadian income tax rate	26.5 %	26.5 %	—
Income taxes at combined Canadian income tax rate	35,212	33,748	4.3
Difference in operations' statutory income tax rates	(337)	299	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(891)	686	—
Tax impacts related to foreign operations	(3,776)	(5,912)	(36.1)
Other	(752)	1,792	—
Income taxes at effective income tax rate	29,456	30,613	(3.8)
Effective income tax rate	22.2 %	24.0 %	(7.5)

Fiscal 2021 fourth-quarter income taxes expense decreased by 3.8% mainly attributable to the impact of a favorable tax true-up adjustment recorded in fiscal 2021 compared to an unfavorable adjustment in fiscal 2020, partly offset by the increase in profit before income taxes.

PROFIT FOR THE PERIOD

Three months ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages and earnings per share)</i>	<i>\$</i>	<i>\$</i>	<i>%</i>
Profit for the period	103,418	96,737	6.9
Profit for the period attributable to owners of the Corporation	33,082	30,707	7.7
Profit for the period attributable to non-controlling interest ⁽¹⁾	70,336	66,030	6.5
Basic earnings per share	2.08	1.93	7.8

(1) At August 31, 2021, the non-controlling interest relates to a participation of approximately 66.5% in the profit for the year attributable to owners of Cogeco Communications in addition to the 21% ownership of CDPQ in Cogeco Communications' Atlantic Broadband subsidiary.

Fiscal 2021 fourth-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 6.9% and 7.7%, respectively, as a result of:

- reduced financial expense, mainly due to lower interest expense on long-term debt and a non-recurring \$5.9 million favorable reversal of a previously recognized provision upon reaching a settlement during the fourth quarter of fiscal 2021; partly offset by
- lower adjusted EBITDA, which was unfavorably impacted by the depreciation of the US dollar and higher marketing and advertising activities at both the Canadian and American broadband services segments; and
- higher depreciation and amortization expense.

CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2021 ⁽¹⁾	2020	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	356,850	324,197	10.1	10.1	—
Operating expenses	171,128	142,242	20.3	20.7	(618)
Adjusted EBITDA	185,722	181,955	2.1	1.7	618
Adjusted EBITDA margin ⁽³⁾	52.0 %	56.1 %			
Acquisition of property, plant and equipment	76,342	46,474	64.3	68.6	(2,007)
Capital intensity ⁽³⁾	21.4 %	14.3 %			

(1) For the three-month period ended August 31, 2021, the average foreign exchange rate used for translation was 1.2450 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2020 which was 1.3424 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.

REVENUE

Fiscal 2021 fourth-quarter revenue increased by 10.1% as reported and in constant currency mainly as a result of:

- the DERYtelecom acquisition completed on December 14, 2020;
- rate increases implemented for certain services; and
- the cumulative effect of sustained demand for residential high-speed Internet since the beginning of the pandemic, which was enhanced by customers spending more time at home for work, online education and entertainment purposes, resulting in Internet service customers growth and a higher product mix for the overall base; partly offset by
- a decline in video and telephony service customers as some customers have migrated to Internet-only services.

Excluding the acquisition of DERYtelecom, revenue in constant currency increased by 1.2% for the fourth quarter of fiscal 2021.

OPERATING EXPENSES

Fiscal 2021 fourth-quarter operating expenses increased by 20.3% (20.7% in constant currency) mainly attributable to:

- the DERYtelecom acquisition completed on December 14, 2020;
- unusual reduction in expenses totaling approximately \$4 million last year, resulting from a retroactive effect of new programming contracts recognized during the fourth quarter of fiscal 2020 following contract renegotiations and other reduced expenses in light of the COVID-19 pandemic; and
- higher marketing and advertising expenses to support overall customer base growth, compared to unusually low costs during the previous year in the context of the COVID-19 pandemic.

ADJUSTED EBITDA

Fiscal 2021 fourth-quarter adjusted EBITDA increased by 2.1% (1.7% in constant currency) mainly resulting from:

- the impact of the DERYtelecom acquisition; and
- rate increases implemented for certain services; partly offset by
- the \$4 million unusual reduction in expenses last year, as noted above; and
- higher marketing and advertising expenses.

Excluding the acquisition of DERYtelecom, adjusted EBITDA in constant currency decreased by 5.5% for the fourth quarter of fiscal 2021. Adjusted EBITDA for the fourth quarter of fiscal 2021 was unfavorably impacted by the higher marketing and advertising expenses to support overall customer base growth, compared to unusually low costs during the previous year in the context of the COVID-19 pandemic.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

Fiscal 2021 fourth-quarter acquisition of property, plant and equipment increased by 64.3% (68.6% in constant currency) mostly related to:

- higher costs related to the maintenance, growth and expansion of Cogeco Connexion's network infrastructure;
- higher purchases of customer premise equipment due to the timing of certain initiatives; and
- higher purchases of property, plant and equipment related to the DERYtelecom acquisition.

Fiscal 2021 fourth-quarter capital intensity reached 21.4% compared to 14.3% for the same period of the prior year. The capital intensity increase is mainly explained by higher capital expenditures.

PRIMARY SERVICE UNIT STATISTICS

	August 31, 2021	Net additions (losses)	
		Three months ended August 31,	
		2021	2020
Primary service units	2,002,083	(653)	(2,925)
Internet service customers	915,684	5,783	8,943
Video service customers	677,194	(3,262)	(8,359)
Telephony service customers	409,205	(3,174)	(3,509)

INTERNET

Fiscal 2021 fourth-quarter Internet service customers net additions amounted to 5,783 compared to 8,943 for the same period of the prior year. The fiscal 2021 fourth-quarter net additions were mainly resulting from the ongoing interest in high-speed offerings, which was enhanced by customers spending more time at home for work and entertainment purposes in the context of the COVID-19 pandemic.

VIDEO

Fiscal 2021 fourth-quarter video service customers net losses amounted to 3,262 compared to 8,359 for the same period of the prior year. The fiscal 2021 fourth-quarter net losses were mainly due to the continuous change in the video consumption environment, with an increasing proportion of customers only subscribing to Internet services.

TELEPHONY

Fiscal 2021 fourth-quarter telephony service customers net losses amounted to 3,174 compared to 3,509 for the same period of the prior year. The fiscal 2021 fourth-quarter net losses were mainly due to increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31, (In thousands of Canadian dollars, except percentages)	2021 ⁽¹⁾ \$	2020 \$	Change %	Change in constant currency ⁽²⁾ %	Foreign exchange impact ⁽²⁾ \$
Revenue	275,834	280,971	(1.8)	5.8	(21,515)
Operating expenses	153,903	155,182	(0.8)	6.9	(11,932)
Adjusted EBITDA	121,931	125,789	(3.1)	4.6	(9,583)
Adjusted EBITDA margin ⁽³⁾	44.2 %	44.8 %			
Acquisition of property, plant and equipment	96,989	79,457	22.1	30.9	(7,006)
Capital intensity ⁽³⁾	35.2 %	28.3 %			

(1) For the three-month period ended August 31, 2021, the average foreign exchange rate used for translation was 1.2450 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2020 which was 1.3424 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.

REVENUE

Fiscal 2021 fourth-quarter revenue decreased by 1.8% (increased by 5.8% in constant currency). In local currency, revenue amounted to US\$221.5 million compared to US\$209.3 million for the same period of fiscal 2020. The increase in constant currency is mainly resulting from:

- a higher Internet service customer base and a higher value product mix;
- annual rate increases implemented for certain services; and
- the reinstatement of late fees charged to customers that were suspended for a portion of the fourth quarter in fiscal 2020 as a relief measure in the context of the COVID-19 pandemic.

OPERATING EXPENSES

Fiscal 2021 fourth-quarter operating expenses decreased by 0.8% (increased by 6.9% in constant currency). The increase in constant currency is mainly due to:

- higher video services costs resulting from annual video programming rate increases;
- higher marketing and advertising expenses to support overall customer base growth; and
- overall higher operating expenses to drive and support continued customer growth.

ADJUSTED EBITDA

Fiscal 2021 fourth-quarter adjusted EBITDA decreased by 3.1% (increased by 4.6% in constant currency). In local currency, adjusted EBITDA amounted to US\$98.0 million compared to US\$93.7 million for the same period of fiscal 2020. The increase in constant currency is mainly resulting from:

- revenue growth driven by the cumulative effect of high-speed Internet service additions over the past year and by rate increases implemented for certain services; partly offset by
- higher marketing and advertising expenses.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

Fiscal 2021 fourth-quarter acquisition of property, plant and equipment increased by 22.1% (30.9% in constant currency) mainly as a result of:

- higher purchases of customer premise equipment in order to support increased demand for high-speed Internet product;
- accelerated purchases of customer premise equipment and networking equipment in order to avoid supply chain shortages impacting many industries; and
- the timing of certain initiatives.

Fiscal 2021 fourth-quarter capital intensity reached 35.2% compared to 28.3% for the same period of the prior year. The capital intensity increase is mainly explained by higher capital expenditures.

PRIMARY SERVICE UNIT STATISTICS

	August 31, 2021	Net additions (losses)	
		Three months ended August 31,	
		2021	2020 ⁽¹⁾
Primary service units	969,990	(3,665)	20,653
Internet service customers	520,517	2,666	13,523
Video service customers	305,514	(3,728)	5,542
Telephony service customers	143,959	(2,603)	1,588

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

INTERNET

Fiscal 2021 fourth-quarter Internet service customers net additions amounted to 2,666 compared to 13,523 for the same period of the prior year. The fiscal 2021 fourth-quarter net additions were due to:

- growth in the residential sector primarily driven by demand for high-speed offering;
- sales effort activities being resumed in certain sales channels impacted by the pandemic combined with increased marketing efforts toward Internet led offerings under the Broadband First strategy; and
- growth in the commercial sector.

The significant growth in fiscal 2020 was mainly driven by the sudden increase in high-speed Internet demand in the residential sector resulting directly from the COVID-19 pandemic, which began in the second half of the year.

VIDEO

Fiscal 2021 fourth-quarter video service customers net losses amounted to 3,728 compared to net additions of 5,542 for the same period of the prior year. The fiscal 2021 fourth-quarter net losses were due to:

- the new emphasis started in the second quarter of fiscal 2021 on offers that are Internet led and the cessation of non-bulk residential video-only new offer;
- certain customers declining to subscribe to video services as they move to strictly streaming video content; and
- competitive offers in the industry; partly offset by
- continued growth in the bulk residential customers' activations related mainly to the Florida expansion initiatives.

TELEPHONY

Fiscal 2021 fourth-quarter telephony service customers net losses amounted to 2,603 compared to net additions of 1,588 for the same period of the prior year. The fiscal 2021 fourth-quarter net losses were mainly due to:

- the new emphasis started in the second quarter of fiscal 2021 on offers that are Internet led; partly offset by
- growth in the business sector mainly driven by Hosted Voice product offerings.

CASH FLOWS ANALYSIS

Three months ended August 31,	2021	2020	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Cash flows from operating activities	283,538	262,365	8.1
Cash flows used in investing activities	(235,446)	(128,910)	82.6
Cash flows from (used) in financing activities	968	(245,146)	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	13,293	(8,733)	—
Net change in cash and cash equivalents	62,353	(120,424)	—
Cash and cash equivalents, beginning of the period	306,081	526,537	(41.9)
Cash and cash equivalents, end of the period	368,434	406,113	(9.3)

OPERATING ACTIVITIES

Fiscal 2021 fourth-quarter cash flows from operating activities increased by 8.1%, mainly from:

- changes in other non-cash operating activities primarily due to the timing of payments of trade and other payables and the collection of trade accounts receivable; and
- reduced interest paid; partly offset by
- higher income taxes paid, mainly due to the timing of income tax instalments, as a portion of last fiscal year's instalments was paid in September 2020 pursuant to governments allowing certain payment delays in the context of the COVID-19 pandemic; and
- lower adjusted EBITDA, which was unfavorably impacted by the depreciation of the US dollar and higher marketing and advertising activities at both the Canadian and American broadband services segments.

INVESTING ACTIVITIES

Fiscal 2021 fourth-quarter cash flows used in investing activities increased by 82.6%, mainly due to:

- a \$59 million deposit paid in order to secure 38 spectrum licences in the 3500 MHz band auction; and
- the increase in acquisition of property, plant and equipment.

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 August 31,	2021	2020	Change	Change in constant currency ⁽¹⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
Canadian broadband services	76,342	46,474	64.3	68.6
Capital intensity	21.4 %	14.3 %		
American broadband services	96,989	79,457	22.1	30.9
Capital intensity	35.2 %	28.3 %		
Corporate and eliminations	1,849	2,264	(18.3)	(18.3)
Cogeco Communications	175,180	128,195	36.7	43.7
Capital intensity	27.7 %	21.2 %		
Other	538	2,015	(73.3)	(73.3)
Consolidated	175,718	130,210	34.9	41.9

(1) Fiscal 2021 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2020 which was 1.3424 USD/CDN.

Fiscal 2021 fourth-quarter acquisition of property, plant and equipment increased by 34.9% (41.9% in constant currency), mainly due to:

- higher capital expenditures in the Canadian broadband services segment mainly driven by higher costs related to the maintenance, growth and expansion of Cogeco Connexion's network infrastructure;
- higher capital expenditures in the American broadband services segment in order to support the segment's revenue growth driven by increased demand for high-speed Internet product, combined with accelerated purchases of customer premise equipment and networking equipment in order to avoid supply chain shortages impacting many industries; and
- the timing of certain initiatives in both the American and Canadian broadband services segments.

Fiscal 2021 fourth-quarter capital intensity of Cogeco Communications reached 27.7% compared to 21.2% for the same period of the prior year. The capital intensity increase is mainly explained by higher capital expenditures.

FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

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

Three months ended August 31,	2021	2020	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	
(Decrease) increase in bank indebtedness	(2,228)	7,610	Related to the timing of payments made to suppliers.
Net increase under the revolving facilities	84,458	—	Mainly related to the \$59 million deposit paid in order to secure 38 spectrum licences in the 3500 MHz band auction.
Repayment of notes, debentures and credit facilities	(5,298)	(205,566)	Redemption of the Senior Secured Debentures Series 2 during the fourth quarter of fiscal 2020 combined with quarterly repayments on the Senior Secured Term Loan B Facility.
Repayment of lease liabilities	(1,075)	(1,474)	Comparable.
Repayment of balance due on business combinations	(450)	—	Repayment of balance due related to the iTéract acquisition.
	75,407	(199,430)	

DIVIDENDS

During the fourth quarter of fiscal 2021, a quarterly eligible dividend of \$0.545 per share was paid to the holders of subordinate and multiple voting shares, totalling \$8.6 million, compared to a quarterly eligible dividend paid of \$0.475 per share, or \$7.5 million, in the fourth quarter of fiscal 2020.

NORMAL COURSE ISSUER BID

Cogeco

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

During the fourth quarter of fiscal 2020, the Corporation did not purchase and cancel subordinate voting shares.

Cogeco Communications

During the fourth quarter of fiscal 2021, Cogeco Communications purchased and cancelled 391,500 subordinate voting shares with a weighted average price per share purchased of \$117.41 for a total consideration of \$46.0 million. During the fourth quarter of fiscal 2020, Cogeco Communications purchased and cancelled 194,600 subordinate voting shares with a weighted average price per share purchased of \$100.89 for a total consideration of \$19.6 million.

FREE CASH FLOW

Three months ended August 31,	2021 ⁽¹⁾	2020	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Adjusted EBITDA	293,624	299,925	(2.1)	0.9	(8,965)
Amortization of deferred transaction costs and discounts on long-term debt	2,361	2,363	(0.1)	6.7	(161)
Share-based payment	2,283	3,050	(25.1)	(25.1)	—
Loss (gain) on disposals and write-offs of property, plant and equipment	779	(171)	—	—	—
Defined benefit plans expense, net of contributions	49	(2,644)	—	—	—
Integration, restructuring and acquisition costs	(3,961)	(6,012)	(34.1)	(31.8)	140
Financial expense	(24,535)	(40,539)	(39.5)	(34.7)	1,917
Current income taxes	(20,892)	(13,276)	57.4	57.5	16
Acquisition of property, plant and equipment	(175,718)	(130,210)	34.9	41.9	9,013
Repayment of lease liabilities	(1,075)	(1,474)	(27.1)	(24.6)	37
Free cash flow	72,915	111,012	(34.3)	(36.1)	1,997

(1) For the three-month period ended August 31, 2021, the average foreign exchange rate used for translation was 1.2450 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2020 which was 1.3424 USD/CDN.

Fiscal 2021 fourth-quarter free cash flow decreased by 34.3% (36.1% in constant currency), mainly due to:

- higher capital expenditures in both the Canadian and American broadband services segments; and
- the increase in current income taxes, primarily resulting from the increase in profit before income taxes; partly offset by
- reduced financial expense, primarily resulting from a non-recurring \$5.9 million favorable reversal of a previously recognized provision upon reaching a settlement during the fourth quarter of fiscal 2021 and the early redemption of the Senior Secured Debentures Series 2 in July 2020, of which a \$2.8 million early redemption premium was recorded last year; and
- improved adjusted EBITDA in constant currency in both the Canadian and American broadband services segments.

10. FISCAL 2022 FINANCIAL GUIDELINES

Cogeco and Cogeco Communications revised their fiscal 2022 preliminary financial guidelines as issued on July 14, 2021 giving effect to the impact of the acquisition of the Ohio broadband systems, which was completed on September 1, 2021.

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

Cogeco and Cogeco Communications present their financial guidelines on a constant currency basis and believe this presentation enables an improved understanding of their underlying financial performance, undistorted by the effects of changes in a foreign currency rate. Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. The financial guidelines exclude the impact from possible business acquisitions and do not take into consideration the potential impact of the review of the royalties payable for retransmission of distant television signals currently pending before the Copyright Board. Capital intensity and free cash flow definitions do not include the acquisition of spectrum licences (refer to section "Non-IFRS financial measures"). The projections take into consideration the experience gained while operating during the COVID-19 pandemic so far, but exclude potential unexpected significant material impacts from it.

Cogeco

The Corporation's fiscal 2022 financial guidelines are mainly driven by those of Cogeco Communications which are described below.

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

	November 11, 2021 Revised projections Fiscal 2022 (constant currency)	July 14, 2021 Preliminary projections Fiscal 2022 (constant currency)	Actual Fiscal 2021
<i>(In millions of Canadian dollars, except percentages)</i>	\$	\$	\$
Financial guidelines			
Revenue	Increase of 15% to 17% ⁽¹⁾	Increase of 3.5% to 5.5%	2,604
Adjusted EBITDA	Increase of 14% to 16% ⁽¹⁾	Increase of 3.5% to 5.5%	1,225
Acquisition of property, plant and equipment	\$820 to \$850 ⁽²⁾	\$695 to \$725 ⁽²⁾	535
Free cash flow	Decrease of 33% to 43% ^{(3) (4)}	Decrease of 30% to 35% ⁽³⁾	498

(1) The acquisition of the Ohio broadband systems is expected to have a positive impact of approximately 11% on fiscal 2022 consolidated revenue and adjusted EBITDA.

(2) Fiscal 2022 financial guidelines are based on a USD/CDN constant exchange rate of 1.2691 USD/CDN.

(3) The assumed current income tax effective rate is approximately 12%.

(4) Includes approximately \$35 million of acquisition and integration costs in connection with the acquisition of the Ohio broadband systems.

Cogeco Communications

On a constant currency and consolidated basis, Cogeco Communications expects fiscal 2022 revenue to grow between 15% and 17%, mainly as a result of revenue generated from the Ohio broadband systems acquisition and organic growth in both the Canadian and American broadband services segments. In the Canadian broadband services segment, revenue growth should stem primarily from demand for the residential Internet product, the upselling of customers to higher tiers of service, the recent launch of the IPTV product, as well as the full-year impact of the DERYtelecom acquisition. In the American broadband services segment, the growth is expected from ongoing demand for the residential Internet product resulting from the Broadband First strategy, growth in the business sector and the impact of the Ohio broadband systems acquisition.

On a constant currency and consolidated basis, fiscal 2022 adjusted EBITDA should grow between 14% and 16%, mainly as a result of the Ohio broadband systems and DERYtelecom acquisitions and organic revenue growth exceeding operating expenses in both the American and Canadian broadband services segments.

Acquisition of property, plant and equipment should amount to between \$815 and \$845 million, including approximately \$230 to \$240 million in network expansion projects net of government subsidies, resulting in capital intensity of approximately 28%, or 20% excluding growth-oriented network expansion projects. The Canadian broadband services segment expects higher capital intensity than during the previous year primarily due to government sponsored network expansion projects which will increase the Corporation's footprint in the provinces of Québec and Ontario and, to a lesser extent, investments in DERYtelecom's infrastructure in order to offer higher Internet speeds and the IPTV service, and equipment cost inflation. The American broadband services segment also expects higher capital intensity mainly due to network expansion projects which will increase the Corporation's footprint in several areas adjacent to its network and to the Ohio broadband systems acquisition and integration projects. As the network expansion projects will take most of the fiscal year to build, both business segments will benefit from revenue growth from these projects in the following fiscal year.

Free cash flow on a constant currency and consolidated basis should decrease between 33% and 43%, mainly due to higher capital intensity resulting from the network expansion projects, an increase in financial expenses due to acquisition financing related to the Ohio broadband systems, and acquisition and integration costs related to the Ohio broadband systems, partly compensated by the growth of adjusted EBITDA. Excluding the fiscal year 2022 growth-oriented network expansion projects, free cash flow on a constant currency and consolidated basis would otherwise increase between 5% and 15%.

The following table outlines Cogeco Communications' fiscal 2022 financial guidelines ranges on a consolidated basis:

	November 11, 2021 Revised projections Fiscal 2022 (constant currency)	July 14, 2021 Preliminary projections Fiscal 2022 (constant currency)	Actual Fiscal 2021
<i>(In millions of Canadian dollars, except percentages)</i>	\$	\$	\$
Financial guidelines			
Revenue	Increase of 15% to 17% ⁽¹⁾	Increase of 3.5% to 5.5%	2,510
Adjusted EBITDA	Increase of 14% to 16% ⁽¹⁾	Increase of 3.5% to 5.5%	1,206
Acquisition of property, plant and equipment	\$815 to \$845 ⁽²⁾	\$690 to \$720 ⁽²⁾	533
Capital intensity	Approximately 28%	Approximately 27%	21.2 %
Free cash flow	Decrease of 33% to 43% ^{(3) (4)}	Decrease of 30% to 35% ⁽³⁾	487

(1) The acquisition of the Ohio broadband systems is expected to have a positive impact of approximately 11.5% on fiscal 2022 consolidated revenue and 11% on consolidated adjusted EBITDA.

(2) Fiscal 2022 financial guidelines are based on a USD/CDN constant exchange rate of 1.2691 USD/CDN.

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

(4) Includes approximately \$35 million of acquisition and integration costs in connection with the acquisition of the Ohio broadband systems.

11. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRACTICES

11.1 ESG GOVERNANCE

Oversight of ESG issues lies within the Corporate Social Responsibility (CSR) function which is under the purview of the CSR Steering Committee that reports to the Corporate Governance Committee of the Board of Directors. The CSR Steering Committee, which is composed of the CEO, senior vice presidents and presidents of the business units of Cogeco as well as other executives, is responsible for reviewing ESG issues and trends, approving the results of the materiality assessment, identifying top risks and opportunities, setting objectives and ambitions and monitoring ESG performance.

The ESG function is held at a corporate level and is headed by the Vice President, Enterprise Strategy and Social Responsibility, who reports to the Senior Vice President and Chief Public Affairs, Communications and Strategy Officer, who reports directly to the CEO. The Vice President, Enterprise Strategy and Social Responsibility is responsible for the roll-out of corporate strategies and initiatives to support the conduct of business in a socially responsible and ethical manner. Business units are accountable for implementing their specific ESG initiatives and action plans.

Oversight of ESG issues lies with the Board of Directors. The Vice President, Enterprise Strategy and Social Responsibility provides quarterly updates to the Board of Directors on key ESG topics and the Corporation's related ESG performance. In addition, ESG-related risks are reviewed and discussed at the Audit Committee of the Board of Directors on a quarterly basis.

11.2 KEY ENVIRONMENTAL, SOCIAL AND GOVERNANCE INITIATIVES

Cogeco has put in place various initiatives and strategies aligned with the best ESG practices. Our ESG practices form an integral part of our business strategy and are considered an important enabler thereof. In addition, we strive to further align our ESG strategy with the United Nations's ("UN") Sustainable Development Goals ("SDGs") as part of our continued effort to drive long-term corporate sustainability and contribute to a better and more sustainable future for all. The SDGs are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. Below are some of the key ESG initiatives that were deployed in fiscal 2021, as well as ESG key performance indicators that support the achievement of our goals.

ENVIRONMENT

Climate change adaptation and mitigation



Why it is important to Cogeco

The recently released Intergovernmental Panel on Climate Change's (IPCC) sixth assessment report (AR6) signalled a "code red" for humanity with findings suggesting that Earth is on the doorstep of the much-discussed 1.5°C threshold, which more likely than not may be reached by 2040. In order to limit global warming to 1.5°C and help prevent the worst impacts of climate change, countries and businesses must set ambitious paths towards decarbonization. While our industry's environmental footprint is arguably smaller than that of many other sectors, Cogeco is nonetheless committed to leading the decarbonization pathway in our industry.

What we are doing

- We have set a science-based emissions reduction target:

- Reduce absolute Scope 1 & 2 emissions by 65% by 2030 from 2019.
- 50% of suppliers by spend covering purchased goods & services and capital goods will set science-based scope 1 & 2 emissions reduction targets by 2025.
- Reduce emissions from the use of sold products and employee commuting by 30% by 2030 from 2019.

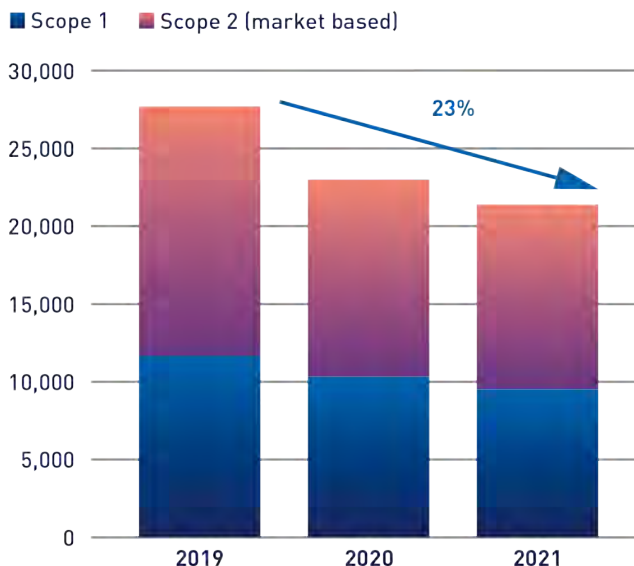
- We are reducing emissions from our operations (scopes 1 & 2) by: implementing energy efficiency initiatives across our network and facilities (e.g. HVAC upgrades, etc.) and for our fleet (GPS/telematics systems, auxiliary batteries, switching to smaller vehicles and right-sizing our fleet).
- We have begun the development of a detailed roadmap to electrify our vehicle fleet.
- In fiscal 2021, we purchased over 11,200 MWh of clean energy through Renewable Energy Certificates and Green Utility tariffs.
- We are providing customers with self-installation and self-swap tools, reducing the use of trucks and their associated emissions by more than 2,800 tonnes of CO₂e.
- We voluntarily comply with increasingly stringent energy efficiency standards for our customer premise equipment (CPE).
- We are continuing the rollout of our Internet television service (IPTV) in Canada. The IPTV set-top box is approximately 40% more energy efficient than non-IPTV set-top boxes. The rollout in the U.S. is targeted to begin in fiscal 2022.

Climate-related disclosures

- We published our ninth CDP report.
- To further highlight our actions related to climate change mitigation and adaptation, our first Climate Action Plan and TCFD report, with details on our governance practices, strategy, risk management measures and metrics related to climate change issues, is being published in November 2021 and can be found on the corpo.cogeco.com website.

RESULTS - GHG EMISSIONS

23% reduction in operational emissions

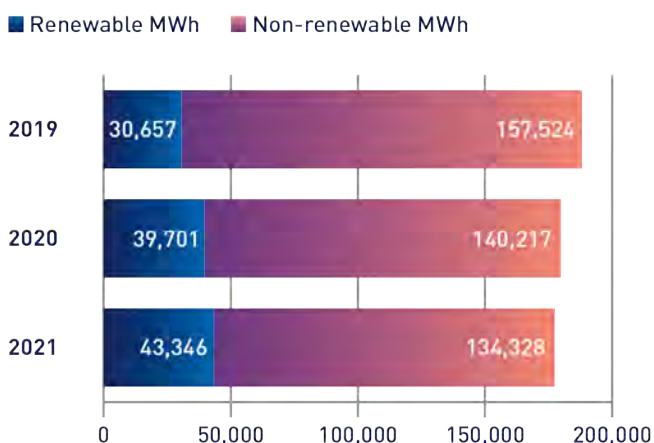


Emissions from the use of sold products have decreased by 7% and emissions from employee commuting have decreased by 86% vs 2019 (mainly due to the global pandemic). Also, 22% of our suppliers by spend have set or committed to set science-based emissions reduction targets.

RESULTS - ENERGY CONSUMPTION

We reduced overall energy consumption by 6% vs 2019, and increased renewable energy consumption by 41%.

Renewable energy consumption increased by 41% vs 2019





End of life product management

Why it is important to Cogeco

We believe in the 3Rs: reduce, reuse, recycle. We strive to control our waste and in the majority of our facilities, electronic equipment, paper, glass, plastic and metal items, as well as hazardous waste, are recovered and recycled. As a telecommunications company, electronic waste (e-waste) represents the biggest waste category generated by our operations. Because of the rapid rate of change in technology, we know it is important to have the right processes in place to ensure increasing amounts of e-waste are handled in a way that minimizes any negative impacts on the environment.

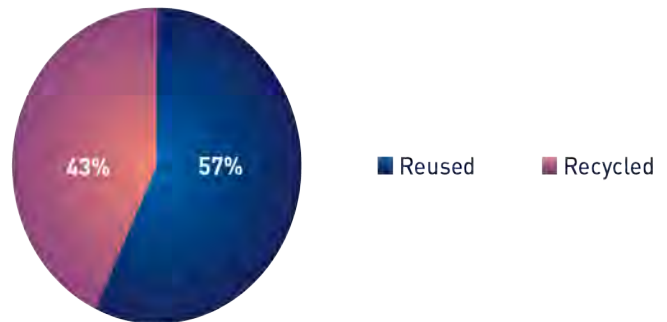
What we are doing

- The equipment we provide to our customers is collected, tested, repaired, or refurbished, then redeployed, thus enabling a circular economy. More than 1 million units of customer products have been refurbished and redeployed in the last two fiscal years.
- Equipment, which can no longer be redeployed, is brought to organizations or third party vendors that partner with us to resell and recycle obsolete equipment.

RESULTS - ELECTRONIC WASTE

- We diverted more than 820,000 kg (1.8M lbs) of e-waste from landfill during fiscal year 2021.

57% of e-waste reused and 43% recycled



SOCIAL

OUR EMPLOYEES



Diversity and inclusion

Why it is important to Cogeco

At Cogeco, respect is a long-standing core value that we embrace by fostering a respectful workplace where integrity, trust and inclusion are the norm. We believe that an inclusive workplace is one where everyone feels a sense of belonging, has a safe environment in which to work and develop, and shares equal opportunities for career advancement regardless of gender, skin colour, ethnicity, religion, age, disability or sexual orientation. Cogeco values diversity and inclusion because together they enable a highly collaborative and engaging work environment and drive innovation and the development of new ideas, which in turn directly correlates with improved organizational performance.

What we are doing

In June of 2021, we unveiled our commitment to diversity and inclusion, making public our stance on the importance of this topic and committing to continued action on this front. This includes:

- Creating an environment that fosters open dialogue to gain greater awareness of others' experiences and perspectives.
- Committing to roll out training and education initiatives addressing unconscious biases and promoting D&I.
- The establishment of a Diversity & Inclusion Leadership Committee to drive the development of tangible action plans.
- Increasing philanthropic investments aimed at promoting D&I and supporting underrepresented groups.

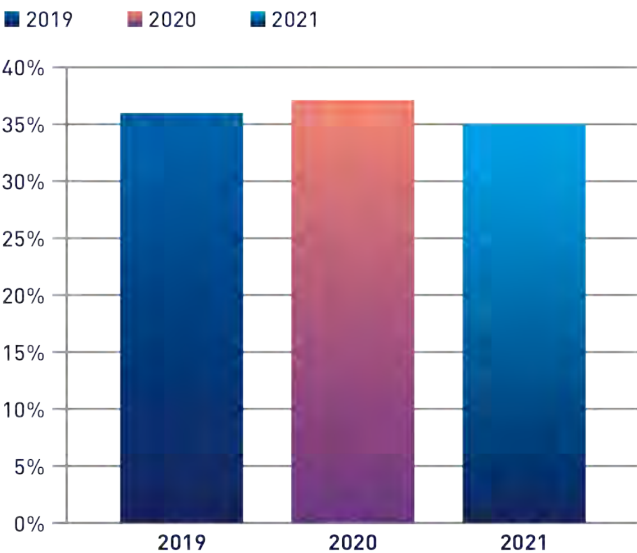
Full details of our diversity and inclusion commitment can be found on the corpo.cogeco.com website.

We also hired a Director of Diversity, Inclusion and Belonging to help develop our diversity and inclusion strategy, coordinate actions and monitor progress.

RESULTS

35% female managers, achieving our goal of at least 35% of women in management positions and above.

35% women in managerial positions





Employee health, safety & well-being

Why it is important to Cogeco

Our workforce is a key driver of our success which is why providing a superior employee experience is one of Cogeco's top strategic priorities. This includes our commitment to providing a safe and healthy workplace for all employees, volunteers and business partners. We do not simply consider this to be our duty of care but an important business practice as it lowers injury/illness costs, reduces absenteeism and turnover, increases productivity and quality and raises employee morale.

What we are doing

- We have linked a portion of our executives' variable compensation to the Corporation's health and safety (H&S) results.
- In depth H&S-related training is provided to managers to ensure a consistent management approach.
- We provide all employees and their families with access to confidential consultations and information services from external professionals to resolve challenges and problems through our Employee Assistance Program.
- We provide employees with a subscription to a service to support their overall well-being and mental health.
- We are implementing a new system that will enable Cogeco to track and to address H&S key performance indicators.

RESULTS

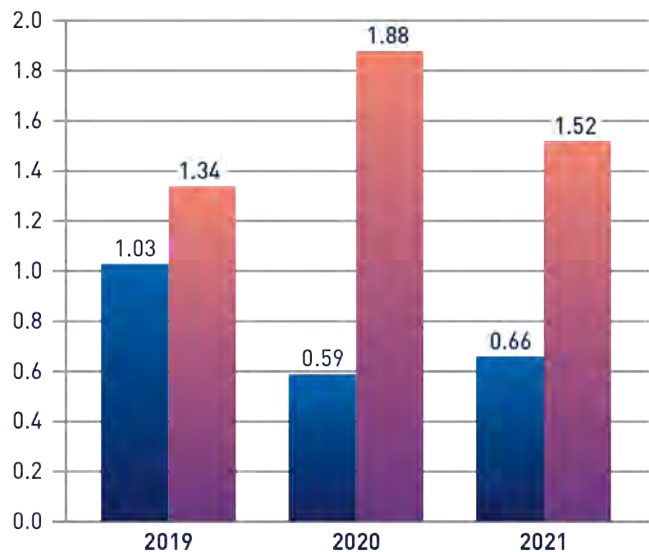
In fiscal 2021, we achieved our goal of maintaining a frequency of workplace-related incidents below industry averages in the jurisdictions where we operate.

Lost time injury frequency rate and total recordable injury frequency rate (per 200,000 hours worked)

Lost time injuries decreased by 36% vs 2019

■ Lost time injury frequency rate

■ Total recordable injury frequency rate





Employee engagement

Why it is important to Cogeco

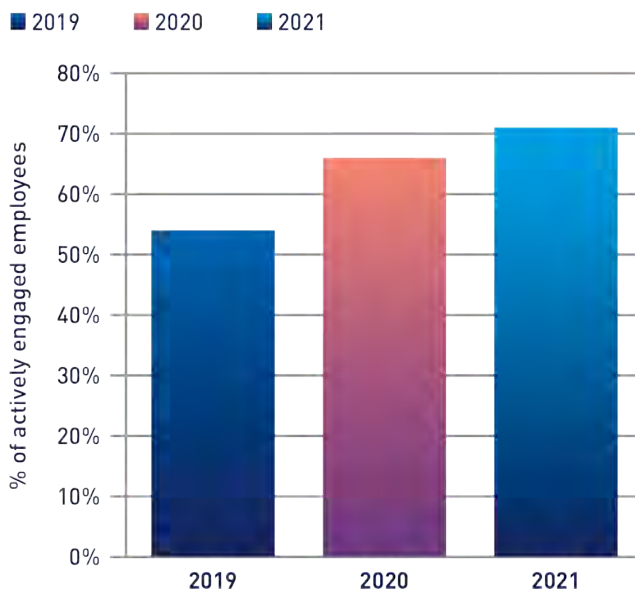
Employee engagement matters to Cogeco as it is our firm belief that engaged employees care about what they do and are thus motivated to contribute to organizational success. Engaged employees are also more attuned to the needs of customers and can therefore make a real difference in terms of providing the best customer experience. Research has shown that high employee engagement increases profitability, work quality and productivity of employees, and is also an important enabler of employee retention. In the current highly competitive market for top talent, the ability for any organization to provide a highly engaging work environment can represent a key differentiator.

What we are doing

- We provide a stimulating, progressive and diverse work environment based on collaboration and respect.
- We offer comprehensive compensation packages with competitive salaries, group benefits and reward programs, flexible working hours, a stock purchase plan with an employer match, and user-friendly digital tools to enhance collaboration.
- We conduct regular company-wide employee surveys to measure employee engagement that provide us with valuable information to better understand how our employees feel about us as an employer and identify improvement areas that can be brought to the overall employee experience.
- We hold town halls as well as CEO webcasts with employees.

RESULTS

Our global employee engagement score increased by 17 points vs fiscal 2019



OUR COMMUNITIES

Community investment & digital inclusion



Why it is important to Cogeco

Social engagement is one of Cogeco's core values. We are a company that is deeply rooted in the communities we serve through the operation of local offices where our team members and customers live. We aim to make our communities thrive by supporting local economies, building partnerships and building community cohesion. Connectivity is essential to ensure digital inclusion in our society and is a powerful driving force for the economic and social development of our communities. In line with our desire to be a good corporate citizen, we believe that our industry has an essential role to play in closing the digital divide and we view this as a key priority. Expanding our broadband network into underserved and unserved areas enables us to continue supporting our communities and contribute to the economic vitality of rural regions.

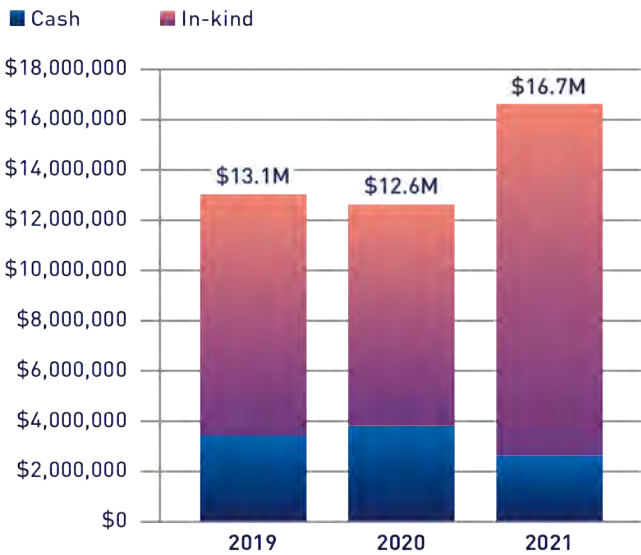
What we are doing

- In fiscal 2021, we supported more than 700 non-profit organizations in Canada and the U.S.
- We actively seek and participate in government programs in both Canada and the U.S. to accelerate access to high-speed Internet in underserved and unserved regions in order to address the digital divide.
- We provided access to affordable Internet services to low-income families through the Federal Communications Commission's Emergency Broadband Benefit Program in the U.S. and through the Connecting Families program in Canada. This was a particularly important initiative during the COVID-19 pandemic.
- We continued our support to Computers for Success Canada whose objective is to deliver improved access to technology for Canadians at risk of digital exclusion. Through this partnership, Cogeco commits to refurbish used desktops and laptops for distribution to young people.

RESULTS - DONATION AND SPONSORSHIPS

In fiscal 2021, we donated 2.9% of pre-tax profits considering cash and in-kind contributions to non-profit organizations supporting philanthropic causes.

Cash and In-kind donations



RESULTS - DIGITAL INCLUSION

High-speed Internet in underserved and unserved areas	Affordable Internet	Technology for education
75,000 homes in Canada and 1,200 in rural Virginia will be delivered over the next 3 years.	Almost 7,200 low-income families.	Donated more than 1,155 units to Computers for Success Canada over the last 3 years.

OUR CUSTOMERS



Data security and data privacy

Why it is important to Cogeco

As cybersecurity threats and breaches in the public and private sectors have grown in frequency and complexity over recent years, data security has become a top priority for most corporations. A data breach can imperil company data, assets, finances and reputation. To mitigate this risk, Cogeco has put in place governance structures, teams, technological tools and programs to ensure the security of the Cogeco ecosystem. In addition, as part of our operations, we collect personal information and our customers and employees entrust us with their data. We have mechanisms in place to ensure that personal information is kept confidential and secure, and used only for the purposes for which it was collected as that is what our customers and employees expect from us.

What we are doing

- We continue with the implementation and strengthening of our multi-year security program that is aligned to the NIST-CSF industry framework.
- Cogeco integrates data privacy standards across all our business units with privacy policies pertaining to the protection of personal information, which are specific to their products, services, and/or jurisdictions. Some mechanisms in place to ensure effective implementation of our privacy policies include:
 - Defined point of contact for escalation of privacy issues;
 - Tools developed allowing for proper documentation, qualification, reporting and notification regarding any incidents;
 - General privacy training provided to all Cogeco Connexion employees, as well as more targeted training to address the needs of specific groups;
 - Disciplinary actions in case of breach.

RESULTS

- In fiscal 2021, we completed a full Third-Party Risk Assessment data security process review and developed a Risk Registry and supporting processes accordingly.
- We increased the frequency of cybersecurity vulnerability testing to annually.
- No founded privacy complaints from the Office of the Privacy Commissioner of Canada, the Federal Trade Commission or the Federal Communications Commission of the U.S.



Network investment

Why it is important to Cogeco

Providing customers with a robust and state-of-the-art network is critical to ensure that our customers can depend on reliable connectivity and quality television and telephone services. On-going investments in digital infrastructure are critical to connect families and businesses, to enable economic activity, education and other critical services as well as to reduce the digital divide between urban centres and rural areas.

What we are doing

- Continuous investment to maintain, upgrade, or replace our network and infrastructure to maximize system reliability and resiliency to extreme weather events.
- Strong business continuity and disaster recovery plans, policies and procedures to limit network downtime in the event of any emergency.
- Continued investment in expanding our network footprint to reach underserved and unserved geographical areas.

RESULTS

- Network available more than 99.9% of the time.
- \$213 million invested in fiscal 2021 which includes \$133 million for resilience and upgrades and \$80 million for network expansion.

GOVERNANCE

Ethical business practices & compliance



Why it is important to Cogeco

Operating according to ethical values is of utmost importance for any business striving to succeed in today's growing global marketplace. Increasingly, companies are an integral part of a complex society that expects the highest standards of behaviour from businesses. Our stakeholders wish to be associated with responsible and ethical organizations. Therefore, operating with integrity is deemed essential for our sustainable success.

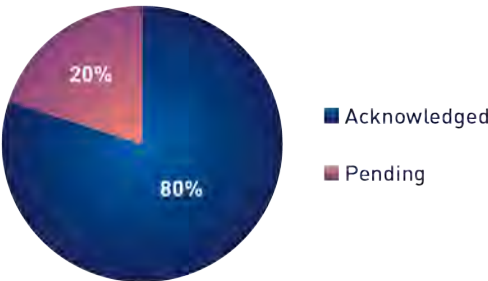
What we are doing

- Mandatory ethics training for all employees.
- All reports submitted to the Ethics Line are systematically investigated by Cogeco's Internal Audit team.
- Implemented the requirement for top suppliers to acknowledge our Supplier Code of Conduct or meet our CSR standards. In fiscal 2021, we updated our Supplier Code of Conduct to include more stringent criteria related to the measurement and mitigation of negative impacts of climate change, as well as added a clause encouraging the setting of science-based emissions reduction targets.
- We continued the integration of ESG criteria into our executive compensation with employee engagement, employee health and safety, and customer experience impacting a portion of their short-term incentive plan.
- Continued integrating best Board governance practices.

RESULTS

- We remained in the top tier of family-controlled dual-class companies listed on the Canadian stock exchange according to the Globe and Mail's Board Games.
- 96% of employees have completed the Code of Ethics training in fiscal 2021.

80% of our top 100 suppliers have acknowledged the Corporation's Supplier Code of Conduct or meet our CSR standards through their own code of conduct



- 60% of Board members (considering the members of both the Boards of Cogeco and Cogeco Communications) are from designated groups (47% women, 7% visible minorities and 7% disabled);
- 87% of Board members are independent.

For more information on our initiatives and our performance, please refer to the latest CSR Report, which was published in February 2020. Our new report will be released in early 2022. In addition, detailed KPIs can be found in our new ESG data supplement available on the corpo.cogeco.com website. It should be noted that updates relative to our ESG strategy and related commitments are available directly on the Corporation's website at corpo.cogeco.com.

ESG AWARDS AND RECOGNITIONS

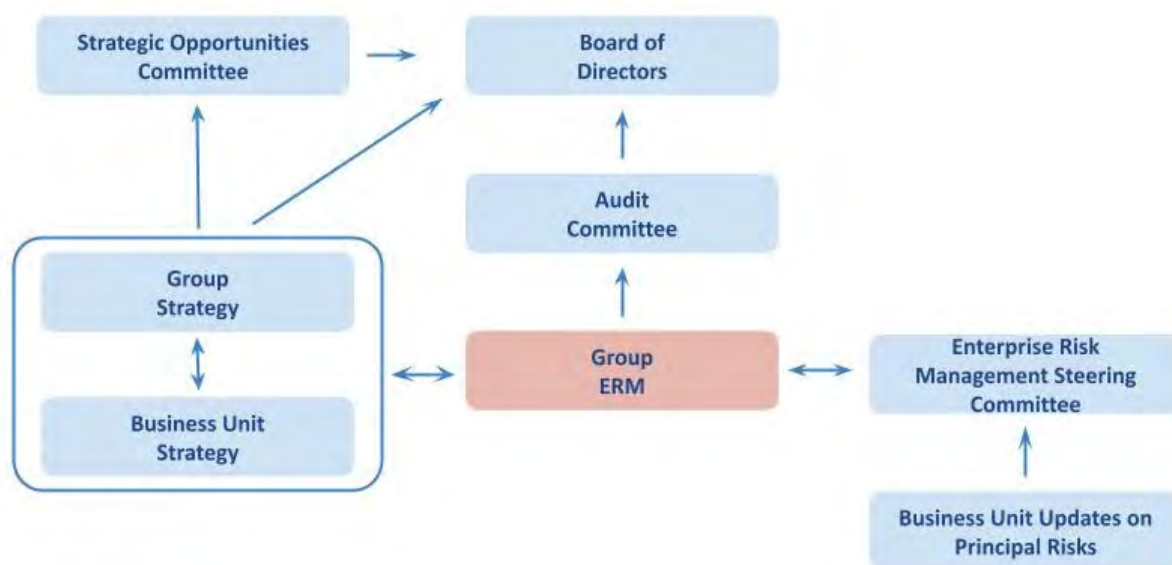


12. UNCERTAINTIES AND MAIN RISK FACTORS

This section outlines the principal risks and uncertainties that Cogeco and its subsidiaries currently believe to be material. It does not purport to cover all contingencies, or to describe all possible factors that might have an influence on the Corporation or its activities at any point in time. Furthermore, the risks and uncertainties outlined in this section may or may not materialize in the end, may evolve differently than expected or may have different consequences than those that are currently anticipated. If any of the following risks, or any other risks and uncertainties that the Corporation and its subsidiaries have not yet identified or that they currently consider not to be material, actually occur or become material risks, the Corporation and its subsidiaries' businesses, guidance, prospects, financial condition, results of operations and cash flows and consequently the price of the subordinate voting shares could be materially and adversely affected.

ENTERPRISE RISK MANAGEMENT

The Corporation has a formal integrated enterprise-wide risk management ("ERM") program structured and governed based on the widely adopted *Committee of Sponsoring Organisations of the Treadway Commission* ("COSO") ERM integrated framework. This framework puts forward the strong connection between risk, strategy and enterprise performance. As a result, the ERM approach at Cogeco is supported by a Risk Governance Ecosystem as illustrated below.



The Risk Governance Ecosystem solicits input from corporate functions as well as business units and feeds the strategic planning process.

Annual Consolidated Risk Assessment	Principal business risks that could impact the Corporation are formally identified on an annual basis. Risks considered are not only strategic, operational, financial, regulatory and compliance related in nature but also environmental, social and governance ("ESG") related, and take into consideration both short and longer term existing and emerging risks, as deemed relevant. In addition, as part of this annual risk assessment process, the Risk Appetite Framework, guiding strategic decision making, is reviewed and updated, as needed. Critical output from this annual risk assessment is used in the preparation of the corporate strategy and presented to the Board of Directors as part of the strategic planning process.
Business Unit Risk Assessment	As part of the strategic planning process, business units identify the principal risks specific to their business unit as well as mitigation plans. In addition, they provide quarterly updates on principal risks for the Corporation and related mitigation measures, from their perspective.
Risk Oversight	On an annual basis, the Board, with the Audit Committee, reviews the principal business risks facing the Corporation and its subsidiaries as well as the mitigation measures implemented to manage these risks. On a quarterly basis: <ul style="list-style-type: none"> – the Enterprise Risk Management Steering Committee, composed of the CEO and his direct reports, governs risk management. A risk profile update is presented and discussed at each meeting and mitigation measures are reviewed to ensure adequacy; – the Audit Committee oversees ERM activities and the risk profile update as well as the operational and financial risks associated with significant programs or projects of the Corporation.
Other Risk Related Activities	A risk universe is maintained by the ERM function and updated through exchanges with members of the business units covering risks that could impact our risk assessment and strategic planning. In addition, context maps are developed at a group level and at a business unit level documenting forces that shape our environment representing potential opportunities, threats and risks facing the organization (e.g. demographic trends, rules and regulations, economy and environment, competition, technology trends, customer needs and uncertainties).

12.1 COMPETITIVE RISKS

The industries in which we operate are very competitive, and we expect competition to continue to intensify in the future. Competition stems from various sources. Large traditional phone companies and mobile wireless service operators are upgrading their offering with products such as direct to consumer content (streaming platforms) with exclusive content, investing in fibre-to-the-home ("FTTH") and expanding their 5G networks, offering mobile substitutes for fixed home Internet and looking for growth outside their footprint. Competition is also rising from other sources, such as Internet resellers in Canada, companies and municipalities which are overbuilding in areas where we operate or digital-native organizations and satellite providers which are evolving their offering and business model to penetrate markets and appeal to a larger customer base. We also face competition in the merger and acquisitions space in the United States with non-traditional players, such as private equity firms and infrastructure funds, competing for the same opportunities in the telecommunications sector.

Some of our competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater brand recognition and a larger base of customers while some are digital-native organizations with lower cost structures due to the absence of legacy systems to maintain. Our competitors may be able to adapt more quickly to new or emerging technologies, changes in customer expectations, and may also be able to develop services comparable or superior to those we offer at more competitive prices. Aggressive pricing and market offers of our competitors could result in pricing pressures and increased customer acquisition and retention costs and could put pressure and adversely affect our businesses and results of operations. Our ability to compete successfully within one or more of our market segments may thus decline in the future due to increased competition from current competitors or from new entrants taking bold actions to establish, sustain or increase their position in the market. Our businesses and results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our customer base or have to lower revenue per customer in order to maintain market share.

To mitigate our competitive risks, focus is placed on providing customers with a distinctive experience with state-of-the-art Internet services, IP enabled services such as IPTV, and by seizing opportunities to expand our network and services where financially sound, aligned with our risk appetite.

Our principal competitive risks can be broken down as follows.

We face intensifying competition in our Canadian broadband services segment from traditional service providers and new entrants.

Large traditional phone companies and mobile service providers remain our main network-based competitors. These operators offer their services through evolving technologies such as FTTH, mobile high-speed Internet services (including 4G and 5G), fixed-wireless services that allow for lower deployment costs in rural areas, and traditional satellite-based services primarily for video services. In addition to traditional competitors, other companies are developing new delivery models such as Internet through low earth orbit satellites for hard-to-reach areas. In the past year, some providers of Internet delivered via satellite were awarded government funding to expand their service territories to unserved areas.

Over recent years, Internet resellers have gained significant market share in the Canadian territories where we offer our services, namely in Ontario. A favorable regulated wholesale regime, which does not require resellers to invest in network construction, and low wholesale rates have enabled resellers to offer services at competitive price points. While resellers are primarily focused on Internet services, some are also providing video and phone services and growing their offering.

In addition, certain Canadian municipalities plan to or have entered into public/private partnership arrangements to build and operate their own broadband networks, entering into competition with the Corporation in some of its service areas.

Some of the large integrated communications service providers we compete with in Canada also own broadcast content assets.

Some of the large integrated communications service providers we compete with in Canada own broadcast television content assets. This vertical integration could result in content being withheld from us or being made available to us at inflated prices or unattractive terms. In order to limit the power of vertically integrated entities on the public's access to diverse and quality programming services, the CRTC adopted in 2015 a Wholesale Code which applies to all broadcasting distribution undertakings ("BDU") and licensed programming undertakings. The Code prohibits a number of commercially unreasonable practices and sets out a dispute resolution mechanism for the renewal of affiliation agreements in situations where both the BDU and the programming undertaking intend to renew the agreement but are unable to agree on terms.

Intensifying competition in the American broadband services segment.

The market in the United States continues to converge with mergers and acquisitions consolidating the industry. Similar to Canada, our main source of competition in video services is incumbent phone companies and satellite service providers with phone companies investing increasingly in FTTH in the territories where we operate. Our telephony services face competition from the incumbent phone companies, as well as other providers such as mobile wireless and VoIP providers. We are also facing intensified competition from overbuild competitors, such as Comcast, Verizon and AT&T, in our Florida, Connecticut and New Hampshire markets. The United States market is seeing an increase in the number of providers that offer fixed wireless broadband and Internet delivered via satellite, some of which have been awarded federal funding to expand their service territories to unserved areas.

Faced with increasing competition and customer demands, providers are enhancing the value they offer customers. Some are looking to disrupt the cable bundle by offering more choice to subscribers through personalized and tailored services that would eliminate contracts and bundling, others are expanding their service offering to include complementary services such as cybersecurity and home security to provide customers with a whole home experience while others are launching a next version of Wi-Fi to deliver faster speeds and better coverage throughout the home.

We face competition in both the Canadian and American broadband services segments from streaming services.

Cogeco Connexion and Atlantic Broadband face increasing competition from streaming services offered not only from over-the-top ("OTT") video content providers such as Netflix but also from content owners launching or acquiring a streaming service of their own (e.g. Disney+, Peacock, HBO Max). A majority of households already subscribe to streaming services as a complement to traditional video services and a surge in subscriptions was fueled by the COVID-19 crisis. Some OTT video content providers, such as Prime Amazon, now offer live-feeds channels traditionally offered only by broadcasting distribution undertakings. The streaming trend is expected to continue to increase and we could be materially adversely affected if, as a result, a significant number of video customers disconnected their services or reduced their video spending and we may not be able to make up for the loss of revenue associated with this shift in customer preference.

Some of our main video competitors have entered the streaming sphere with their own streaming services. Additionally, several programming networks distributed by the Corporation offer direct-to-consumer products, such as Sportsnet in Canada or HBO Now, CBS All Access and Showtime Anytime in the United States. The Corporation enables the delivery of certain streaming services within its video product but does not own any streaming platform.

An increased number of consumers are switching from landline telephony to mobile wireless and IP based phone services.

As wireless phone and smartphone adoption grows, an increasing number of fixed phone customers are disconnecting fixed lines. We do not currently offer mobile wireless services and, therefore, further erosion of fixed phone customers could have a material adverse effect on our business, financial condition, prospects and results of operations.

We do not currently offer "four play" bundles that include mobile wireless communications.

Although we provide "double play" and "triple play" bundled services in Canada and the United States, with various combinations of Internet, video and landline telephony services being offered at bundled prices, we do not offer "four play" bundles that include mobile wireless services.

We remain interested, as part of our growth strategy, in offering mobile wireless services to complement our service offerings to customers within our current footprint and grow our share of our customers' telecommunications spending. We are currently considering entering the mobile wireless market in Canada, in a capital efficient manner, supported by the recent decision by the CRTC, on April 15, 2021, to allow regional players investing in telecommunications infrastructure and spectrum to access the wireless networks of Canada's dominant providers. Should we conclude that this is financially attractive, we would expect to make investments over time, in addition to making use of the MVNO regime. Launching a mobile wireless operation includes significant risks as investments include the acquisition of spectrum licences, network infrastructure and systems devices, as well as start-up costs. The terms and conditions for the MVNO service and the MVNO rates to be commercially negotiated with the incumbents are still unknown and may not be appropriate to launch a mobile wireless operation. A mobile wireless operation in Canada may result in downward pressure on adjusted EBITDA margins, profits and free cash flow and may not, in the long term, meet profitability expectations.

Our business services face competition from a variety of service providers.

Cogeco Connexion and Atlantic Broadband offer Internet, video and telephony services to businesses across their served areas, mainly to small to medium-sized businesses. Our business services in Canada and the United States face competition from a variety of service providers that often have a wider product offering. Our results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our business customer base.

12.2 BUSINESS RISKS

STRATEGIC PLAN AND BUSINESS STRATEGIES

Our ability to successfully implement our business strategies described above in section "Corporate objectives and strategies" of this report in a timely and coordinated manner and to realize their anticipated benefits could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating expenses, regulatory developments, general economic conditions, increased competition, technological changes and the other factors described in this "Uncertainties and main risk factors" section. Failure to successfully implement and execute our strategic plan and business strategies in a timely and coordinated manner could have a material adverse effect on our reputation, business, financial condition, prospects and results of operations and on our ability to meet our obligations, including our ability to service our debt.

PROGRAMMING COSTS

The financial performance of our businesses depends in large part on our ability to sustain and increase adjusted EBITDA by tightly controlling operating expenses. One of the largest drivers of such operating expenses is the programming licence fees we pay to television programming service suppliers. The programming licence fees of certain television programming services have increased significantly in Canada and in the United States in recent years, particularly for sports programming. Future increases in programming licence fees could have a material adverse effect on our business and results of operations.

In Canada, the market for video content services is characterized by high levels of supplier concentration and vertical integration. Our largest programming supplier is Bell, with approximately 39% of our overall programming costs. Bell is vertically integrated and is also our largest competitor. While we have generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, we may not be able to maintain our current arrangements, or conclude new arrangements that are economically viable; therefore the number of video channels may change from year to year.

Certain affiliation agreements with some of our major programming suppliers have expired and the terms and conditions for their renewal have not yet been fully concluded. We may be subject in upcoming Canadian programming services renewals to regulatory dispute resolution proceedings which could either help us obtain reasonable affiliation terms or compel us to pay increased programming licence fees or otherwise subject us to adverse competitive conditions.

While the programming costs in the United States showed some signs of stabilization in the last three years, our ability to access content at reasonable rates, terms and conditions for "must have" content including live sports and retransmission consent is continuously challenged. Recent mergers such as AT&T and Warner Media, Disney and 21st Century Fox, and Sinclair's purchase of Fox Regional Sports Networks will continue to impact our ability to procure content at reasonable rates and terms. This ongoing consolidation activity enables combined companies to leverage popular content and negotiate better terms with us in the future or require that we carry their less popular services, thus further increasing costs. In addition to the increase in programming costs, most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Many of these same programmers are simultaneously launching their own direct-to-consumer products to effectively compete with programming distributors or offering their content through OTT video providers. While this adds marketplace confusion, it also presents alternative content sources for consumers, which could enable the rationalization of certain content and the reduction of wholesale cost.

We are also subject in the United States to increasing financial and other demands by broadcasters to obtain the required consent for the transmission of local broadcast programming to our customers. Federal law prohibits cable operators from carrying local broadcast stations without consent. Under federal "must-carry" regulations, local broadcast stations may require cable operators to carry such stations without compensation. Alternatively, local broadcast stations may require cable operators to engage in "retransmission consent" negotiations, pursuant to which broadcast stations require significant payments and other concessions, in exchange for the right to carry such stations. We expect to continue to be subject to significant increases in fees by broadcasters in exchange for their required consent for the retransmission of local broadcast programming to customers. Failure to reach an agreement with a broadcaster could result in the loss of popular programming from our video services.

The inability to acquire and provide content to our customers that meets their expectations in terms of quality, format, variety of programming choices, packages and platforms at competitive rates which customers can afford to pay, could have a material adverse effect on our businesses as well as on our adjusted EBITDA should we fail to pass on the incremental increase in costs of programming to our customers.

ACCESS TO SUPPORT STRUCTURES AND MUNICIPAL RIGHTS OF WAYS FOR OUR BROADBAND OPERATIONS

Our business requires the execution of contracts with utilities in order to obtain access to utility support structures (such as utility poles) and with municipalities to obtain access to public rights-of-ways. Access to the support structures of telephone companies in Canada is provided on a tariff basis approved by the CRTC. In the case of Canadian provincial and municipal electric utilities, access to those support structures is subject to provincial and municipal requirements, and the terms for access to these structures may need to be obtained through provincial and municipal authorities. Where access to municipal rights-of-ways in our Canadian footprint cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act*. In the United States, the Communications Act requires telephone companies and other utilities (other than those owned by municipalities or cooperatives) to provide cable systems with non-discriminatory access to any pole or rights-of-ways controlled by the utility. The rates that utilities may charge, together with certain terms and conditions for such access are regulated by the Federal Communications Commission ("FCC"), or, alternatively, by states that certify to the FCC that they regulate pole attachments.

Make ready work, which is the strengthening of the poles and/or relocation of other facilities on the poles to accommodate additional attachments, often takes several months to years to complete, which delays the Corporation's network expansion. If we have to support increasing costs in securing access to support structures needed for our broadband network or are unable to secure such agreements, we may not be able to implement our business strategies and our businesses, financial condition, results of operations, reputation and prospects could be materially adversely affected.

GOVERNMENT SUBSIDY PROGRAMS TO PROVIDE HIGH-SPEED INTERNET IN UNDERSERVED OR UNSERVED REGIONS

The Corporation is participating in government programs in Canada to provide high-speed Internet to underserved or unserved regions and has been awarded funding for over 40 broadband expansion projects in Ontario and Québec, representing approximately 75,000 homes passed over the next three years. The Corporation is also expecting to be awarded further government subsidies for broadband expansion in Ontario. The digital infrastructure investment projects in Québec are scheduled to be completed by September 2022 and are subject to penalties for late delivery, except if due to events out of Cogeco Connexion's control. In the U.S., the Corporation has been awarded funding under the Rural Digital Opportunity Fund and certain State broadband funding programs. The Corporation has applied for additional funding for rural broadband expansion, for which awards have not yet been announced.

CUSTOMER EXPERIENCE

The Corporation strives to maintain respectful and transparent relationships with its customers by providing a distinctive customer experience and through honest marketing of its products. The loyalty of our customers and their retention depend on our ability to provide a service experience that meets or exceeds their expectations. The Corporation firmly believes that customer experience represents a key differentiator and has enacted various programs and actions at its different business units to constantly improve the customer experience and build upon this reputational capital.

With increased demand for digital capabilities, a failure to keep pace with customer demands could result in loss of customer base and difficulty in attracting potential new customers. In fiscal 2021, the Corporation continued to accelerate its digital transformation efforts in response to the COVID-19 crisis and increased customer demands. We launched our Android-based IPTV service, branded EPICO, in Canada, enhanced our Wi-Fi service and continued to evolve self-install capabilities and self-serve features to enable customers to manage their telecommunication service relationship online. We also implemented improvements to our customer service resulting in a decrease of call center wait times and call transfers and launched a new Interactive Voice Response ("IVR") and Workforce Management system to optimize routing of consumer calls to enhance call resolution efficiency and effectiveness. It is now possible for consumers to experience an augmented end-to-end digital experience. In addition, feedback on customer satisfaction and trends on new ways in which consumers wish to engage are measured, and advanced survey tools collect information at every point of contact, all in real time. Failure to evolve our customer experience in line with customer demands could adversely affect our business, financial results, reputation and brand value.

MEETING CUSTOMER EXPECTATIONS

Increasing needs for digital connectivity, bolstered by the COVID-19 crisis, has further highlighted the importance of the Internet. To meet rising customer expectations, we launched a new Broadband First offer strategy, in the United States, putting broadband connectivity at the center of the customer experience and offering an advanced managed Wi-Fi solution. In Canada, we continued to expand our offering with speeds of up to 1 Gbps and an advanced managed Wi-Fi solution.

Rising OTT fragmentation is also triggering a consumer call for aggregation of OTT offerings on a common platform. Our new IPTV service in Canada and a new IPTV service to be launched at the end of the calendar year in the United States, with a progressive roll out next year, will enable more source-agnostic integrated content navigation and consumption. The Corporation has various ongoing initiatives in place to evolve its products and service offerings, in the digital space, in line with customer expectations. Failure to anticipate and respond in a timely manner to changing customer expectations, changes in consumer behavior, technology trends and new market conditions may result in an outdated product/services portfolio, thus impairing our ability to retain current customers and attract new ones.

MARKETING AND SALES

The evolution of technology has enabled more targeted marketing approaches, initiatives and campaigns, thus changing the dynamics of the competitive environment. The Corporation continues to evolve its marketing and sales approach to align with customer preferences powered by data analytics and automated marketing platforms based on a highly segmented outreach. Furthermore, in the current market, transparency in pricing, easy to understand promotions and high value product packaging, with high-performance Internet at its core, will continue to be critical for both the acquisition and retention of customers.

The failure to achieve sales growth targets as a result of inadequate marketing and/or sales strategies, a deficient execution of said strategies or operating difficulties could have a material adverse effect on our business, financial condition and results of operations. To mitigate our risk, a strong multi-tiered marketing and sales approach to create high levels of brand awareness with a distinctive offer strategy and value proposition will aim to ensure continued growth in highly competitive markets with multiple providers.

GLOBAL SUPPLY CHAIN AND RELIANCE ON THIRD PARTIES

We currently offer video services to our customers on our Canadian and American footprint through a combination of equipment from various suppliers and depend on long-term agreements with suppliers for the provision of our telephony services to our residential and business customers. All these suppliers may experience business difficulties, restructure their operations, discontinue products or sell their operations to other suppliers, which could affect the availability and future development of our products and services. The inability to meet product or service delivery objectives or having to incur increased costs as a result of a failure in supply from third-party suppliers (chipsets, fiber and other network components shortage) or change in suppliers could have a material adverse effect on our business, financial condition and results of operations. Risk mitigation approaches vary depending on suppliers and circumstances and can include strategies such as enhanced governance, alternative sourcing, advance purchasing and increased inventory.

We rely on our supply chain to deliver our services. COVID-19 created shortages in materials and workforce and, disrupted global supply chain transport and logistics increasing lead times, the effects of which are expected to last for some time. Given the inter-dependencies with other telecommunication and utility providers, disturbances in the global supply chain could have serious adverse effects on our business operations, innovation and evolution of our network and services including government subsidized programs, financial results and reputation.

MERGERS/ACQUISITIONS, DIVESTITURES AND REORGANIZATIONS

The Corporation has grown through acquisitions and will continue to seek attractive acquisition opportunities in the future. Achieving the expected benefits of acquisitions depends in part on successfully consolidating functions, integrating operations, procedures and personnel in a timely and efficient manner and realizing revenue, synergies and other growth opportunities from combining acquired businesses with ours. There is no assurance that the integration of acquisitions will be successful and will deliver the anticipated benefits and results. The nature of a carve-out asset acquisition, such as the recent Ohio broadband systems, makes it inherently more difficult to assume operations upon closing and to integrate activities, as certain systems, processes and employees may not all be transferred with the acquired systems to support such activities. Such risk is mitigated by entering into a Transition Service Agreement with the seller. It is possible however that the integration process could result in the disruption of the respective ongoing businesses or inconsistencies in standards, information technology, security and financial reporting systems, controls, procedures and policies that adversely affect the ability of management to achieve the anticipated benefits of the acquisition. The integration process may lead to greater than expected operating expenses, financial leverage, capital costs, customer losses, asset write-offs, business disruption of our other businesses and management's diversion of time and resources. We may also be required to make capital expenditures or other investments, which may affect our ability to implement our business strategies to the extent we are unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. In addition, an acquired business could have liabilities that we fail or are unable to uncover and for which the Corporation may be responsible. Depending on the circumstances, pursuing acquisitions may also require that we raise additional capital, through debt or equity, and establish relationships with new financing partners, or use cash that would otherwise have been available to support our existing business operations. Also, we generally

face competition in acquisition processes from strategic players and private equity funds, which can result in having to pay high acquisition prices or not be the ultimate buyers of the companies being sold. Any failure by the Corporation to successfully integrate or address the risks associated with acquisitions or to take advantage of future strategic opportunities could materially adversely affect our financial position, financial performance, cash flows, business or reputation. To mitigate our risk, we follow a proactive and agile mergers and acquisitions process and evolve and enhance our integration procedures, as needed.

FOREIGN OPERATIONS

Our American broadband services activities are carried out by Atlantic Broadband in 12 states along the East Coast and the Midwest and represent 42.9% of the consolidated revenue of the Corporation. There are significant complexities and risks involved with carrying foreign operations, such as geographical specificities and differences in political, legal, regulatory and taxation regimes. Furthermore, these activities expose the Corporation to currency risk as most of them are carried out in US dollars. These factors could have a material adverse effect on our operating and financial results.

TALENT MANAGEMENT AND SUCCESSION PLANNING

The fast pace of technological advancements and the digitization within the industry and the workplace have created a shortage of digital skills as industry players compete for the same resources. In addition, employees' expectations have evolved during the COVID-19 crisis and continue to evolve, requiring compelling employee value proposition to attract and retain talent. For this reason, the Corporation is actively engaged in its employees' professional development through the implementation of a variety of programs that promote continuous education, a healthy and safe work environment as well as diversity and inclusion and by offering competitive working conditions including flexible work arrangements. Our success is substantially dependent on our capacity to attract new talent and our ability to retain existing talent and foster continued performance of our employees and executive officers. Many of the Corporation's employees and executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. Retaining key employees and executive officers is especially important to our business in order to keep pace with technological change and to avoid losing critical knowledge in the context of the organization's continued expansion. The loss of the services of key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could impact our ability to deliver on organizational goals and have a material adverse effect on our growth, business and profitability.

LABOUR RELATIONS

Collective bargaining agreements are in place with some of our employees that are renewed from time to time in the normal course of business. The Corporation has been successful to date in negotiating satisfactory collective agreements with unions without significant labor disruption. While the Corporation's labor relations have been satisfactory in the past, we can neither predict the outcome of current or future negotiations relating to labor disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labor protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labor protest could have a material adverse effect on our businesses, operations and reputation. Although we have not experienced strikes or other forms of labour protests in recent years, the outcome of labor negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

12.3 REGULATORY RISKS

REGULATORY RISKS - CANADIAN AND AMERICAN BROADBAND SERVICES

Our Canadian and American broadband operations are subject to extensive and evolving laws, regulations and policies at the federal, provincial, state and local levels. Cogeco Connexion is primarily regulated under the Broadcasting Act and the *Telecommunications Act* and regulations thereunder while Atlantic Broadband is regulated mainly by the Communications Act. In addition, both Cogeco Connexion and Atlantic Broadband are subject to other legislation relating to copyright and intellectual property, data protection, privacy of personal information, spam, e-commerce, direct marketing and digital advertising which have become more prevalent in recent years. Changes to existing laws and regulations, the adoption of new laws and regulations as well as periodic reviews of copyright royalties payable in relation to the use by the Corporation of protected content could have negative financial, operational or competitive consequences on our business, financial condition, prospects and results of operations by increasing our costs, limiting our revenues and/or imposing additional restrictions on our operations.

Several recent and ongoing legislative reviews, regulatory proceedings of the CRTC in Canada and the FCC in the United States or judicial hearings could have a material adverse effect on our business and results of operations depending on outcome. We describe below some of these legislative, judicial and regulatory developments in Canada and the United States.

Canada

Appeals of CRTC's 2021 Internet Wholesale Rate Decision

On May 27, 2021, the CRTC released Telecom Decision 2021-181, which ruled on applications by cable carriers (including Cogeco Communications) and telecommunications carriers to review and vary Telecom Order 2019-288. In Telecom Order 2019-288, the CRTC had set final rates for Cogeco Connexion's aggregated wholesale high-speed Internet access service that were significantly lower than the interim rates set in October 2016, and had made them retroactive to March 31, 2016. In Telecom Decision 2021-181, the CRTC overturned the 2019 rate reductions and made the interim rates it had previously established in 2016, with certain adjustments, final.

Since then, two independent Internet service providers ("Resellers") and a trade association representing Resellers have petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision. On July 28, 2021, a Reseller sought leave to appeal Telecom Decision 2021-181 to the Federal Court of Appeal, which was granted on September 15, 2021. The Corporation, along with several other cable carriers, has asked the Governor in Council to deny the petitions and intervened before the Federal Court of Appeal. An adverse decision by the Governor in Council or the Federal Court of Appeal that would result in the implementation of final wholesale rates that are significantly below the 2021 final rates and/or the requirement to refund monies to Resellers could have a material adverse effect on our business, financial condition and results of operations.

Review of Network Configuration for Disaggregated Wholesale High-Speed Access Services

On June 11, 2020, the CRTC launched a consultation to reconsider the proposed network configuration for disaggregated wholesale high-speed access service for large telephone and cable carriers. The consultation may result in the CRTC adopting a different level of disaggregation for the Corporation that had been mandated in 2015, which could require costly changes to the Corporation's broadband network architecture. The final rates for disaggregated wholesale high-speed access services, as well as the outcome of the CRTC's review of network configuration, could have a material adverse effect on our business, financial condition and results of operations.

Review of Rate-Setting Methodology for Wholesale Telecommunications Services

On April 24, 2020, the CRTC initiated a proceeding to review its approach to rate setting for wholesale telecommunications services. The costing approach that is selected could potentially be substantially different from the current "Phase II" costing methodology. If the selected methodology fails to adequately compensate the Corporation for the costs associated with the provisioning of wholesale high-speed Internet access services and allow it to secure a reasonable return on investment, it could negatively affect our ability to compete with Resellers and could have a material adverse effect on our financial conditions and results of operations.

Royalties Payable for Retransmission of Distant Television Signals

On July 22, 2021, the Federal Court of Appeal issued a decision in response to two applications for judicial review filed by six broadcasting distribution undertakings ("BDUs") (including Cogeco Communications) and nine collective societies challenging a decision by the Copyright Board setting the quantum of royalties payable for the retransmission of distant Canadian and U.S. television over-the-air signals in Canada, for the 2014-2018 period. The Federal Court of Appeal determined that the 2014 and 2015 rates would be final but agreed with the collective societies that the Copyright Board had made errors in determining the 2016 to 2018 rates. The Federal Court of Appeal has sent the matter back to the Copyright Board, which will hold a new proceeding to determine the rates from 2016 onwards, which could increase as a result of this decision.

Implementation of CRTC's MVNO Framework for Mobile Wireless Services

On April 15, 2021, the CRTC issued Telecom Regulatory Policy 2021-130, *Review of mobile wireless services*, which aims to provide Canadians with greater wireless choice, better services and affordable prices. Telecom Regulatory Policy 2021-130 mandates the provision of wholesale mobile virtual network operator ("MVNO") access, including seamless roaming, by national wireless carriers (Bell, TELUS, Rogers) and Sasktel, in Saskatchewan, to regional carriers that invest in infrastructure and spectrum. Terms and conditions for the MVNO service are to be approved by the CRTC, while rates are to be commercially negotiated between parties, with final offer arbitration by the CRTC as a last resort. Failure by the CRTC to approve the terms and conditions conducive to market entry, or by the Corporation to negotiate reasonable rates with one of the national wireless carriers, could impact the Corporation's decision to offer mobile wireless services.

In August, TELUS was granted leave to appeal the legality of CRTC's seamless roaming mandate, a key component of the MVNO framework, before the Federal Court of Appeal. Cogeco, along with Vidéotron, Eastlink and Xplornet, is opposing the challenge. An adverse decision by the Court could impact the implementation of the CRTC's MVNO framework and the Corporation's plans to launch mobile wireless services more challenging.

Limitations on the Distribution of Distant Signals

In an application posted by the CRTC on February 21, 2020, Rogers Media Inc. asked the Commission to enforce section 21 and 49 of the Broadcasting Distribution Regulations ("BDU Regulations"), which state that BDUs must obtain consent of an over-the-air broadcaster in order to distribute its signal in a distant market. Cogeco, as well as other BDUs, opposed the application on the basis that there are doubts regarding the validity of these provisions. Should the CRTC confirm their validity, broadcasters could attempt to limit distribution of distant signals or seek remuneration for their distribution by Cogeco Connexion, which would increase our costs and/or limit our offering to consumers. An adverse decision by the CRTC that would result in a confirmation of the validity of section 21 and 49 of the BDU Regulations could also lead non-Canadian broadcasters to make similar demands, and could have a material adverse effect on our business, financial condition and results of operation.

Challenge to the CRTC's Ability to Regulate Affiliation Agreements

On June 18, 2019, the Federal Court of Appeal ("FCA") granted Québecor the right to appeal a decision issued by the CRTC compelling TVA Group Inc. to continue providing its programming service, TVA Sports, to Bell TV customers until they can reach an agreement concerning the carriage and distribution terms of TVA Sports or until the CRTC renders a decision on matters not resolved by agreement. This order is made to enforce the "standstill rule", which provides that parties involved in a wholesale rate re-negotiation dispute must provide continued access to programming services and carriage for the duration of the dispute. Québecor argued that the Broadcasting Act does not provide the CRTC jurisdiction to regulate commercial relationships between programming undertakings and broadcasting distribution undertakings, and that the standstill rule conflicts with the Copyright Act. On July 28, 2021, the FCA released a decision rejecting Québecor's arguments and finding that the CRTC does have the power to apply the standstill rule. Québecor has filed a motion for leave to appeal the decision to the Supreme Court of Canada. Should the Supreme Court grant Québecor's applications and ultimately agree with Québecor's position, regulatory safeguards aimed at protecting independent distributors would be removed, and there is a risk that vertically integrated providers of content could abuse their market power and impose anticompetitive terms for the distribution of their programming services, or attempt to withhold content from us.

United States

Regulation of Internet

In 2017, the FCC classified broadband Internet access service as an information service, rather than a telecommunications service under Title II of the Communications Act (which would subject such service to more onerous regulations). In 2019, the U.S. Court of Appeals for the District of Columbia upheld the FCC's classification, but it vacated the FCC's directive preventing state and local governments from adopting any requirements inconsistent with the FCC's decision, which will likely empower state and local governments to adopt legislation regulating Internet service. Several states have passed or proposed legislation that imposes open Internet requirements. Some federal and state legislators have advocated for increased regulation of broadband service, especially in light of the COVID-19 crisis, during which broadband service has been deemed to be an essential service. Under the new U.S. administration, increased regulation of broadband Internet services is likely, including the potential reclassification of broadband Internet as telecommunications services under Title II of the Communications Act. Such regulation would prohibit blocking, throttling and paid prioritization of Internet content, increase oversight of broadband service providers and create the potential for rate regulation of broadband services. Any such, rate regulation of broadband Internet services could have an adverse impact on our business and results of operations.

U.S. Administration Infrastructure Plan

On March 31, 2021, President Biden introduced an extensive US\$2 trillion infrastructure plan, which has since been reduced to US\$1.2 trillion and now provides for broadband funding in the amount of US\$65 billion. Under the bill passed by the Senate in August 2021, the National Telecommunications and Information Administration ("NTIA") would allocate US\$42 billion of the funding to states to award for broadband expansion. Award recipients would be required to begin providing service within 4 years of receiving funding. Municipalities would be able to apply for funding as well. The funding would be made available to broadband service providers for expansion of their networks only in unserved areas defined as areas where at least 80% of locations don't have access to speeds of 25/3 Mbps and underserved areas defined as areas where at least 80% of locations don't have access to speeds of 120/20 Mbps. The NTIA, FCC and several states have commenced proceedings to collect broadband mapping data from service providers to more accurately reflect served and unserved areas and ensure that funds are not awarded for competitive overbuilds. While any funding for broadband expansion would represent market expansion opportunities for the Corporation, it could allow municipal and competitive expansion overbuilds that could materially adversely affect our business and results of operations. The House of Representatives has not yet passed the infrastructure bill and the foregoing provisions could change before final passage by the House and Senate.

Modern Television Act of 2021

A U.S. House of Representatives bipartisan bill titled the *Modern Television Act of 2021* was introduced on March 11, 2021 which could overhaul the existing broadcast carriage system, by eliminating the must-carry/retransmission consent laws and leaving copyright protection to market negotiations between broadcasters and Multichannel video programming distributors ("MVPDs"). Specifically, the proposed legislation would protect consumers from blackouts by requiring MVPDs to carry broadcast signals for up to sixty days while the parties continue renewal negotiations, repeal retransmission consent and compulsory copyright licenses and allow traditional copyright laws to govern free-market negotiations for content rights and establish an optional mechanism for the FCC to impose binding arbitration to resolve disputes. While the Corporation supports the elimination of must-carry/retransmission consent, any legislation to that effect could potentially disadvantage the Corporation in free-market negotiations, given its size compared to larger broadcasting conglomerates.

Provision of Video and Broadband Service in MDUs

In July 2021, the FCC released a Notice of Proposed Rulemaking ("NPRM") seeking comment on the provision of video and broadband service in multiple tenant environments ("MTEs"). Specifically, the NPRM asks several questions about the impact on deployment and competition of various arrangements under which a service provider is granted certain unique rights or privileges from the MTE owner in connection with providing service to the MTE. The particular practices in question include revenue sharing arrangements, exclusive marketing rights, bulk billing, exclusive wiring and "sale-and-leaseback" arrangements. Any negative changes to the regulatory framework governing the provision of video and broadband service in MTEs could have an adverse impact on our business and results of operations.

12.4 TECHNOLOGY RISKS

NETWORK FAILURE

The Corporation manages network failure risks through a business continuity planning program as well as through a Disaster Recovery Policy and related procedures. Operational risk assessments are also conducted on an annual basis minimally to consider anticipated and unanticipated events (including climate-related incidents) in order to protect the viability of all critical business processes.

In Canada, Cogeco Connexion has a backup system for retransmission through another headend or a mobile headend if one of our headends fails. In the United States, Atlantic Broadband also has emergency backup or replacement sites, including several interconnects with adjacent cable operators to be able to use their video signals as a backup. Atlantic Broadband feeds critical headends and hubs with diverse fiber and/or third party redundant circuits. In addition, headends located in high risk areas (e.g. flood zone) are relocated as deemed necessary.

A failure in our headends could prevent us from delivering some of our services through a portion of our network until we have implemented backup solutions or resolved the failure and result in significant customer dissatisfaction and loss of revenue, depending on the severity of the outage condition.

MAINTENANCE OF OUR NETWORK, INFRASTRUCTURE AND IT SYSTEMS

We continuously maintain, upgrade or replace our network, infrastructure and IT systems in order to optimize our networks and systems performance and reliability, increase the speed of our Internet service and improve and provide new or enhanced services that meet the needs and expectations of our customers. If we are unable to do so because of capital or other constraints, this may materially adversely affect our ability to compete and negatively impact our business and financial performance.

DEPENDENCE ON TECHNOLOGY SYSTEMS

Our daily operations are highly dependent on information technology systems and software, including those provided by certain third party suppliers, and cloud-based services. Our business is dependent on our payroll, customer billing, service provisioning, financial, accounting and other data processing systems. We rely on these systems to process, on a daily basis, a large number of transactions. An inability to maintain and enhance our existing information technology systems or obtain new systems to support additional customer growth or new products and services could have a material adverse effect on our ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, or comply with regulatory requirements, all of which could materially adversely affect our operational results and financial position. Any future difficulties from system replacements or upgrades could damage our brand and reputation and have a material adverse effect on our results of operations, compliance with regulatory requirements, financial performance and future business prospects.

CYBER THREATS

Cybersecurity threats have grown in frequency and complexity over recent years in the public and private sectors. Security measures and insurance coverage are in place to protect the Corporation and its subsidiaries against such threats. We continue to enhance our cyber resilience posture, the overall governance over information security and the security awareness of our employees through continuous training and continuous improvement efforts surrounding the security of our IT systems, the controls within our IT systems and our business processes. During fiscal 2021, the Corporation did not experience any major cybersecurity breach.

There can however be no certainty that future cybersecurity threats such as data theft, unauthorized usage and disclosure, viruses, ransomware and sabotage will not occur and have an adverse effect on our brand and reputation as well as entail significant legal and financial exposure.

DATA PROTECTION

We do not disclose our customers' personal information without their consent, unless otherwise required or authorized by law, or in accordance with the Privacy Policy of each subsidiary. We do not sell, trade, or exchange that information either. In the course of our business, we collect, use and manage various data about our customers, including personal information but policies, procedures, guidelines, business rules and safeguards are in place to ensure that this information is protected and treated appropriately under applicable privacy laws. Each subsidiary within the Corporation has implemented customary security measures that are designed to safeguard personal information against unauthorized access or disclosure, which include advanced technologies that monitor for appropriate authorized access and report on such. Personal information will be retained only as long as necessary for the fulfillment of the purposes for which it was collected and for which consent was received. The Corporation is committed to providing transparency to its customers with respect to the Corporation's practices in handling their information, and has a legal obligation to provide access thereto to individuals to whom this information belongs.

Each year, our employees must agree to abide by the rules of our Code of Ethics and the Information and Cybersecurity Policy and are required to certify in writing that they will comply with them. Privacy training is provided on a regular basis, taking into consideration risks and needs. Existing and proposed privacy legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada and the United States may impose limits on our collection, use and disclosure of certain kinds of information.

Any malfunction of our systems or security breaches resulting in unauthorized access to, loss, use or disclosure of, customer and employee personal information could result in the potential loss of business, damage to our market reputation, litigation, regulatory scrutiny and penalties.

12.5 FINANCIAL RISKS

CAPITAL COMMITMENTS, LIQUIDITY AND DEBT

Cogeco and Cogeco Communications rely on their free cash flow generated by operations to fund their capital expenditures program and on capital markets to refinance their indebtedness and further grow their business through acquisitions. Capital markets are volatile and Cogeco and Cogeco Communications may not be able to access them at reasonable conditions if their credit profile and general economic conditions deteriorate. Such conditions could lead to higher cost of funding, deteriorating financial position and liquidity, and more restrictions on Cogeco and Cogeco Communications' operations.

The Corporation may be unable to generate sufficient cash flows and maintain an adequate liquidity position to ensure and preserve its financial stability/solvency and fund strategic imperatives as well as its operational and financial obligations of the business.

CURRENCY AND INTEREST RATES

The Corporation's financial results are reported in Canadian dollars and a significant portion of its revenue, operating expenses and capital expenditures are realized in US dollars. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar during a given financial reporting period would result in variations of the Corporation's operating results and financial condition. Although a significant portion of the Corporation indebtedness, which is denominated in US dollars, serves as hedges of net investments in foreign operations, its revenue, adjusted EBITDA and indebtedness could fluctuate materially as a result of foreign exchange rate fluctuations.

Interest rate volatility can also impact interest cost on floating interest rate instruments and have a material adverse effect on the Corporation's financial results. To mitigate this risk, the Corporation enters into contracts to partially fix the interest rate.

CREDIT RATINGS

Credit ratings issued by rating agencies can affect the availability and terms of Cogeco Communications' debt particularly, a downgrade below investment grade of secured debt currently rated as investment grade, could materially adversely affect our cost of capital and access to capital.

TAXATION MATTERS

The Corporation's business operations are subject to various international tax laws and regulations. These tax laws and regulations are subject to frequent changes and evolving interpretation. While management believes the Corporation has adequately provided for all taxes based on the information available, the calculation of taxes requires significant judgment in interpreting laws and regulations. A failure to accurately assess and record taxes could result in material changes to tax amounts recorded and an assessment of interest and penalties having a material adverse effect on the Corporation's financial results.

Changes to Canadian and foreign tax policies in the tax jurisdictions where the Corporation is present may also have a material adverse effect on its current financial structure and the level of its future tax costs and liabilities.

Canadian tax

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

United States tax

The U.S. administration intends to increase the corporate tax rate and potentially introduce an additional interest deductibility limitation. If the changes related to corporate tax rates were to be implemented, the Corporation would incur a one-time non-cash deferred tax expense on the re-evaluation of the deferred tax liabilities and its future tax expenses would increase. The interest deductibility limitations as drafted in the U.S. House of Representatives draft bill of September 12, 2021, could negatively impact the Corporation, as of fiscal 2023, increasing its effective tax rate by approximately 1%. Further negotiations between the U.S. House of Representatives and the Senate before enactment could further alter these estimates.

12.6 ECONOMIC CONDITIONS

We are affected by general economic conditions, consumer confidence and spending, and the demand for our products and services. Adverse general economic conditions, such as economic downturns or recessions leading to a declining level of retail and commercial activity could have a negative impact on the demand for our products and services. More specifically, adverse general economic conditions could result in customers delaying or reducing purchases of our products and services or discontinuing using them, and a decline in the creditworthiness of our customers could increase our bad debt expense.

12.7 HUMAN-CAUSED AND NATURAL THREATS TO OUR NETWORK, INFRASTRUCTURE AND SYSTEMS

In the event of natural disasters, terrorist acts or other catastrophic occurrences, either natural or man-made, our ability to protect our network, infrastructure, including customer data, and to maintain ongoing operations could be significantly impaired. Although we have business continuity and disaster recovery plans and strategies in place, they may not be successful in mitigating the effects of a natural disaster, terrorist act or catastrophic occurrence which could have a material adverse effect on our business, prospects, financial condition and results of operations. Moreover, we have limited insurance coverage against the losses resulting from natural disasters affecting our networks.

CLIMATE CHANGE

The effects of global climate change are increasing the severity and frequency of natural threats on our business, such as weather-related events, and may result in increased operational and capital costs. Certain of our facilities are located in areas more prone to weather-related events such as Atlantic Broadband's operations in Florida. The findings of the United Nations' Intergovernmental Panel on Climate Change's ("IPCC") Sixth Assessment Report suggest that, unless drastic actions are taken to reduce greenhouse gas emissions, the effects will continue to worsen. Some of the more significant climate-related risks that the Corporation has identified include: 1) increased operational costs due to increase in fuel and energy prices coming from policies related to carbon pricing; 2) increased operational and capital costs as a result of damage to facilities and/or equipment because of extreme weather events or increased variability in weather patterns; and 3) increased operational and capital costs due to longer term shifts in climate patterns such as sea-level rise or chronic heat waves. For example, increased temperatures could impact our network equipment which could entail the need for additional cooling devices and could reduce equipment lifespan. Ice storms or extreme precipitations could have a negative impact on the physical network infrastructure which could affect the delivery of service to our customers. Hurricanes and cyclones could impact or destroy the facilities or portions of the network and could also impact our insurance-related expenses. Impacts to our supply chain would adversely affect the ability of suppliers to supply required products and services and increased capital expenditures could result from the substitution of existing products and services with lower emissions options.

Some measures taken to mitigate climate-related risks include business continuity and disaster recovery plans and strategies as well as the implementation of energy efficiency initiatives that will contribute to the reduction of operational costs (for further details on our measures to mitigate climate-related risks, please refer to our Climate Action Plan and TCFD Report). The magnitude of the effects of climate change could be unpredictable and therefore, our plans may not successfully mitigate the consequences of a natural disaster. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

12.8 COMMUNITY ACCEPTANCE RISKS

The Corporation is committed to taking part in developing communities. Our markets cover many rural areas and smaller centres. By bringing affordable broadband services to underserved markets, we make an important contribution to their economic and social development. The availability of broadband services at competitive prices promotes job creation by local businesses by helping them become more competitive. Moreover, our network investments help companies establish operations, expand and diversify. While call centres are often outsourced offshore in our industry, the majority of our call centres have local customer service agents from the communities where we operate. In addition, the Corporation has developed community-focused initiatives, reflecting the particular needs of their communities. In 2021, the Corporation contributed \$16.7 million in cash and in-kind through donations and sponsorships, mostly contributing to culture, education, health and well-being, environment, social inclusion as well as connectivity initiatives. Lastly, YourTV/NousTV, our unique community television channels in Canada, are a powerful complement to our donations and sponsorship activities by providing broad visibility to local community activities and interests. YourTV/NousTV stations are dedicated to in-depth coverage of local people, places, events and issues of interest to the communities we serve and are funded by a regulated percentage of our gross video revenues.

Failure to maintain our community acceptance may affect our capacity to attract and retain customers therefore impacting our revenue generation and growth prospects. Furthermore, it may result in losing our social licence to operate and our capacity to remain competitive in the market.

12.9 ETHICAL BEHAVIOR RISKS

Maintaining high ethical practices throughout the Corporation is particularly important in the context of the Corporation's continued expansion. The Corporation's Ethics Steering Committee, composed of representatives from Human Resources, Legal, Finance and Internal Audit functions, provides executive oversight of our overall Ethics program, including the review of our Code of Ethics and related policies. Besides having a comprehensive Code of Ethics and an Information Code of Conduct for its radio activities, the Corporation has an anonymous and confidential Ethics Line which allows employees and other individuals to report any perceived or actual instances of violations to the Corporation's Code of Ethics and employees are also encouraged to use this tool to seek advice about ethical and lawful behavior. In order to increase employee's awareness on ethics, a formal online training on the Code of Ethics is mandatory for all new employees and Board members and must be completed by employees every two years subsequently. Furthermore, articles on various topics related to ethics are published throughout the year to all employees. Despite these efforts, the Corporation may experience ethics breaches which could not only adversely affect our reputation, but may also cause the Corporation to incur extraordinary expenses related to penalties and fines.

12.10 OWNERSHIP RISKS

The Corporation is controlled by Gestion Audem Inc., a company controlled by the members of the family of the late Henri and Marie-Jeanne Audet (the "Audet Family"), through its ownership of Cogeco's multiple and subordinate voting shares. Both Cogeco Communications Inc. and Cogeco Inc. are reporting issuers in Canada with subordinate voting shares listed on the Toronto Stock Exchange. Pursuant to the Conflicts Agreement in effect between Cogeco Communications Inc. and Cogeco Inc., all cable television undertakings must be owned or controlled by Cogeco Communications Inc. Cogeco Inc. is otherwise free to own and operate any other business or to invest as it deems appropriate. It is possible that situations could arise where the respective interests of the Audet Family and shareholders or other stakeholders of Cogeco Inc. and of the shareholders or other stakeholders of Cogeco Communications Inc. could differ and that the interests of these shareholders or stakeholders be adversely affected by such situations.

12.11 LITIGATION RISKS

We are involved in various litigation matters arising in the course of our business. The outcome of these claims or litigations is uncertain and may adversely affect our reputation, results of operation, liquidity or financial condition. Based on information currently known, we do not expect that the resolution of any of these claims and proceedings, individually or in total, to the extent not provided for through insurance or otherwise, will have a material adverse effect on our business, results of operations or financial condition.

12.12 PUBLIC HEALTH CRISIS AND EMERGENCIES

The COVID-19 crisis continues to pose a risk to our business despite vaccine rollout in both Canada and the United States given the unpredictability of the evolution of the virus with new variants emerging. Although we experienced sustained demand for our residential high-speed Internet product, due to customers spending more time at home for work, online education and entertainment purposes, uncertainty remains. The COVID-19 crisis poses a number of potential threats such as supply chain disruption, health and safety concerns impacting both employees and customers that could impact our ability to deliver our services and meet our obligations. Failure to ensure the well-being of our employees, customers and business partners could result in material adverse effects on our brand, reputation, business, prospects, financial condition and results of operations. To address the risk posed by the current COVID-19 crisis, we implemented mitigation measures such as alternative third party sourcing, increased self-install capabilities, health and safety protocols, financial relief and support initiatives for our customers and communities. Any future epidemic, pandemic, or other public health crisis that occurs in the future may pose similar risks to us.

13. 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*. Following these implementations, internal controls over financial reporting have been updated and tested in order to support adequate DC&P and ICFR.

On September 1, 2020, the Corporation's subsidiary, Atlantic Broadband, implemented a new financial system. In addition, a new human capital management system was implemented on January 1, 2021 by the Corporation and its subsidiaries. These implementations resulted in changes to internal controls related to financial reporting for the year ended August 31, 2021. Following these implementations, internal controls over financial reporting have been updated and tested in order to support adequate DC&P and ICFR. On September 1, 2021, the new financial system was implemented at the Corporation's head office and Cogeco Connexion.

The CEO and CFO, supported by management, evaluated the overall design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2021, and concluded that they were effective.

14. ACCOUNTING POLICIES

14.1 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Corporation's significant accounting policies is presented in Note 2 of the consolidated financial statements. The following accounting policies were identified as critical to Cogeco's business operations.

REVENUE RECOGNITION

Revenue is measured based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer.

Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

The Corporation's principal sources of revenue are recognized as follows:

Residential

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a monthly basis, as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized on a monthly basis, as the services are provided; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Commercial

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Other

- Revenue mainly from advertising, which is recognized as the services are provided.

BUSINESS COMBINATIONS

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the identifiable assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts.

CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

PROVISIONS

Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate.

CONTINGENCIES

Contingencies such as lawsuits, taxes, impact of regulatory decisions, and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation.

MEASUREMENT OF NON-FINANCIAL ASSETS

The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of cash-generating units ("CGUs"). Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets.

DEFERRED TAXES

Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences.

14.2 INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Definition of a Business - 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.

14.3 FUTURE CHANGES TO STANDARDS, INTERPRETATIONS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

New standards, interpretations, amendments to standards and interpretations were issued by the IASB or the IFRS Interpretations Committee, but have not yet been applied in preparing these consolidated financial statements. The following issued amendments to standards and interpretations may have an impact on future consolidated financial statements of the Corporation:

Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows)	In September 2021, the IFRS Interpretations Committee issued tentative agenda decision Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows), following the receipt of a request to clarify whether an entity should include a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. The Corporation will monitor the development of this tentative agenda decision and will assess the impact on its consolidated financial statements, particularly in regards to the presentation of the funds received from the provincial and federal governments to be used to fund certain high-speed Internet network expansion projects (refer to Note 12 of the consolidated financial statements), which are currently presented as Restricted cash, once the agenda decision will be finalized.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	In May 2021, the IASB amended IAS 12, <i>Income Taxes</i> , to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Corporation intends to apply these amendments in its consolidated financial statements for the annual reporting periods beginning on September 1, 2021. The Corporation does not expect any impact on its consolidated financial statements upon application of these amendments.
Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)	In March 2021, the IFRS Interpretations Committee finalized agenda decision <i>Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)</i> , which clarified how to recognize certain configuration or customisation costs related to cloud computing arrangement. The Corporation is currently assessing the impact on its consolidated financial statements, but it does not expect the related impact to be material. The Corporation expects to implement related changes, if any, arising from this agenda decision within the next quarters.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	In February 2021, the IASB amended IAS 1, <i>Presentation of Financial Statements</i> , to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its accounting policies disclosure.
Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB issued <i>Interest Rate Benchmark Reform - Phase 2</i> , which amends IFRS 9, <i>Financial Instruments</i> , IAS 39, <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7, <i>Financial Instruments: Disclosures</i> , IFRS 4, <i>Insurance Contracts</i> , and IFRS 16, <i>Leases</i> . The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its consolidated financial statements and will continue to monitor the reform and its related implications.
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	In January 2020, the IASB amended IAS 1 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments, if any, on its consolidated financial statements. In June 2021, the IASB tentatively decided to propose several amendments to the clarifications made in January 2020 and to defer the effective date to January 1, 2024.

15. 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 its business units. Reconciliations between "adjusted EBITDA", "free cash flow", "indebtedness" and "net indebtedness" 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 adjusted EBITDA margin and capital intensity of the Canadian broadband services and the American broadband services segments, key performance indicators used by Cogeco Communications' management and investors, respectively, to value its performance and to assess its investment in capital expenditures in order to support a certain level of revenue. These financial measures do 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 and adjusted EBITDA margin	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 (loss) reported in Note 5 of the consolidated financial statements.	Adjusted EBITDA: - Profit for the period and/or year add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs. Adjusted EBITDA margin: - Adjusted EBITDA divided by: - Revenue.	Profit for the period and/or year No comparable IFRS financial 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: - Adjusted EBITDA add: - Amortization of deferred transaction costs and discounts on long-term debt; - Share-based payment; - Loss (gain) on disposals and write-offs of property, plant and equipment and other; and - Defined benefit plans expense, net of contributions; deduct: - Integration, restructuring and acquisition costs; - Financial expense ⁽¹⁾ ; - Current income taxes; - Acquisition of property, plant and equipment ⁽²⁾ ; and - Repayment of lease liabilities.	Cash flows from operating activities
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisition of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis is obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year.	No comparable IFRS financial measure

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

(2) Excludes the non-cash acquisition of right-of-use assets and the purchases of spectrum licences.

Non-IFRS financial measures	Application	Calculation	Most comparable IFRS financial measures
Capital intensity	Capital intensity is used by Cogeco Communications' management and investors to assess Cogeco Communications' investment in capital expenditures in order to support a certain level of revenue.	Capital intensity: - Acquisition of property, plant and equipment ⁽¹⁾ divided by: - Revenue.	No comparable IFRS financial measure
Indebtedness and net indebtedness	Indebtedness and net indebtedness are measures used by management and investors to assess the Corporation's financial leverage, as they represent the debt and the debt that is not covered by the available cash and cash equivalents, respectively.	Indebtedness: add: - Principal on long-term debt; and - Bank indebtedness. Net indebtedness: - Indebtedness deduct: - Cash and cash equivalents.	Long-term debt, including the current portion Long-term debt, including the current portion

(1) Excludes the non-cash acquisition of right-of-use assets and the purchases of spectrum licences.

15.1 ADJUSTED EBITDA RECONCILIATION

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

	Three months ended August 31,		Years ended August 31,	
	2021	2020	2021	2020
(In thousands of Canadian dollars)	\$	\$	\$	\$
Profit for the period	103,418	96,737	439,015	401,833
Income taxes	29,456	30,613	134,242	114,928
Financial expense	24,535	40,539	128,212	136,207
Depreciation and amortization	132,254	126,024	515,255	503,957
Integration, restructuring and acquisition costs	3,961	6,012	8,744	11,562
Adjusted EBITDA	293,624	299,925	1,225,468	1,168,487

15.2 FREE CASH FLOW RECONCILIATION

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

	Three months ended August 31,		Years ended August 31,	
	2021	2020	2021	2020
(In thousands of Canadian dollars)	\$	\$	\$	\$
Cash flows from operating activities	283,538	262,365	1,029,767	941,628
Amortization of deferred transaction costs and discounts on long-term debt	2,361	2,363	9,355	9,582
Changes in other non-cash operating activities	(48,187)	(6,286)	(35,370)	47,011
Income taxes paid (received)	25,072	(7,411)	102,470	22,151
Current income taxes	(20,892)	(13,276)	(67,560)	(59,432)
Interest paid	32,351	45,480	127,945	155,816
Financial expense ⁽¹⁾	(24,535)	(40,539)	(128,212)	(159,105)
Acquisition of property, plant and equipment	(175,718)	(130,210)	(534,702)	(487,240)
Repayment of lease liabilities	(1,075)	(1,474)	(5,420)	(6,286)
Free cash flow	72,915	111,012	498,273	464,125

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

15.3 INDEBTEDNESS AND NET INDEBTEDNESS RECONCILIATION

The reconciliation of indebtedness and net indebtedness to the most comparable IFRS financial measure is as follows:

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Long-term debt, including the current portion	3,329,910	3,225,215
Discounts, transaction costs and other	42,745	57,529
Bank indebtedness	4,460	7,610
Indebtedness	3,377,115	3,290,354
Cash and cash equivalents	(368,434)	(406,113)
Net indebtedness	3,008,681	2,884,241

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

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MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Cogeco Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of Cogeco Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the consolidated financial statements. The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The Committee periodically meets with management and the external auditor to discuss the results of the external and internal examinations and matters having an impact on financial information.

The independent auditor appointed by the shareholders, Deloitte LLP, Chartered Professional Accountants, is responsible for making an independent examination of the consolidated financial statements in accordance with Canadian auditing standards and to issue an opinion on the statements. The independent auditor has free access to the Audit Committee, with or without the presence of management. Their report follows.

(signed) Philippe Jetté
President and Chief Executive Officer

(signed) Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, November 11, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Inc.

Opinion

We have audited the consolidated financial statements of Cogeco Inc. (the "Corporation"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended August 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill - American Broadband Services — Refer to Notes 2 G) and 15 to the consolidated financial statements

Key Audit Matter Description

Goodwill is allocated to cash-generating units ("CGU") based on the level at which management monitors goodwill. The allocation is made to CGUs that are expected to benefit from the synergies of the business combination from which it arose. At June 30, 2021, the Corporation performed impairment tests for all its CGUs within the Canadian and American broadband services segments. The Corporation's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each CGU that contains goodwill to its corresponding carrying value. Consistent with the other CGUs, the recoverable amount of the American Broadband Services New Hampshire/Maine CGU ("New Hampshire/Maine") was estimated based on the value in use model, which required management to make significant estimates and assumptions related to discount rates and cash flow projections (which include forecasted revenues and earnings before interest, income taxes, depreciation and amortization ("EBITDA") margins, capital expenditures and terminal growth rate). Changes in these estimates and assumptions could have a significant impact on either the recoverable amount, the amount of any goodwill impairment charge, or both. As of the measurement date, the recoverable amount of New Hampshire/Maine exceeded its carrying value therefore, no impairment was recognized.

While there are several estimates and assumptions that are required to estimate the recoverable amount of New Hampshire/Maine, the estimates and assumptions with the highest degree of subjectivity and impact on fair value are related to forecasted revenues and EBITDA margins and the selection of terminal growth and discount rates. Auditing these estimates and assumptions required a high degree of auditor attention and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasted revenues and EBITDA margins and the selection of terminal growth and discount rates to estimate the recoverable amount of New Hampshire/Maine included the following, among others:

- Evaluated management's ability to accurately forecast revenues and EBITDA margins by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of forecasted revenues and EBITDA margins by:
 - Comparing the forecasts to historical revenues and EBITDA margins and internal communications to senior leadership and the Board of Directors detailing business strategies and growth plans and,
 - Comparing forecasted revenues to analysts and industry reports that are publicly available.
- With the assistance of fair value specialists, evaluated the reasonableness of:

- The terminal growth rate by developing a range of independent estimates using available industry data and expected long term inflation rates and comparing those to the terminal growth rate selected by management.
- The discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.
- Management's recoverable amount by developing an independent range of estimates using available market information from third party sources and recent transactions, if applicable, and comparing those to the implied EBITDA multiple of New Hampshire/Maine.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

/s/ Deloitte LLP ¹

¹ CPA auditor, CA, public accountancy permit No. A124341

Montréal, Québec
November 11, 2021

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	Notes	2021	2020
(In thousands of Canadian dollars, except per share data)		\$	\$
Revenue	4	2,603,845	2,479,474
Operating expenses	7	1,378,377	1,310,987
Integration, restructuring and acquisition costs	5	8,744	11,562
Depreciation and amortization	8	515,255	503,957
Financial expense	9	128,212	136,207
Profit before income taxes		573,257	516,761
Income taxes	10	134,242	114,928
Profit for the year		439,015	401,833
Profit for the year attributable to:			
Owners of the Corporation		141,856	128,084
Non-controlling interest		297,159	273,749
		439,015	401,833
Earnings per share			
Basic	11	8.92	8.05
Diluted	11	8.87	7.98

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, (In thousands of Canadian dollars)	Note	2021 \$	2020 \$
Profit for the year		439,015	401,833
Other comprehensive income (loss)			
Items to be subsequently reclassified to profit or loss			
<i>Cash flow hedging adjustments</i>			
Net change in fair value of hedging derivative financial instruments		28,998	(24,954)
Related income taxes		(7,684)	6,612
		21,314	(18,342)
<i>Foreign currency translation adjustments</i>			
Net foreign currency translation differences on a net investment in foreign operations		(61,389)	(37,356)
Net changes on translation of long-term debt designated as a hedge of a net investment in foreign operations		16,575	9,867
Related income taxes		172	84
		(44,642)	(27,405)
		(23,328)	(45,747)
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	22 B)	13,859	1,068
Related income taxes		(3,673)	(214)
		10,186	854
		(13,142)	(44,893)
Comprehensive income for the year		425,873	356,940
Comprehensive income for the year attributable to:			
Owners of the Corporation		146,410	115,659
Non-controlling interest		279,463	241,281
		425,873	356,940

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2021 and 2020 (In thousands of Canadian dollars)	Equity attributable to owners of the Corporation				Equity attributable to non-controlling interest	Total shareholders' equity
	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings		
	\$	\$	\$	\$	\$	\$
	(Note 19)		(Note 20)			
Balance at August 31, 2019	106,106	9,165	10,116	629,381	1,869,111	2,623,879
Profit for the year	—	—	—	128,084	273,749	401,833
Other comprehensive (loss) income for the year	—	—	(12,561)	136	(32,468)	(44,893)
Comprehensive (loss) income for the year	—	—	(12,561)	128,220	241,281	356,940
Share-based payment (Note 19 D))	—	5,173	—	—	4,850	10,023
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(359)	—	—	7,029	6,670
Dividends (Note 19 C))	—	—	—	(30,176)	(75,872)	(106,048)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(29,056)	29,056	—
Purchase and cancellation of subordinate voting shares	(963)	—	—	(10,423)	—	(11,386)
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	2,677	(1,833)	—	(844)	—	—
Purchase and cancellation of subordinate voting shares by a subsidiary	—	—	—	(39,060)	(126,475)	(165,535)
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 by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,026)	—	(235)	1,261	—
Total (distributions to) contributions by shareholders	(1,087)	1,955	—	(109,794)	(165,794)	(274,720)
Balance at August 31, 2020	105,019	11,120	(2,445)	647,807	1,944,598	2,706,099
Profit for the year	—	—	—	141,856	297,159	439,015
Other comprehensive (loss) income for the year	—	—	(3,430)	7,984	(17,696)	(13,142)
Comprehensive (loss) income for the year	—	—	(3,430)	149,840	279,463	425,873
Share-based payment (Note 19 D))	—	3,910	—	—	4,183	8,093
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(218)	—	—	3,920	3,702
Dividends (Note 19 C))	—	—	—	(34,576)	(80,882)	(115,458)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(24,549)	24,549	—
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	3,249	(3,226)	—	(23)	—	—
Purchase and cancellation of subordinate voting shares by a subsidiary	—	—	—	(33,050)	(98,409)	(131,459)
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 by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,646)	—	(50)	1,696	—
Total contributions by (distributions to) shareholders	2,175	(1,180)	—	(92,248)	(149,382)	(240,635)
Balance at August 31, 2021	107,194	9,940	(5,875)	705,399	2,074,679	2,891,337

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, (In thousands of Canadian dollars)	Notes	2021 \$	2020 \$
Assets			
Current			
Cash and cash equivalents		368,434	406,113
Restricted cash	12	170,434	—
Trade and other receivables	23 A)	97,624	97,414
Income taxes receivable		6,488	4,835
Prepaid expenses and other		35,496	30,197
Derivative financial instruments		1,507	—
		679,983	538,559
Non-current			
Restricted cash	12	13,100	—
Other assets	13	105,722	45,465
Property, plant and equipment	14	2,391,467	2,124,214
Intangible assets	15 A)	2,826,066	2,886,556
Goodwill	15 B)	1,504,162	1,409,036
Deferred tax assets	10	15,813	20,866
		7,536,313	7,024,696
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		4,460	7,610
Trade and other payables		287,915	226,247
Provisions	16	19,314	34,114
Income tax liabilities		6,551	40,040
Contract liabilities and other liabilities	17	57,479	47,387
Government subsidies received in advance	12	170,434	—
Derivative financial instruments		—	4,374
Current portion of long-term debt	18	261,970	32,914
		808,123	392,686
Non-current			
Long-term debt	18	3,067,940	3,192,301
Derivative financial instruments		42,000	67,375
Contract liabilities and other liabilities	17	9,224	11,800
Government subsidies received in advance	12	13,100	—
Pension plan liabilities and accrued employee benefits	22 B)	10,757	23,307
Deferred tax liabilities	10	693,832	631,128
		4,644,976	4,318,597
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	19 B)	107,194	105,019
Share-based payment reserve		9,940	11,120
Accumulated other comprehensive loss	20	(5,875)	(2,445)
Retained earnings		705,399	647,807
		816,658	761,501
Equity attributable to non-controlling interest		2,074,679	1,944,598
		2,891,337	2,706,099
		7,536,313	7,024,696

Commitments, contingencies and guarantees (Note 25)
Subsequent events (Note 27)

On behalf of the Board of Directors,

(signed) Louis Audet
Director

(signed) James C. Cherry
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (In thousands of Canadian dollars)	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Profit for the year		439,015	401,833
Adjustments for:			
Depreciation and amortization	8	515,255	503,957
Financial expense	9	128,212	136,207
Income taxes	10	134,242	114,928
Share-based payment		10,723	10,911
Gain on disposals and write-offs of property, plant and equipment and other		(1,314)	(530)
Defined benefit plans contributions, net of expense		(1,321)	(700)
		1,224,812	1,166,606
Changes in other non-cash operating activities	21 A)	35,370	(47,011)
Interest paid		(127,945)	(155,816)
Income taxes paid		(102,470)	(22,151)
		1,029,767	941,628
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	(534,702)	(487,240)
Payment of spectrum licences deposits	13	(59,018)	—
Business combinations, net of cash and cash equivalents acquired	6	(395,086)	(81,509)
Proceeds on disposals of property, plant and equipment		2,564	8,249
		(986,242)	(560,500)
Cash flows from financing activities			
(Decrease) increase in bank indebtedness		(3,150)	7,610
Net increase under the revolving facilities		207,608	25,544
Repayment of notes, debentures and credit facilities		(21,410)	(269,169)
Repayment of lease liabilities		(5,420)	(6,286)
Repayment of balance due on business combinations		(2,308)	(3,228)
Increase in deferred transaction costs		—	(680)
Purchase and cancellation of subordinate voting shares	19 B)	—	(11,386)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	19 B)	(1,074)	(2,801)
Dividends paid on multiple and subordinate voting shares	19 C)	(34,576)	(30,176)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		3,702	6,670
Purchase and cancellation of subordinate voting shares by a subsidiary		(131,459)	(165,535)
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		(80,882)	(75,872)
		(73,408)	(530,952)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		(7,796)	(3,456)
Net change in cash and cash equivalents		(37,679)	(153,280)
Cash and cash equivalents, beginning of the year		406,113	559,393
Cash and cash equivalents, end of the year		368,434	406,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 2021 and 2020

NATURE OF OPERATIONS

Cogeco Inc. ("Cogeco" or the "Corporation") is a 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 12 states.

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.

On September 1, 2021, Cogeco Communications' subsidiary, Atlantic Broadband, completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio (see Note 27).

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 audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments and derivative financial instruments (see Note 2 N)), cash-settled share-based payment arrangements (see Note 2 K)) and pension plan assets (see Note 2 L)), which are measured at fair value, and for the defined benefit obligation (see Note 2 L)) and provisions (see Note 2 J)), which are measured at present value. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the fiscal 2021 consolidated financial statements presentation.

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

The consolidated financial statements were approved by the Board of Directors of Cogeco at its meeting held on November 11, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated.

A) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year-end and accounting policies are aligned with those adopted by the Corporation. Non-controlling interest in the net assets and results of consolidated subsidiaries is identified separately from the Corporation's ownership interest in them. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

Operating segments and percentage of interest in the principal subsidiaries at August 31, 2021 are as follows:

Operating segments	Principal subsidiaries	Percentage of equity interest		Voting rights	
		%		%	
Canadian broadband services	Cogeco Connexion	100		100	
American broadband services	Atlantic Broadband	79		79	
Media ⁽¹⁾	Cogeco Media	100		100	

(1) Included within the "Other" column in the segmented information.

The Corporation and its subsidiary, Cogeco Communications, have each established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with their Incentive Share Unit and Performance Share Unit Plans. SPEs are consolidated if, based on an evaluation of the substance of their relationship with the Corporation and the SPEs' risks and rewards, the Corporation concludes that it controls the SPEs. SPEs controlled by the Corporation and Cogeco Communications were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Corporation receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

All intercompany transactions and balances, and any unrealized revenue and expense are eliminated in preparing the consolidated financial statements.

B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the sum of the fair values of assets transferred, liabilities assumed, and equity instruments issued by the Corporation at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange for control of the acquiree.

A right to receive or an obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments of preliminary purchase price allocations are adjusted in the current period and such changes are applied on a retrospective basis.

Acquisition costs, other than those associated with the issuance of debt or equity securities, and integration and restructuring costs that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

C) REVENUE RECOGNITION

Revenue is measured based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer.

Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

The Corporation's principal sources of revenue are recognized as follows:

Residential

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a monthly basis, as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized on a monthly basis, as the services are provided; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Commercial

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Other

- Revenue mainly from advertising, which is recognized as the services are provided.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation accounts for individual products or services separately if they are distinct performance obligations, such that a product or service is separately identifiable from other items in the bundled package and a customer can benefit from it on its own or with other readily available resources.

Consideration is measured and allocated between the components based upon stand-alone selling price while applying the relevant revenue recognition policy. The stand-alone selling price is based on the observable price for which the Corporation sells its products and services separately without a contract, adjusted for market conditions and other factors.

Contract liabilities

The Corporation considers that installation and activation fees are not distinct performance obligations because a customer cannot benefit from it, on its own.

Accordingly, for residential service customers, they are deferred and amortized as revenue over the period of time the fee remains material to the customer, which the Corporation estimates to be approximately six months. The estimate requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. For commercial service customers, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned over the term of the agreement.

Unearned revenue, such as payments for services and goods received in advance, is recorded as contract liabilities in the consolidated statement of financial position until the service is provided or the product is delivered to the customer.

Contract costs

Contract cost assets are recognized in the consolidated statement of financial position as *Other assets*, and are comprised of upfront fees paid to multiple-dwelling units as well as incremental costs of obtaining a contract. Upfront fees paid by the Corporation to multiple-dwelling units such as condo associations, in order to gain access to serve and market occupants of the dwelling, are recognized over the term of the contract, as a reduction of revenue. Costs to obtain a contract (such as sales commissions) are recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation, not exceeding four years.

D) BARTER TRANSACTIONS

In the normal course of its business, the Corporation's subsidiary, Cogeco Media, enters into barter transactions under which goods, advertising and other services are acquired in exchange for advertising services. Such revenue and expenses are recorded at the estimated fair value of goods and services received when goods and other services are received and at the estimated fair value of advertising provided when advertising services are received.

E) PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are measured at cost, net of government grants, less accumulated depreciation and impairment losses.

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

Depreciation is recognized on a straight-line basis over the expected useful life of the asset ⁽¹⁾, from the date the asset is ready for its intended use. Depreciation is calculated based on the depreciable amount, which is the cost of the asset less its residual value. Land and assets under construction are carried at cost and not depreciated.

Depreciation periods are as follows:

Buildings and leasehold improvements ⁽¹⁾	10 to 40 years
Networks and infrastructure ⁽²⁾	3 to 20 years
Customer premise equipment	3 to 5 years
Vehicles and equipment ⁽³⁾	3 to 10 years

(1) Leasehold improvements are amortized over the shorter of the term of the lease and economic life.

(2) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops and network equipment.

(3) Vehicles and equipment include vehicles, programming equipment, furniture and fixtures, computer and software and other equipments.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or write-off of an item of property, plant and equipment is determined as the difference between the sale proceeds, if any, and the carrying amount of the asset, and is recognized as profit or loss.

The Corporation does not record decommissioning obligations in connection with its fibre and coaxial networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, thus the resulting present value of the obligation is not significant.

Right-of-use assets

Refer to accounting policy H) Leases.

F) INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise, only at cost net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of an intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value.

Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise only at cost net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over their useful life. The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite useful lives are amortized as follows:

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a customer's subscription, not exceeding eight years;
- Spectrum licences are amortized over the initial non-cancellable term of the licences, not exceeding ten years.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They are comprised of Cable Distribution Undertaking Broadcasting Licences and Franchises ("Cable Distribution Licences") and Broadcasting Licences. Cable Distribution Licences are comprised of broadcast authorities' licences and exemptions from licensing that allow access to homes and customers in a specific area. Broadcasting Licences are broadcast authorities' licences that allow access to a radio frequency in a specific market. The Corporation has concluded that the Cable Distribution Licences and Broadcasting Licences have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Corporation reviews at the end of each reporting period whether events and circumstances continue to support the indefinite useful life assessment. Intangible assets with indefinite useful lives are not amortized.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is not amortized.

G) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Corporation assesses whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if there is an indication of impairment.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ("cash-generating unit" or "CGU"). When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU, otherwise they are allocated to the smallest group of CGU for which a reasonable and a consistent basis of allocation can be identified.

The most recent detailed calculation, made in a preceding period, of the recoverable amount of a CGU to which goodwill has been allocated, may be used in the impairment test of that unit in the current period provided all of the following criteria are met:

- The assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis. Impairment losses are recognized in profit or loss.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

H) LEASES

At inception, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of the lease, i.e. the date the underlying asset is available for use, the Corporation recognizes a lease liability with a corresponding right-of-use asset, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the lesser of the estimated useful life of the underlying assets and the lease term. The lease term consists of the non-cancellable period of the lease, the period covered by extension options which are reasonably certain to be exercised and the period covered by termination options which are reasonably certain not to be exercised. They are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term, discounted using the Corporation's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The Corporation applies a single discount rate to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee;
- payments relating to purchase options and renewal option periods that are reasonably certain to be exercised; and
- penalties for early termination of a lease that is reasonably certain to be exercised.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities but instead recognized as expenses in the period in which the event that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a modification to the lease terms and conditions, a change in the amount expected to be payable under a residual value guarantee or when there is a change in the assessment of whether purchase, renewal or termination options will be exercised. The remeasurement amount of the lease liabilities is recognized as a corresponding adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

The Corporation elected not to separate fixed non-lease components and account for the lease and any fixed non-lease components as a single lease component, for certain classes of underlying assets, such as for land and buildings.

I) INCOME TAXES

Income taxes expense represents the sum of the taxes currently payable and deferred. Current and deferred taxes are recognized in profit or loss, except when they relate to a business combination or to items that are recognized in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit or is related to investments in subsidiaries to the extent that the Corporation is able to control the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which, those unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle its current tax assets and liabilities on a net basis.

J) PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized represents management's best estimate required to settle the obligation at the end of the reporting period, taking into account the obligation's risks and uncertainties. When the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

K) SHARE-BASED PAYMENT

Equity-settled awards

The Corporation measures stock options granted to employees that vest rateably over the service period based on the fair value of each tranche on grant date by using the Black-Scholes option pricing model and a compensation expense is recognized on a straight-line basis over the vesting period applicable to the tranche, with a corresponding increase in share-based payment reserve. Granted options vest equally over a period of five years beginning one year after the day such options are granted. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

The Corporation measures Incentive Share Units ("ISUs") and Performance Share Units ("PSUs") granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, with a corresponding increase in share-based payment reserve. The total vesting period of each grant is three years less one day.

Cash-settled awards

The fair value of the amount payable to the members of the Board of Directors in respect of share appreciation rights under the Deferred Share Unit ("DSU") Plan of the Corporation, which are settled in cash or shares, is recognized as a compensation expense with a corresponding increase in *Pension plan liabilities and accrued employee benefits* as of the date units are issued to the members of the Board of Directors. The accrued liability is remeasured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the TSX for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period. Any changes in the fair value of the liability are recognized in profit or loss.

L) EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. They are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan whereby the amount of pension benefit that a plan participant will receive during retirement is defined and dependent on factors such as age, years of service and compensation. On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation. The Corporation's net defined benefit liability in respect of its defined benefit plans is calculated separately for each plan.

The present values of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service) based on management's best-estimate assumptions on the discount rate, the expected rate of compensation increase and the mortality table.

Management determines the discount rate based on a review of the current market interest rates on investment-grade fixed-rate corporate bonds, which are rates adjusted to reflect the duration of the expected future cash outflows of retirement benefit payments.

The net defined benefit liability or asset recognized in the consolidated statement of financial position corresponds to the fair value of plan assets net of the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The net defined benefit cost components of the defined benefit plans are recognized as follows:

- Service cost is recognized in profit or loss;
- Net interest on the net defined benefit liability or asset is recognized in profit or loss; and
- Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income.

The service cost recognized in profit or loss comprises:

- Current service cost provided in exchange for employees services rendered during the period;
- Past service cost recognized in profit or loss in the period in which the plan is amended; and
- Gains or losses resulting from a settlement recognized in profit or loss in the period in which the plan settlement occurs.

Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Remeasurements of the net defined benefit liability or asset are recognized immediately in *Other comprehensive income* and they are not reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability or asset comprise:

- Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and changes in demographic assumptions;
- The return on plan assets, except amounts included in interest income; and
- Any change in the effect of the asset ceiling, except amounts included in net interest on the net defined benefit liability or asset.

M) FOREIGN CURRENCY TRANSLATION

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Corporation's entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss, except for those arising on the translation of financial instruments designated as a hedge of a net investment in foreign operations, and financial instruments designated as hedging instruments in a cash flow hedge, which are recognized in other comprehensive income until the hedged items are settled or recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated into Canadian dollars using exchange rates prevailing at the end of the reporting period.

Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investments in foreign operations are recognized as foreign currency translation adjustments in other comprehensive income and accumulated in equity.

Cogeco Communications designated a portion of its US dollar denominated debt as a hedging item in a net investment hedge in its U.S. subsidiary. Cogeco Communications applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the its functional currency. Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. Cogeco Communications has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. The hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiary becomes lower than the amount of the related hedging instruments. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged portion of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to profit or loss as part of the profit or loss on disposal.

N) FINANCIAL INSTRUMENTS

Classification and measurement

All financial instruments, including derivatives, are included in the consolidated statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, the classification of non-derivative financial instruments, based on their method of measurement, is as follows:

- Cash and cash equivalents, restricted cash and trade and other receivables are classified and measured at amortized cost using the effective interest method, less any impairment loss;
- Transaction costs that are directly attributable to the acquisition or related to the issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as required, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss; and
- Bank indebtedness, trade and other payables and long-term debt, excluding lease liabilities, are classified and measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred with respect to the revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

Financial assets are derecognized only when the Corporation no longer holds the contractual rights to the cash flows of the asset or when the Corporation transfers substantially all the risks and rewards of ownership of the financial asset to another entity. Financial liabilities are derecognized only when the Corporation's obligations are discharged, cancelled or expired.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments, including hedge accounting

The Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation also uses equity swap agreements, which are not designated as hedging relationships, in order to manage cash flow exposures related to settling DSUs. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below, except for equity swap instruments whereby the changes are recorded in operating expenses. Net receipts or payments arising from derivative financial instruments are recognized as financial expense.

The Corporation has elected to apply the hedge accounting requirements of IAS 39, *Financial instruments: recognition and measurement*. On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedging transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship and measure the ineffectiveness. There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate hedges match the terms of the respective variable rate loans (i.e., notional amount, maturity, payment and reset dates). The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedging relationship are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. The main source of ineffectiveness in the hedge relationships relates to the effect of the counterparties and the Corporation's own credit risk on the fair value of the interest rate swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

Cash flow hedge accounting

When a derivative financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in accumulated other comprehensive income and presented in the cash flow hedge reserve in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged item affects profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative financial instrument is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in accumulated other comprehensive income and presented in cash flow hedge reserve in equity, remains there until the forecasted hedged item affects profit or loss. If the forecasted hedged item is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in profit or loss. In other cases, the amount recognized in accumulated other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss.

Impairment of financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter into bankruptcy. The Corporation considers evidence of impairment for receivables at both the specific asset level and on an aggregate basis. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are assessed for impairment on an aggregate basis by grouping together receivables with similar risk characteristics.

An impairment loss, with respect to receivables assessed on an aggregate basis, is measured based on the lifetime expected credit loss model which is an estimate of all possible default events over the expected life of the financial instrument. An impairment loss is recognized in profit or loss and reflected in an allowance account presented in reduction of receivables.

O) GOVERNMENT ASSISTANCE

Government assistance is recognized when there is reasonable assurance that it will be received and the Corporation will comply with all of the conditions associated with the assistance. Government grants related to an expense are recognized as a reduction of related expense for which the grant is intended to compensate. Government grants related to an asset are recognized as a deduction of the cost of the related asset.

P) CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents, if any, include cash and highly liquid investments that have an original maturity of three months or less. It consists solely of cash in banks as at August 31, 2021 and 2020.

Restricted cash consists of government subsidies received in advance (see Note 12).

Q) EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share data for its multiple and subordinate voting shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of multiple and subordinate voting shares outstanding during the period, adjusted for subordinate voting shares held in trust under the ISU and PSU Plans. Diluted earnings per share is determined by further adjusting the weighted average number of multiple and subordinate voting shares outstanding for the effects of all potential dilutive subordinate voting shares, which comprise stock options, ISUs and PSUs granted to executive officers and designated employees.

R) SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Corporation's other components. All segments' operating results are reviewed regularly by the Corporation's chief operating decision maker ("CODM") to decide about resources to be allocated to the operating segment and to assess its performance, and for which discrete financial information is available. Segment operating results that are directly reported to the CODM include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

S) ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

Significant areas requiring the use of management's judgments and estimates relate to the following items:

- **Business combinations**

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the identifiable assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts (see Note 6);

- **Revenue from contracts with customers**

The identification of performance obligations within a contract and the timing of satisfaction of those performance obligations, as well as determining the costs that are incremental to obtaining and fulfilling a contract, require judgment. Determining the transaction price for a contract requires estimating the revenue expected for delivering the performance obligations within the contract. Additionally, an estimate might be necessary when determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations;

- **Provisions**

Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate (see Note 16);

- **Contingencies**

Contingencies such as lawsuits, taxes, impact of regulatory decisions, and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation;

- **Measurement of non-financial assets**

The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets (see Note 15); and

- **Deferred taxes**

Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences (see Note 10).

Such judgments and estimates are based on the facts and information available to the management of the Corporation. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. ACCOUNTING POLICY DEVELOPMENTS

A) INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Definition of a Business - Amendments to IFRS 3

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

B) FUTURE CHANGES TO STANDARDS, INTERPRETATIONS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

New standards, interpretations, amendments to standards and interpretations were issued by the IASB or the IFRS Interpretations Committee, but have not yet been applied in preparing these consolidated financial statements. The following issued amendments to standards and interpretations may have an impact on future consolidated financial statements of the Corporation:

Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows)	In September 2021, the IFRS Interpretations Committee issued tentative agenda decision Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows), following the receipt of a request to clarify whether an entity should include a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. The Corporation will monitor the development of this tentative agenda decision and will assess the impact on its consolidated financial statements, particularly in regards to the presentation of the funds received from the provincial and federal governments to be used to fund certain high-speed Internet network expansion projects (refer to Note 12), which are currently presented as Restricted cash, once the agenda decision will be finalized.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	In May 2021, the IASB amended IAS 12, <i>Income Taxes</i> , to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Corporation intends to apply these amendments in its consolidated financial statements for the annual reporting periods beginning on September 1, 2021. The Corporation does not expect any impact on its consolidated financial statements upon application of these amendments.
Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)	In March 2021, the IFRS Interpretations Committee finalized agenda decision <i>Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)</i> , which clarified how to recognize certain configuration or customisation costs related to cloud computing arrangement. The Corporation is currently assessing the impact on its consolidated financial statements, but it does not expect the related impact to be material. The Corporation expects to implement related changes, if any, arising from this agenda decision within the next quarters.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	In February 2021, the IASB amended IAS 1, <i>Presentation of Financial Statements</i> , to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its accounting policies disclosure.
Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB issued <i>Interest Rate Benchmark Reform - Phase 2</i> , which amends IFRS 9, <i>Financial Instruments</i> , IAS 39, <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7, <i>Financial Instruments: Disclosures</i> , IFRS 4, <i>Insurance Contracts</i> , and IFRS 16, <i>Leases</i> . The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its consolidated financial statements and will continue to monitor the reform and its related implications.
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	In January 2020, the IASB amended IAS 1 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments, if any, on its consolidated financial statements. In June 2021, the IASB tentatively decided to propose several amendments to the clarifications made in January 2020 and to defer the effective date to January 1, 2024.

4. REVENUE

Years ended August 31, <i>(In thousands of Canadian dollars)</i>	Cogeco Communications								Consolidated
	Canadian broadband services		American broadband services		Sub-total		Other		
	2021	2020	2021	2020	2021	2020	2021	2020	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residential ⁽¹⁾	1,244,099	1,153,403	963,180	938,872	2,207,279	2,092,275	—	—	2,207,279
Commercial	147,169	133,164	134,208	132,360	281,377	265,524	—	—	281,377
Other	1,829	1,205	19,968	25,279	21,797	26,484	93,392	95,191	115,189
	1,393,097	1,287,772	1,117,356	1,096,511	2,510,453	2,384,283	93,392	95,191	2,603,845

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

5. OPERATING SEGMENTS

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

The Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers, as well as business services across their coverage areas. The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 12 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Ohio, Pennsylvania, South Carolina, Virginia and West Virginia.

The Corporation and its chief operating decision maker assess the performance of each operating segment based on its segment profit (loss), which is equal to *Revenue* less *Operating expenses*. Transactions between operating segments are measured at the amounts agreed to between the parties.

During fiscal 2021, the Corporation changed the presentation of its operating segments information in order to align with the operating segments presentation of its subsidiary, Cogeco Communications.

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

The column entitled "Other" is comprised of the results of Cogeco Media and the corporate activities of Cogeco, as well as consolidation elimination entries. Through its subsidiary, Cogeco Media, the Corporation owns and operates 23 radio stations with complementary radio formats serving a wide range of audiences. Cogeco Media also operates Cogeco News, the largest private radio news network in Québec, feeding affiliates, independent and community radio stations.

Year ended August 31, 2021	Cogeco Communications					Consolidated
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total	Other	
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	1,393,097	1,117,356	—	2,510,453	93,392	2,603,845
Operating expenses	642,568	605,856	32,908	1,281,332	97,045	1,378,377
Management fees – Cogeco Inc.	—	—	23,465	23,465	(23,465)	—
Segment profit (loss)	750,529	511,500	(56,373)	1,205,656	19,812	1,225,468
Integration, restructuring and acquisition costs ⁽²⁾				8,744	—	8,744
Depreciation and amortization				510,376	4,879	515,255
Financial expense				124,163	4,049	128,212
Profit before income taxes				562,373	10,884	573,257
Income taxes				130,726	3,516	134,242
Profit for the year				431,647	7,368	439,015
Acquisition of property, plant and equipment	256,636	271,474	5,076	533,186	1,516	534,702

(1) Revenue by geographic market includes \$1,486.5 million in Canada and \$1,117.4 million in the United States.

(2) Comprised primarily of costs incurred in connection with the acquisition and integration of DERYtelecom, which was completed on December 14, 2020, as well as due diligence costs and legal fees related to the acquisition of the Ohio broadband systems, which was completed on September 1, 2021 (see Note 27).

Year ended August 31, 2020	Cogeco Communications					Consolidated
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total	Other	
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	1,287,772	1,096,511	—	2,384,283	95,191	2,479,474
Operating expenses	587,752	600,425	23,245	1,211,422	99,565	1,310,987
Management fees – Cogeco Inc.	—	—	24,132	24,132	(24,132)	—
Segment profit (loss)	700,020	496,086	(47,377)	1,148,729	19,758	1,168,487
Integration, restructuring and acquisition costs ⁽²⁾				9,486	2,076	11,562
Depreciation and amortization				499,238	4,719	503,957
Financial expense				131,093	5,114	136,207
Profit before income taxes				508,912	7,849	516,761
Income taxes				112,321	2,607	114,928
Profit for the year				396,591	5,242	401,833
Acquisition of property, plant and equipment	248,582	231,422	3,986	483,990	3,250	487,240

(1) Revenue by geographic market includes \$1,383.0 million in Canada and \$1,096.5 million in the United States.

(2) Comprised primarily of costs associated with organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

The following tables set out certain segmented and geographic market information at August 31, 2021 and 2020:

Segmented information

At August 31, 2021

	Cogeco Communications				Other	Total
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total		
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
Spectrum licences deposits	59,018	—	—	59,018	—	59,018
Property, plant and equipment	1,347,304	996,127	14,414	2,357,845	33,622	2,391,467
Intangible assets	1,036,850	1,703,061	—	2,739,911	86,155	2,826,066
Goodwill	148,649	1,327,501	—	1,476,150	28,012	1,504,162

At August 31, 2020

	Cogeco Communications				Other	Total
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total		
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
Property, plant and equipment	1,142,894	939,760	6,276	2,088,930	35,284	2,124,214
Intangible assets	1,004,408	1,795,993	—	2,800,401	86,155	2,886,556
Goodwill	8,807	1,372,217	—	1,381,024	28,012	1,409,036

Geographic market information

At August 31, 2021

	Canada	United States	Total
	\$	\$	\$
<i>(In thousands of Canadian dollars)</i>			
Spectrum licences deposits	59,018	—	59,018
Property, plant and equipment	1,395,340	996,127	2,391,467
Intangible assets	1,123,005	1,703,061	2,826,066
Goodwill	176,661	1,327,501	1,504,162

At August 31, 2020

	Canada	United States	Total
	\$	\$	\$
<i>(In thousands of Canadian dollars)</i>			
Property, plant and equipment	1,184,454	939,760	2,124,214
Intangible assets	1,090,563	1,795,993	2,886,556
Goodwill	36,819	1,372,217	1,409,036

6. BUSINESS COMBINATIONS

BUSINESS COMBINATION IN FISCAL 2021

Acquisition of DERYtelecom

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

The Corporation is currently assessing the fair value of the assets acquired and the liabilities assumed at the date of acquisition, for which the valuation process of certain assets remains to be finalized. The preliminary allocation of the purchase price was based on the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition, which could be subject to some adjustments until the fair value assessment is finalized. The items that are mainly subject to change are *Property, plant and equipment*, *Intangible assets* and *Goodwill*. The Corporation will finalize the purchase price allocation during the first quarter of fiscal 2022. Final adjustment to the purchase price allocation could also impact depreciation, amortization and income taxes expenses recognized since the initial accounting of the DERYtelecom business acquisition.

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

	At August 31, 2021	At May 31, 2021
	Preliminary	Preliminary, as previously presented
<i>(In thousands of Canadian dollars)</i>	\$	\$
Purchase price		
Consideration paid at closing	403,000	403,000
Working capital adjustments	(7,710)	(8,500)
	395,290	394,500
Net assets acquired		
Cash and cash equivalents acquired	204	204
Current assets	6,694	6,549
Property, plant and equipment	235,001	235,001
Intangible assets	41,350	41,350
Goodwill	139,842	138,320
Current liabilities	(27,801)	(26,924)
	395,290	394,500

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

In connection with this acquisition, the Corporation incurred acquisition-related costs of \$4.4 million, recognized within *Integration, restructuring and acquisition costs* in the Corporation's consolidated statement of profit and loss.

During the year ended August 31, 2021, the Corporation recognized \$79.9 million of revenue related to the operations generated by the acquisition of DERYtelecom. The results of operations of DERYtelecom are reported in the Canadian broadband services operating segment.

Had the business combination been effective at September 1, 2020, the consolidated revenue of the Corporation would have been \$2.635 billion for the year ended August 31, 2021. Management considers the "pro forma" supplemental information to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. The "pro forma" supplemental information is based on estimates and assumptions that management believes to be reasonable.

BUSINESS COMBINATIONS IN FISCAL 2020

Acquisition of Thames Valley Communications

On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a consideration of \$67 million (US\$50 million), net of cash and cash equivalents acquired.

Acquisition of iTéract

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in Southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licences, for \$16 million.

These acquisitions were accounted for using the purchase method and were subject to post-closing adjustments. The final allocation of the purchase price of these acquisitions is as follows:

	At August 31, 2020		
	Thames Valley Communications	iTéract	TOTAL
	Final	Final	Final
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$
Purchase price			
Consideration paid at closing	70,982	14,399	85,381
Balance due on a business combination	—	1,600	1,600
Working capital adjustments	—	(198)	(198)
	70,982	15,801	86,783
Net assets acquired			
Cash and cash equivalents acquired	3,631	43	3,674
Current assets	1,500	27	1,527
Property, plant and equipment	18,435	3,023	21,458
Intangible assets	31,003	12,449	43,452
Goodwill	30,744	4,145	34,889
Current liabilities	(2,706)	(256)	(2,962)
Deferred tax liabilities	(11,625)	(3,630)	(15,255)
	70,982	15,801	86,783

The goodwill recorded on these acquisitions is mainly attributable to the expected growth in both residential and business services, and to the expertise of the workforce, and is not deductible for tax purposes. Goodwill arising from the acquisition of Thames Valley Communications was allocated to the American broadband services segment, while goodwill arising from the acquisition of iTéract was allocated to the Canadian broadband services operating segment.

7. OPERATING EXPENSES

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Salaries, employee benefits and outsourced services	472,440	446,118
Service delivery costs ⁽¹⁾	692,607	668,384
Customer related costs ⁽²⁾	91,437	93,359
Other external purchases ⁽³⁾	121,893	103,126
	1,378,377	1,310,987

(1) Include content and programming costs, payments to other carriers, franchise fees and network costs.

(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals and write-offs of property, plant and equipment and other administrative expenses.

8. DEPRECIATION AND AMORTIZATION

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Depreciation of property, plant and equipment ⁽¹⁾	471,518	444,940
Amortization of intangible assets	43,737	59,017
	515,255	503,957

(1) Includes depreciation of right-of-use assets amounting to \$7.5 million for fiscal 2021 (\$8.3 million in 2020).

9. FINANCIAL EXPENSE

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Interest on long-term debt, excluding interest on lease liabilities	128,606	160,177
Interest on lease liabilities	2,290	2,479
Gain on debt modification ⁽¹⁾	—	(22,898)
Net foreign exchange (gain) loss	(947)	198
Amortization of deferred transaction costs	840	1,185
Capitalized borrowing costs	(163)	(584)
Other	(2,414)	(4,350)
	128,212	136,207

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

10. INCOME TAXES

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Current	67,560	59,432
Deferred	66,682	55,496
	134,242	114,928

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

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Profit before income taxes	573,257	516,761
Combined Canadian income tax rate	26.5 %	26.5 %
Income taxes at combined Canadian income tax rate	151,913	136,942
Difference in operations' statutory income tax rates	1,864	2,174
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(147)	111
Tax impacts related to foreign operations	(18,576)	(24,135)
Other	(812)	(164)
Income taxes at effective income tax rate	134,242	114,928
Effective income tax rate	23.4 %	22.2 %

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax losses carryforwards:

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Property, plant and equipment	(293,322)	(262,982)
Intangible assets and goodwill	(583,377)	(568,946)
Contract liabilities and other liabilities	11,088	13,607
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	157,562	162,776
Other	30,030	45,283
Net deferred tax liabilities	(678,019)	(610,262)
Consolidated financial statements presentation:		
Deferred tax assets	15,813	20,866
Deferred tax liabilities	(693,832)	(631,128)
Net deferred tax liabilities	(678,019)	(610,262)

The movements in deferred tax asset and liability balances during fiscal 2021 and 2020 were as follows:

	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Foreign currency translation adjustments	Balance end of the year	
Year ended August 31, 2021						
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	
Property, plant and equipment	(262,982)	(36,004)	—	5,664	(293,322)	
Intangible assets and goodwill	(568,946)	(24,177)	—	9,746	(583,377)	
Contract liabilities and other liabilities	13,607	(2,466)	—	(53)	11,088	
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	162,776	(313)	—	(4,901)	157,562	
Other	45,283	(3,722)	(11,185)	(346)	30,030	
	(610,262)	(66,682)	(11,185)	10,110	(678,019)	
	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition through business combinations	Foreign currency translation adjustments	Balance end of the year
Year ended August 31, 2020						
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	\$
Property, plant and equipment ⁽¹⁾	(205,405)	(57,982)	—	(3,574)	3,979	(262,982)
Intangible assets and goodwill	(534,435)	(29,212)	—	(11,681)	6,382	(568,946)
Contract liabilities and other liabilities	15,214	(1,574)	—	—	(33)	13,607
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	145,788	20,276	—	—	(3,288)	162,776
Other ⁽¹⁾	26,123	12,996	6,482	—	(318)	45,283
	(552,715)	(55,496)	6,482	(15,255)	6,722	(610,262)

(1) The net income tax effect of IFRS 16 adoption on *Property, plant and equipment* and *Other (lease liabilities)* was nil.

The Corporation also has taxable temporary differences associated with its investments in subsidiaries. No deferred tax has been recognized with respect to such temporary differences, as the Corporation is able to control the timing of their reversal and such reversal is not probable in the foreseeable future.

At August 31, 2021, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these consolidated financial statements, unless indicated otherwise. The benefits represent the amount expected to be realized, based on management's assessment of the Corporation's projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others.

These losses expire as follows:

	2026	2027	2028	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
Canada	—	—	—	34,460	34,460
United States	42,339	69,627	37,659	481,049	630,674
	42,339	69,627	37,659	515,509	665,134

The Corporation and its subsidiaries also had accumulated capital losses in Canada amounting to \$1,138 million which can be carried forward indefinitely and used against Canadian capital gains, and \$94 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

11. EARNINGS PER SHARE

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

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars, except number of shares)</i>	\$	\$
Profit for the year attributable to owners of the Corporation	141,856	128,084
Weighted average number of multiple and subordinate voting shares outstanding	15,896,718	15,917,234
Effect of dilutive incentive share units	51,005	62,026
Effect of dilutive performance share units	48,973	65,888
Weighted average number of diluted multiple and subordinate voting shares outstanding	15,996,696	16,045,148

12. RESTRICTED CASH AND GOVERNMENT SUBSIDIES RECEIVED IN ADVANCE

On March 22, 2021, Cogeco Communications announced that Cogeco Connexion will carry out 13 new high-speed Internet network expansion projects in several regions of Québec, with the financial support of provincial and federal governments. These digital infrastructure investment projects are scheduled to be completed by September 2022. On March 26, 2021, Cogeco Connexion received \$187.5 million of a total estimated amount of \$208 million expected to be received from the Québec and Canadian governments, to be used to fund these expansion projects. The remainder is expected to be received upon completion of the projects. The amount of subsidies may vary depending on actual construction costs.

The subsidies received in advance were classified as *Restricted cash* with a corresponding liability in *Government subsidies received in advance*, on the consolidated statement of financial position. At August 31, 2021, \$3.6 million of these subsidies were recognized as a reduction of the cost of *Property, plant and equipment*, based on the costs incurred in connection with these projects over the expected costs, and \$0.7 million as a reduction of *Operating expenses*.

13. OTHER ASSETS

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Spectrum licences deposits	59,018	—
Contract costs ⁽¹⁾	44,199	42,070
Transaction costs	1,968	2,858
Other	537	537
	105,722	45,465

(1) Include incremental costs of obtaining a contract and upfront fees paid to multiple-dwelling units.

Spectrum licences deposits

Following the 3500 MHz band auction held by Innovation, Science and Economic Development ("ISED") Canada, which started on June 15, 2021 and ended on July 23, 2021, Cogeco Connexion secured 38 spectrum licences, for a total purchase price of \$295 million. In accordance with the terms and conditions of the spectrum auction, the Corporation's first deposit of \$59 million, representing 20% of the total purchase price, was paid to ISED Canada, on August 13, 2021. The final payment of \$236 million, expected to be made on October 4, 2021, has been postponed pending a decision by ISED regarding the establishment of rules to mitigate possible interference between the 3500 MHz band and frequency bands used by aviation radio altimeters at international airports. Final payment and issuance of the spectrum licences will be made after decision is taken on that matter by ISED. The deposit remitted as of August 31, 2021 has been presented in the consolidated statement of financial position as *Other assets*, as Cogeco Connexion did not have the right to commercially use the licences as of that date.

Contract costs

The table below provides a reconciliation of the contract costs balance:

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	42,070	36,372
Additions	15,895	17,890
Amortization	(12,722)	(11,525)
Foreign currency translation adjustments	(1,044)	(667)
Balance, end of the year	44,199	42,070

14. PROPERTY, PLANT AND EQUIPMENT

At August 31,	2021	2020
(In thousands of Canadian dollars)	\$	\$
Owned assets	2,329,877	2,060,075
Right-of-use assets	61,590	64,139
	2,391,467	2,124,214

A) OWNED ASSETS

During fiscal 2021 and 2020, owned assets variations were as follows:

Years ended August 31, 2021 and 2020 (In thousands of Canadian dollars)	Land, buildings and leasehold improvements \$	Networks and infrastructure \$	Customer premise equipment \$	Vehicles and equipment \$	Assets under construction \$	Total \$
Cost						
Balance at August 31, 2019	136,878	3,829,028	769,002	480,538	89,584	5,305,030
Reclassified to ROU assets upon adoption of IFRS 16	—	(9,576)	—	(110)	—	(9,686)
Acquisitions through business combinations	921	19,634	449	209	—	21,213
Additions ⁽¹⁾	5,363	142,277	113,776	16,969	207,564	485,949
Assets under construction put into service	4,614	153,232	2,200	40,926	(200,972)	—
Disposals and write-offs	(7,337)	(9,234)	(35,772)	(3,116)	—	(55,459)
Foreign currency translation adjustments	(495)	(28,903)	(5,794)	(2,395)	(501)	(38,088)
Balance at August 31, 2020	139,944	4,096,458	843,861	533,021	95,675	5,708,959
Acquisitions through business combinations	5,580	187,263	19,473	8,487	12,929	233,732
Additions ⁽¹⁾	337	21,322	140,992	3,166	366,288	532,105
Assets under construction put into service	10,060	296,826	408	39,555	(346,849)	—
Disposals and write-offs	(5,365)	(137,786)	(49,018)	(59,578)	(86)	(251,833)
Foreign currency translation adjustments	(992)	(45,115)	(9,195)	(3,697)	(651)	(59,650)
Balance at August 31, 2021	149,564	4,418,968	946,521	520,954	127,306	6,163,313
Accumulated depreciation and impairment losses						
Balance at August 31, 2019	65,388	2,336,150	558,595	320,724	—	3,280,857
Reclassified to ROU assets upon adoption of IFRS 16	—	(1,688)	—	(55)	—	(1,743)
Depreciation expense	7,448	287,767	88,535	52,844	—	436,594
Disposals and write-offs	(3,750)	(6,364)	(34,809)	(2,812)	—	(47,735)
Foreign currency translation adjustments	(313)	(15,044)	(2,650)	(1,082)	—	(19,089)
Balance at August 31, 2020	68,773	2,600,821	609,671	369,619	—	3,648,884
Depreciation expense	6,524	290,302	110,557	56,620	—	464,003
Disposals and write-offs	(5,174)	(137,497)	(47,263)	(59,249)	—	(249,183)
Foreign currency translation adjustments	(506)	(23,536)	(4,493)	(1,733)	—	(30,268)
Balance at August 31, 2021	69,617	2,730,090	668,472	365,257	—	3,833,436
Carrying amounts						
At August 31, 2020	71,171	1,495,637	234,190	163,402	95,675	2,060,075
At August 31, 2021	79,947	1,688,878	278,049	155,697	127,306	2,329,877

- (1) In fiscal 2021, the Corporation received \$15.3 million of government assistance, which was accounted for as a deduction of the cost of property, plant and equipment (\$1.6 million in 2020), including the amount recognized in connection to the high-speed Internet network expansion projects (see Note 12).

B) RIGHT-OF-USE ASSETS

During fiscal 2021 and 2020, right-of-use assets variations were as follows:

Years ended August 31, 2021 and 2020 (In thousands of Canadian dollars)	Land and buildings \$	Other ⁽¹⁾ \$	Total \$
Balance at August 31, 2019	—	—	—
Reclassified upon adoption of IFRS 16	—	7,943	7,943
IFRS 16 transition	58,615	2,910	61,525
Acquisitions through business combinations	184	61	245
Additions ⁽²⁾	2,721	1,305	4,026
Modifications, disposals and write-offs	(845)	21	(824)
Depreciation expense	(6,853)	(1,493)	(8,346)
Foreign currency translation adjustments	(224)	(206)	(430)
Balance at August 31, 2020	53,598	10,541	64,139
Acquisitions through business combinations	556	713	1,269
Additions ⁽²⁾	888	3,053	3,941
Modifications, disposals and write-offs	297	74	371
Depreciation expense	(5,956)	(1,559)	(7,515)
Foreign currency translation adjustments	(383)	(232)	(615)
Balance at August 31, 2021	49,000	12,590	61,590

(1) Includes right-of-use assets pertaining to networks and infrastructure, and vehicles and equipment.

(2) Includes \$2.6 million of indefeasible rights of use paid in fiscal 2021 (\$1.3 million in 2020).

15. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2021 and 2020, intangible assets variations were as follows:

	Finite useful life		Indefinite useful life		Total
	Customer relationships	Spectrum licences	Cable distribution licences	Broadcasting licences	
Years ended August 31, 2021 and 2020					
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$
Cost					
Balance at August 31, 2019	433,216	32,306	2,613,321	86,155	3,164,998
Acquisitions through business combinations	9,112	10,000	24,340	—	43,452
Foreign currency translation adjustments	(8,392)	—	(32,324)	—	(40,716)
Balance at August 31, 2020	433,936	42,306	2,605,337	86,155	3,167,734
Acquisitions through business combinations	41,350	—	—	—	41,350
Fully amortized	(184,208)	—	—	—	(184,208)
Foreign currency translation adjustments	(13,846)	—	(53,388)	—	(67,234)
Balance at August 31, 2021	277,232	42,306	2,551,949	86,155	2,957,642
Accumulated amortization and impairment losses					
Balance at August 31, 2019	223,515	4,484	—	—	227,999
Amortization expense	55,096	3,921	—	—	59,017
Foreign currency translation adjustments	(5,838)	—	—	—	(5,838)
Balance at August 31, 2020	272,773	8,405	—	—	281,178
Amortization expense	39,150	4,587	—	—	43,737
Fully amortized	(184,208)	—	—	—	(184,208)
Foreign currency translation adjustments	(9,131)	—	—	—	(9,131)
Balance at August 31, 2021	118,584	12,992	—	—	131,576
Carrying amounts					
At August 31, 2020	161,163	33,901	2,605,337	86,155	2,886,556
At August 31, 2021	158,648	29,314	2,551,949	86,155	2,826,066

B) GOODWILL

During fiscal 2021 and 2020, goodwill variations were as follows:

Years ended August 31, 2021 and 2020	
<i>(In thousands of Canadian dollars)</i>	
Cost	
Balance at August 31, 2019	1,401,451
Acquisitions through business combinations	34,889
Foreign currency translation adjustments	(27,304)
Balance at August 31, 2020	1,409,036
Acquisitions through business combinations	139,842
Foreign currency translation adjustments	(44,716)
Balance at August 31, 2021	1,504,162
Accumulated impairment losses	
Balance at August 31, 2020 and August 31, 2021	—
Carrying amounts	
At August 31, 2020	1,409,036
At August 31, 2021	1,504,162

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

The Corporation tests goodwill and intangible assets with indefinite useful lives for impairment annually, or more frequently when indicators of impairment are identified.

Goodwill is allocated to cash-generating units ("CGU") based on the level at which management monitors goodwill. The allocation is made to CGUs that are expected to benefit from the synergies of the business combination from which it arose.

Intangible assets with indefinite useful lives who do not generate independent cash inflows from those of other assets or group of assets, are allocated and tested for impairment as part of the CGU to which they belong.

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows:

At August 31,	2021			2020		
Operating segments / CGUs	Goodwill	Cable distribution licences	Broadcasting licences	Goodwill	Cable distribution licences	Broadcasting licences
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
Canadian broadband services	148,649			8,807		
Ontario		857,696	—		857,696	—
Québec		109,304	—		109,304	—
American broadband services	1,327,501			1,372,217		
Southern Florida		235,938	—		243,885	—
South Carolina		39,113	—		40,430	—
Pennsylvania		483,484	—		499,770	—
Delaware/Maryland/Virginia		397,057	—		410,432	—
Eastern Connecticut		113,427	—		117,248	—
New Hampshire/Maine		315,930	—		326,572	—
Media ⁽¹⁾						
Radio broadcasting	28,012	—	86,155	28,012	—	86,155
Total	1,504,162	2,551,949	86,155	1,409,036	2,605,337	86,155

(1) Included within the "Other" column in the segmented information.

Goodwill and intangible assets with indefinite useful lives are considered impaired if the recoverable amount is less than the carrying amount. The recoverable amount of each CGU is calculated based on the higher of value in use and fair value less costs of disposal. The value in use is determined using cash flow projections derived from internal financial projections covering a period of five to eight years, depending on the CGU. A period of five to eight years is used, as the payback period of the Corporation's capital investments often exceeds five years. They reflect management's expectations of revenue growth, expenses and capital expenditures for each CGU based on past experience and expected growth for the CGU. Cash flows beyond that period are extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profiles of the individual CGUs.

At June 30, 2021, the Corporation tested the goodwill and long-lived assets of its Radio broadcasting CGU for impairment. The recoverable amount was calculated based on the value in use and was determined to be higher than its carrying amount. The previous year impairment test of this CGU was performed at May 31, 2020, due to the financial performance indicators being lower than previously projected. No impairment loss has been recognized for the years ended August 31, 2021 and 2020.

At June 30, 2021 and 2020, the Corporation's subsidiary, Cogeco Communications, performed impairment tests for all its CGUs within the Canadian and American broadband services segments. The recoverable amount of each CGU was calculated based on the value in use and was determined to be higher than its carrying amount. The impairment test at June 30, 2021 of the Canadian broadband service segment was performed using the 2020 calculation of the recoverable amount, which represented the most recent detailed calculation made in a preceding year. No impairment loss has been recognized for the years ended August 31, 2021 and 2020.

The following represents the key assumptions that were used to determine the recoverable amounts in the most recent impairment tests performed for each of the Corporation's operating segments:

	2021		2020	
	Pre-tax discount rate	Terminal growth rate	Pre-tax discount rate	Terminal growth rate
Operating segments	%	%	%	%
Canadian broadband services	8.3	2.0	8.3	2.0
American broadband services	8.9 to 9.5	2.5 to 3.0	8.1 to 9.3	2.5 to 3.0
Media	11.1	0.5	11.5	0.5

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the terminal growth rate used in the tests performed, that would have been required in order for the recoverable amount to equal the carrying value of the CGU at the date of the most recent impairment tests:

	Increase in pre-tax discount rate	Decrease in terminal growth rate
Operating segments	%	%
Canadian broadband services	(1)	(1)
American broadband services	1.7 to 13.5	2.8 to 37.6
Media	2.9	3.0

- (1) The recoverable amount of the Canadian broadband services CGUs exceeds the corresponding carrying value. No reasonable changes in the discount rate or in the terminal growth rate, used in the impairment test performed, would have caused the recoverable amount to equal the carrying value of the Canadian broadband services CGUs.

16. PROVISIONS

During fiscal 2021, provisions variations were as follows:

Year ended August 31, 2021	Withholding and stamp taxes ⁽¹⁾	Programming and content costs ⁽²⁾	Other ⁽³⁾	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$
Balance, beginning of the year	7,427	14,029	12,658	34,114
Assumed through business combinations	—	1,657	—	1,657
Provisions made during the year	—	6,956	4,657	11,613
Provisions used during the year	—	(14,376)	(2,299)	(16,675)
Provisions reversed during the year	—	(446)	(10,553)	(10,999)
Foreign currency translation adjustments	(335)	(39)	(22)	(396)
Balance, end of the year	7,092	7,781	4,441	19,314

- (1) The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a subsidiary by Cogeco Communications.
- (2) The provisions for programming and content costs include provisions for retroactive rate increases as well as additional royalties or content costs as a result of periodical audits from service providers.
- (3) The other provisions include provisions for contractual obligations and other legal obligations.

17. CONTRACT LIABILITIES AND OTHER LIABILITIES

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Advance billings	43,634	38,629
Deferred customer connection fees	20,932	18,005
Customer deposits and prepayments	1,197	1,446
Contract liabilities	65,763	58,080
Other liabilities	940	1,107
	66,703	59,187
Current	57,479	47,387
Non-current	9,224	11,800

During fiscal 2021 and 2020, contract liabilities variations were as follows:

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	58,080	54,636
Revenue deferred in the previous period and recognized in the current period	(44,622)	(43,521)
Net additions arising from operations	46,874	46,988
Additions arising from business combinations	6,615	718
Foreign currency translation adjustments	(1,184)	(741)
Balance, end of the year	65,763	58,080

18. LONG-TERM DEBT

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	<i>\$</i>	<i>\$</i>
Notes, debentures and credit facilities	3,270,131	3,157,678
Lease liabilities	59,779	62,681
Balance due on business combinations	—	4,856
	3,329,910	3,225,215
Less current portion	261,970	32,914
	3,067,940	3,192,301

A) NOTES, DEBENTURES AND CREDIT FACILITIES

At August 31,	Maturity	Interest rate	2021	2020
<i>(In thousands of Canadian dollars, except percentages)</i>		<i>%</i>	<i>\$</i>	<i>\$</i>
Corporation				
Term Revolving Facility ^{a)}				
Revolving loan	February 2025	—	—	49,899
Unsecured Debentures ^{b)}	November 2021	6.50	35,315	35,268
Subsidiaries				
Term Revolving Facility ^{c)}				
Revolving loan	January 2025	1.62 ⁽¹⁾	52,972	—
Revolving loan - US\$160 million	January 2025	1.28 ^{(1) (2)}	201,872	—
Senior Secured Notes ^{d)}				
Series A - US\$25 million	September 2024	4.14	31,491	32,538
Series B - US\$150 million	September 2026	4.29	188,823	195,123
Senior Secured Notes - US\$215 million ^{d)}	June 2025	4.30	270,686	279,687
Senior Secured Debentures Series 3 ^{d)}	February 2022	4.93	199,895	199,671
Senior Secured Debentures Series 4 ^{d)}	May 2023	4.18	299,371	299,027
First Lien Credit Facilities ^{e)}				
Senior Secured Term Loan B Facility - US\$1,609.8 million (US\$1,626.8 million at August 31, 2020)	January 2025	2.08 ^{(1) (3) (4)}	1,989,706	2,066,465
Senior Secured Revolving Facility	July 2024	—	—	—
			3,270,131	3,157,678
Less current portion			256,659	22,171
			3,013,472	3,135,507

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

(2) An amount of US\$160 million drawn under Cogeco Communications' Term Revolving Facility was hedged until September 20, 2021, using a cross-currency swap agreement which sets the amount redeemable at maturity at \$201.7 million and the effective interest rate on the Canadian dollar equivalent at 1.43%.

(3) As of August 31, 2021, a U.S. subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of US\$770 million of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate into fixed rates ranging from 2.017% to 2.262%, plus an applicable credit spread, for maturities between January 31, 2023 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 3.06%.

(4) On February 3, 2020, a U.S. subsidiary of the Corporation amended its Senior Secured Term Loan B Facility, whereby the most significant change consisted in the reduction of the interest rate by 0.25%.

- a) The Corporation benefits from a Term Revolving Facility of \$100 million, including a swingline limit of \$10 million (\$7.5 million in 2020). On December 20, 2019, the maturity was extended until February 3, 2025, and can be further extended annually. The Term Revolving Facility can be repaid at any time without penalty and is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Communications, and guaranteed by its subsidiaries, excluding Cogeco Communications and its subsidiaries. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA"). The Term Revolving Facility bears interest based, at the Corporation's option, on bankers' acceptance, LIBOR in US dollars, bank prime rate or US base rate plus the applicable credit spread, and commitment fees are payable on the unused portion.
- b) Interest on the Unsecured Debentures is payable semi-annually. 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 in order to be repaid at maturity of these debentures. The Unsecured Debentures have matured on November 7, 2021.
- c) The Corporation's subsidiary, Cogeco Communications, has a Term Revolving Facility of \$750 million with a syndicate of lenders. On December 6, 2019, the maturity was extended until January 24, 2025 and can be further extended annually. The amended and restated Term Revolving Facility is available in Canadian dollars, US dollars, Euros and British Pounds and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds, plus the applicable credit spread. The Term Revolving Facility provides access to a swingline with a limit of \$30 million. The Term Revolving Facility can be repaid at any time without penalty and is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries, except for the unrestricted subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries, except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as the incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA").
- d) The interest on the Senior Secured Notes and Debentures is payable semi-annually. These notes and debentures are redeemable at any time at Cogeco Communications' option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes and debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.
- e) On January 4, 2018, in connection with the financing of the MetroCast acquisition by Cogeco Communications' subsidiary, Atlantic Broadband, a \$2.1 billion (US\$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a \$188 million (US\$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' U.S. subsidiaries. On December 6, 2019, the maturity date of the US\$150 million Senior Secured Revolving Facility was extended by an additional 18 months until July 4, 2024.

The interest rate on these First Lien Credit Facilities is based on LIBOR plus an applicable credit spread. Commencing in August 2018, the Senior Secured Term Loan B is subject to a quarterly amortization of 0.25% until its maturity date. In addition to the quarterly amortization, the loan shall be prepaid according to a prepayment percentage of excess cash flows generated during the prior fiscal year as defined below, if applicable.

- (i) 50% if Atlantic Broadband's ratio of net senior secured indebtedness / adjusted EBITDA ("leverage ratio") is greater than or equal to 5.1;
- (ii) 25% if Atlantic Broadband's leverage ratio is greater than or equal to 4.6 but less than 5.1; and
- (iii) 0% if Atlantic Broadband's leverage ratio is less than 4.6.

Atlantic Broadband's leverage ratio was below 4.6 as of August 31, 2021, therefore no excess cash flows prepayments are applicable in fiscal 2022. The First Lien Credit Facilities are non-recourse to Cogeco Communications and most of its Canadian subsidiaries, and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

B) LEASE LIABILITIES

In the normal course of operations, the Corporation enters into leases for buildings, land, network infrastructure and equipment. Lease contracts are typically individually negotiated for a wide range of fixed periods, but may also include renewal or termination options.

At August 31, 2021, the weighted average interest rate on lease liabilities was approximately 3.83% and the weighted average lease term was approximately 7.2 years (3.86% and 7.5 years, respectively, in 2020).

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Lease liabilities	59,779	62,681
Less current portion	5,311	5,887
	54,468	56,794

Total expenses of \$7.9 million have been recognized during fiscal 2021 relating primarily to variable lease payments not included in the measurement of lease liabilities (\$18.0 million in 2020).

19. 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

At August 31,	2021	2020
<i>(In thousands of Canadian dollars, except number of shares)</i>	\$	\$
1,602,217 multiple voting shares	10	10
14,399,638 subordinate voting shares	115,237	115,237
	115,247	115,247
49,824 subordinate voting shares held in trust under the Incentive Share Unit Plan (60,511 at August 31, 2020)	(4,021)	(4,938)
50,644 subordinate voting shares held in trust under the Performance Share Unit Plan (66,443 at August 31, 2020)	(4,032)	(5,290)
	107,194	105,019

During fiscal 2021 and 2020, multiple voting share transactions were as follows:

Years ended August 31,	2021	2020
	Number of shares	Number of shares
<i>(In thousands of Canadian dollars, except number of shares)</i>	Amount	Amount
	\$	\$
Balance, beginning of the year	1,602,217	1,812,860
Conversion of multiple voting shares into subordinate voting shares ⁽¹⁾	—	(210,643)
Balance, end of the year	1,602,217	1,602,217

(1) Prior to the sale, in January 2020, of multiple voting shares held by Gestion Audem Inc., by way of a private placement, the multiple voting shares were converted into subordinate voting shares. Gestion Audem retained control of Cogeco upon completion of this transaction.

During fiscal 2021 and 2020, subordinate voting share transactions were as follows:

Years ended August 31,	2021		2020	
	Number of shares	Amount	Number of shares	Amount
<i>(In thousands of Canadian dollars, except number of shares)</i>		\$		\$
Balance, beginning of the year	14,399,638	115,237	14,308,445	116,198
Purchase and cancellation of subordinate voting shares ⁽¹⁾	—	—	(119,450)	(963)
Conversion of multiple voting shares into subordinate voting shares	—	—	210,643	2
Balance, end of the year	14,399,638	115,237	14,399,638	115,237

(1) During fiscal 2020, under its Normal Course Issuer Bid ("NCIB") program, Cogeco purchased and cancelled 119,450 subordinate voting shares with an average stated value of \$1.0 million, for consideration of \$11.4 million. The excess of the purchase price over the average stated value of the shares totalled \$10.4 million and was charged to retained earnings.

NORMAL COURSE ISSUER BID

On July 31, 2019, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 300,000 subordinate voting shares from August 2, 2019 to August 1, 2020. The Corporation did not renew its NCIB program following the end of program on August 1, 2020.

During fiscal 2021 and 2020, the transactions pertaining to the subordinate voting shares held in trust under the Incentive Share Unit Plan were as follows:

Years ended August 31,	2021		2020	
	Number of shares	Amount	Number of shares	Amount
<i>(In thousands of Canadian dollars, except number of shares)</i>		\$		\$
Balance, beginning of the year	60,511	4,938	63,075	4,577
Subordinate voting shares acquired	13,713	1,074	18,150	1,880
Subordinate voting shares distributed to employees	(24,400)	(1,991)	(20,714)	(1,519)
Balance, end of the year	49,824	4,021	60,511	4,938

During fiscal 2021 and 2020, the transactions pertaining to the subordinate voting shares held in trust under the Performance Share Unit Plan were as follows:

Years ended August 31,	2021		2020	
	Number of shares	Amount	Number of shares	Amount
<i>(In thousands of Canadian dollars, except number of shares)</i>		\$		\$
Balance, beginning of the year	66,443	5,290	72,691	5,527
Subordinate voting shares acquired	—	—	8,888	921
Subordinate voting shares distributed to employees	(15,799)	(1,258)	(15,136)	(1,158)
Balance, end of the year	50,644	4,032	66,443	5,290

C) DIVIDENDS

For the year ended August 31, 2021, quarterly eligible dividends of \$0.545 per share, for a total of \$2.18 per share or \$34.6 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of \$0.475 per share, for a total of \$1.90 per share or \$30.2 million, for the year ended August 31, 2020.

For the year ended August 31, 2021, quarterly eligible dividends of \$0.64 per share, for a total of \$2.56 per share or \$80.9 million, were paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest, compared to quarterly eligible dividends of \$0.58 per share, for a total of \$2.32 per share or \$75.9 million, for the year ended August 31, 2020.

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	3,493	3,144
Dividends on subordinate voting shares	31,083	27,032
	34,576	30,176
Attributable to non-controlling interest		
Dividends on subordinate voting shares	80,882	75,872

At its November 11, 2021 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of \$0.625 per share for multiple and subordinate voting shares, payable on December 9, 2021 to shareholders of record on November 25, 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 ("Board").

Stock purchase plans

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans, which are accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation and its subsidiary contribute 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plans

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their executive officers and designated employees, Stock Option Plans. Under the plans' conditions, the minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

A total of 1,545,700 subordinate voting shares are reserved for the purpose of Cogeco's Stock Option Plan. During fiscal years 2021 and 2020, no stock options were granted to employees by Cogeco and no stock options were outstanding at August 31, 2021 and 2020.

A total of 3,432,500 subordinate voting shares of Cogeco Communications are reserved for the purpose of its Stock Option Plan.

Under the Stock Option Plan of Cogeco Communications, changes in the outstanding number of stock options were as follows:

Years ended August 31,	2021		2020	
	Options	Weighted average exercise price	Options	Weighted average exercise price
<i>(In Canadian dollars, except number of options)</i>		\$		\$
Outstanding, beginning of the year	786,799	78.49	715,614	65.93
Granted	156,125	94.69	207,150	114.19
Exercised ⁽¹⁾	(57,365)	64.53	(105,765)	63.07
Cancelled	(50,485)	90.94	(30,200)	79.67
Outstanding, end of the year	835,074	81.73	786,799	78.49
Exercisable, end of the year	377,679	68.24	291,294	59.99

(1) The weighted average share price for options exercised during the year was \$113.65 (\$110.44 in 2020).

At August 31, 2021, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options were as follows:

At August 31, 2021	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
Range of exercise prices		(years)			
\$			\$		\$
38.08 to 50.10	91,119	1.76	45.20	91,119	45.20
50.11 to 64.20	118,875	4.53	61.87	94,675	61.76
64.21 to 85.00	160,625	6.31	65.93	84,470	66.53
85.01 to 105.00	282,880	7.72	89.87	71,900	85.20
105.01 to 118.42	181,575	8.20	114.36	35,515	114.30
	835,074	6.45	81.73	377,679	68.24

The weighted average fair value of stock options granted for the year ended August 31, 2021 was \$14.86 (\$18.43 in 2020) 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:

Years ended August 31,	2021	2020
	%	%
Expected dividend yield	2.75	2.07
Expected volatility ⁽¹⁾	24.79	20.51
Risk-free interest rate	0.43	1.53
Expected life (in years)	5.9	5.9

(1) The expected volatility is based on the historical volatility of Cogeco Communications' subordinate voting shares for a period equivalent to the expected life of the options.

ISU plans

The Corporation and its subsidiary, Cogeco Communications, offer executive officers and designated employees Incentive Share Unit ("ISU") Plans. According to the plans, executive officers and designated employees periodically receive a given number of ISUs which entitle the participants to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustees to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trusts for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plans presented in reduction of share capital or non-controlling interest.

Under the ISU Plan of the Corporation, changes in the outstanding number of ISUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	59,400	63,075
Granted ⁽¹⁾	15,500	18,150
Distributed	(24,400)	(20,714)
Cancelled	(1,900)	(1,111)
Outstanding, end of the year	48,600	59,400

(1) The weighted average fair value of the ISUs granted was \$81.09 in 2021 (\$101.84 in 2020).

Under the ISU Plan of Cogeco Communications, changes in the outstanding number of ISUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	76,141	71,825
Granted ⁽¹⁾	27,425	29,200
Distributed	(27,225)	(21,268)
Cancelled	(7,506)	(3,616)
Outstanding, end of the year	68,835	76,141

(1) The weighted average fair value of the ISUs granted was \$96.55 in 2021 (\$113.02 in 2020).

PSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Performance Share Unit ("PSU") Plans for the benefit of their executive officers and designated employees. The objectives of the PSU Plans are to retain executive officers and designated employees, to align their interests with those of the shareholders and to sustain positive corporate performance, as measured by an economic value creation formula, a performance measure used by management. The number of PSUs is based on the dollar value of the award and the average closing stock price of the Corporation and its subsidiary for the previous twelve month period ending August 31. The PSUs vest over a three-year less one day period, based on the level of increase in the economic value of the Corporation or the relevant subsidiary for the preceding three-year period ending August 31, meaning that no vesting will occur if there is no increase in the economic value. The participants are entitled to receive dividend equivalents in the form of additional PSUs but only with respect to PSUs expected to vest. PSUs are redeemable in case of death, permanent disability or termination of employment not for cause, in which cases, the holder of PSUs is entitled to payment of the PSUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year less one day vesting period. In case of retirement, the holders of PSUs are entitled to partial or full payment of their PSUs depending on a combination of age at the time of retirement and length of service with the Corporation. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustee to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plans presented in reduction of share capital or non-controlling interest.

Under the PSU Plan of the Corporation, changes in the outstanding number of PSUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	65,063	72,515
Granted ⁽¹⁾	12,900	17,575
Distributed	(15,799)	(15,136)
Cancelled	(14,966)	(11,272)
Dividend equivalents	1,156	1,381
Outstanding, end of the year	48,354	65,063

(1) The weighted average fair value of the PSUs granted was \$81.24 in 2021 (\$101.84 in 2020).

Under the PSU Plan of Cogeco Communications, changes in the outstanding number of PSUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	112,886	107,551
Granted ⁽¹⁾	33,075	39,425
Distributed	(33,972)	(31,450)
Cancelled	(18,111)	(5,102)
Dividend equivalents	2,305	2,462
Outstanding, end of the year	96,183	112,886

(1) The weighted average fair value of the PSUs granted was \$94.81 in 2021 (\$114.15 in 2020).

DSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Deferred Share Unit ("DSU") Plans for members of the Board to assist in the attraction and retention of qualified individuals to serve on their respective Boards. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of DSUs with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the TSX for the twenty consecutive trading days immediately preceding by one day the date of issue. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable and payable in cash or in shares, upon an individual ceasing to be a member of the Board or in the event of the death of the member.

Under the DSU Plan of the Corporation, changes in the outstanding number of DSUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	38,320	32,877
Issued ⁽¹⁾	8,045	4,679
Dividend equivalents	1,070	764
Outstanding, end of the year	47,435	38,320

(1) The weighted average fair value of the DSUs issued was \$81.99 in 2021 (\$103.66 in 2020).

Under the DSU Plan of Cogeco Communications, changes in the outstanding number of DSUs were as follows:

Years ended August 31,	2021	2020
Outstanding, beginning of the year	50,958	42,679
Issued ⁽¹⁾	8,512	7,233
Redeemed	(1,513)	—
Dividend equivalents	1,323	1,046
Outstanding, end of the year	59,280	50,958

(1) The weighted average fair value of the DSUs issued was \$98.48 in 2021 (\$113.75 in 2020).

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

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Stock options	2,086	2,011
ISUs	3,348	3,710
PSUs	2,659	4,302
DSUs	2,630	888
	10,723	10,911

20. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

During fiscal 2021 and 2020, accumulated other comprehensive (loss) income variations were as follows:

Years ended August 31, 2021 and 2020	Cash flow hedge reserve	Foreign currency translation	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$
Balance at August 31, 2019	(10,740)	20,856	10,116
Other comprehensive loss for the year	(6,040)	(6,521)	(12,561)
Balance at August 31, 2020	(16,780)	14,335	(2,445)
Other comprehensive income (loss) for the year	6,720	(10,150)	(3,430)
Balance at August 31, 2021	(10,060)	4,185	(5,875)

21. ADDITIONAL CASH FLOWS INFORMATION

A) CHANGES IN OTHER NON-CASH OPERATING ACTIVITIES

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Trade and other receivables	7,623	(230)
Prepaid expenses and other	(4,407)	(5,829)
Other assets	(3,195)	(6,368)
Trade and other payables	43,238	(35,997)
Provisions	(8,813)	(4,460)
Contract liabilities and other liabilities	924	5,873
	35,370	(47,011)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Years ended August 31, 2021 and 2020 (In thousands of Canadian dollars)	Long-term debt				Total
	Bank indebtedness	Notes, debentures and credit facilities	Lease liabilities	Balance due on business combinations	
	\$	\$	\$	\$	\$
Balance at August 31, 2019	—	3,462,023	—	6,520	3,468,543
Increase in bank indebtedness	7,610	—	—	—	7,610
Net increase under the revolving facilities	—	25,544	—	—	25,544
Repayment of notes, debentures and credit facilities	—	(269,169)	—	—	(269,169)
Repayment of lease liabilities	—	—	(6,286)	—	(6,286)
Increase in deferred transaction costs	—	(98)	—	—	(98)
Repayment of balance due on business combinations	—	—	—	(3,228)	(3,228)
Total cash flows from (used in) financing activities excluding equity	7,610	(243,723)	(6,286)	(3,228)	(245,627)
Interest paid on lease liabilities	—	—	(1,952)	—	(1,952)
Total cash flow changes	7,610	(243,723)	(8,238)	(3,228)	(247,579)
IFRS 16 transition	—	—	66,460	—	66,460
Reclassification upon adoption of IFRS 16	—	(60)	60	—	—
Gain on debt modification	—	(22,898)	—	—	(22,898)
Effect of changes in foreign exchange rates	—	(48,487)	(226)	(36)	(48,749)
Amortization of discounts, transaction costs and other	—	10,823	—	—	10,823
Net increase in lease liabilities	—	—	4,625	—	4,625
Net increase in balance due on business combinations	—	—	—	1,600	1,600
Total non-cash changes	—	(60,622)	70,919	1,564	11,861
Balance at August 31, 2020	7,610	3,157,678	62,681	4,856	3,232,825
Decrease in bank indebtedness	(3,150)	—	—	—	(3,150)
Net increase under the revolving facilities	—	207,608	—	—	207,608
Repayment of notes, debentures and credit facilities	—	(21,410)	—	—	(21,410)
Repayment of lease liabilities	—	—	(5,420)	—	(5,420)
Repayment of balance due on business combinations	—	—	—	(2,308)	(2,308)
Total cash flows (used in) from financing activities excluding equity	(3,150)	186,198	(5,420)	(2,308)	175,320
Interest paid on lease liabilities	—	—	(2,406)	—	(2,406)
Total cash flow changes	(3,150)	186,198	(7,826)	(2,308)	172,914
Effect of changes in foreign exchange rates	—	(86,193)	(396)	2	(86,587)
Amortization of discounts, transaction costs and other	—	12,438	—	—	12,438
Net increase in lease liabilities	—	—	4,036	—	4,036
Assumed through business combinations	—	10	1,284	—	1,294
Settlement of balance due on business combinations	—	—	—	(2,550)	(2,550)
Total non-cash changes	—	(73,745)	4,924	(2,548)	(71,369)
Balance at August 31, 2021	4,460	3,270,131	59,779	—	3,334,370

22. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to certain employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounted to \$10.0 million (\$9.5 million in 2020) for the year ended August 31, 2021 and is included in the Corporation's consolidated statement of profit and loss under *Salaries, employee benefits and outsourced services*.

B) DEFINED BENEFIT PLANS

The Corporation and its subsidiaries sponsor defined benefit plans for the benefit of certain employees and separate defined benefit plans for the benefit of their executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers supplementary pension plans. The defined benefit plans are registered with the Office of the Superintendent of Financial Institutions and are subject to the Federal Pension Benefits Standards Act. The plans are also registered with the Canada Revenue Agency and are subject to the Income Tax Act (Canada). The Corporation's Pension Advisory Committee oversees the administration of these plans, which includes the following principal areas: monitoring of the funds performance and ensuring the plans are appropriately funded, decision-making in relation to the investment strategy, the plans' design and fund manager selection, and reviewing and approving the audited financial statements of the pension plans. The Corporation's funding policy is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. The defined benefit plans are funded by the Corporation's and the participants' contributions. The defined benefits plans funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations.

Each year at August 31, the Corporation and its subsidiaries measure plan assets at fair value, as well as the defined benefit obligation for all plans. The most recent actuarial valuation of the pension plan for the benefit of the employees was at August 31, 2020 and the next required valuation is at August 31, 2021, which is expected to be completed in February 2022. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2020 and the next required valuation is at August 31, 2023.

The following table provides a reconciliation of the change in the defined benefit obligation and plan assets at fair value and a statement of the funded status at August 31:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	\$	\$
Defined benefit obligation ⁽¹⁾		
Defined benefit obligation, beginning of the year	124,919	117,959
Current service cost	3,890	3,788
Interest cost	3,389	3,446
Contributions by plan participants	293	306
Benefits paid	(3,050)	(2,948)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	529	(812)
Changes in demographic assumptions	339	—
Changes in financial assumptions	(6,953)	3,180
Defined benefit obligation, end of the year	123,356	124,919
Plan assets at fair value		
Plan assets at fair value, beginning of the year	109,528	100,533
Interest income	2,943	2,904
Return on plan assets, except amounts included in interest income	12,050	3,795
Administrative expense	(296)	(302)
Contributions by plan participants	293	306
Employer contributions	6,017	5,240
Benefits paid	(3,050)	(2,948)
Plan assets at fair value, end of the year	127,485	109,528
Funded status		
Plan assets at fair value	127,485	109,528
Defined benefit obligation	123,356	124,919
Plan surplus (deficit)	4,129	(15,391)
Effect of asset ceiling	(4,645)	(359)
Net defined benefit liability	(516)	(15,750)

(1) The weighted average duration of the defined benefit obligation is 13 years at August 31, 2021 (14 years at August 31, 2020).

The net defined benefit liability is included in the Corporation's consolidated statements of financial position under *Pension plan liabilities and accrued employee benefits*.

Pension plan liabilities and accrued employee benefits

At August 31,	2021	2020
(In thousands of Canadian dollars)	\$	\$
Pension plan liabilities	516	15,750
Accrued employee benefits - DSU liability	10,241	7,557
	10,757	23,307

Defined benefit costs recognized in profit or loss

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	3,890	3,788
Administrative expense	296	302
Recognized in financial expense (other)		
Net interest	456	542
	4,642	4,632

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Actuarial losses (gains) arising from:		
Experience adjustments	529	(812)
Change in demographic assumptions	339	—
Change in financial assumptions	(6,953)	3,180
Return on plan assets, except amounts included in interest income	(12,050)	(3,795)
Change in asset ceiling, excluding interest	4,276	359
	(13,859)	(1,068)

Changes in the asset ceiling

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	359	—
Interest on asset ceiling	10	—
Change in asset ceiling, excluding interest	4,276	359
Balance, end of the year	4,645	359

The Corporation's asset ceiling represents the present value of future economic benefits available in the form of reductions in future contributions.

The expected employer contributions to the Corporation's defined benefit plans should be approximately \$3.5 million in 2022.

Plan assets consist of:

At August 31,	2021	2020
	%	%
Equity securities ⁽¹⁾	53.8	48.7
Debt securities ⁽¹⁾	24.3	24.8
Deposits in trust ⁽²⁾	21.3	25.1
Other	0.6	1.4
Total	100	100

(1) All equity and debt securities have a quoted price in active markets and do not include securities issued by the Corporation or Cogeco Communications.

(2) Deposits in trust prescribed by the Canada Revenue Agency for funded supplemental employee retirement plans are non-interest bearing.

The significant weighted average assumptions used in measuring the Corporation's defined benefit obligation and defined benefit costs are as follows:

At August 31,	2021 %	2020 %
Defined benefit obligation		
Discount rate	3.05	2.65
Rate of compensation increase ⁽¹⁾	2.60	2.60
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	3.40	2.85
Rate of compensation increase	2.60	2.75
Mortality table	CPM-2014	CPM-2014

(1) Increase of 2.60% from January 1, 2022 (1.67% in 2021).

C) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Corporation sets investment goals, both in terms of asset mix percentage and target return, which is monitored monthly and adjusted as needed.

Interest rate risk

A decrease in the interest rate on investment-grade fixed-rate corporate bonds will reduce the discount rate used and increase the present value of the defined benefit obligation. However, the increase in the obligation would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

Active members' expected benefits are linked to their pre-retirement compensation. The present value of the defined benefit obligation is calculated using management's best estimate of the expected rate of compensation increase of plan members. Increasing that assumption would increase the defined benefit obligation.

D) SENSITIVITY ANALYSIS

The sensitivity analysis of the defined benefit obligation was calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The sensitivity analysis was prepared in accordance with the Corporation's accounting policies described in Note 2 L). The actual results of items subject to estimates may differ.

At August 31, 2021	Change in assumption	Increase in the defined benefit obligation
<i>(In thousands of Canadian dollars, except percentages)</i>	%	\$
Discount rate decrease	0.25	4,276
Expected rate of compensation increase	0.25	230

23. 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.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents, restricted cash and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statements of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a high credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2021, management believes that the credit risk relating to its derivative financial instruments is 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 short-term investments. The Corporation has deposited the cash and cash equivalents, and the restricted cash with reputable financial institutions, for which management believes the risk of loss to be remote. At August 31, 2021 and 2020, cash and cash equivalents consisted solely of cash in banks.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) are examined. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. 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. 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.

The following table provides further details on trade and other receivables, net of allowance for doubtful accounts:

At August 31,	2021	2020
(In thousands of Canadian dollars)	\$	\$
Trade accounts receivable	95,462	95,298
Allowance for doubtful accounts	(6,907)	(7,152)
	88,555	88,146
Other accounts receivable	9,069	9,268
	97,624	97,414

Trade accounts receivable past due is defined as the amount outstanding beyond normal credit terms and conditions for the respective customers. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. A large portion of the Corporation's customers are billed and pay before the services are rendered.

The following table provides further details on trade accounts receivable past due, net of allowance for doubtful accounts:

At August 31,	2021	2020
(In thousands of Canadian dollars)	\$	\$
Less than 60 days past due	22,207	18,971
60 to 90 days past due	1,505	1,033
More than 90 days past due	491	428
	24,203	20,432

The following table shows changes in the allowance for doubtful accounts:

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	7,152	7,156
Provision for impaired receivables	15,931	21,128
Net use	(16,122)	(20,885)
Foreign currency translation adjustments	(54)	(247)
Balance, end of the year	6,907	7,152

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2021, the Corporation's Term Revolving Facility of \$100 million was unused and \$255.9 million was used from Cogeco Communications' Term Revolving Facility of \$750 million, for remaining availabilities of \$100 million and \$494.1 million, respectively. Management believes that the committed revolving credit facilities will, until their maturities in 2025, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of \$189.3 million (US\$150 million), of which \$3.1 million (US\$2.4 million) was used at August 31, 2021, in the form of letters of credit, for a remaining availability of \$186.2 million (US\$147.6 million). An unsecured letter of credit facility was put in place by Cogeco Communications to issue a \$150 million letter of credit in connection with the 3500 MHz band auction (see Note 25 C)).

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2021:

	Contractual cash flows						
	2022	2023	2024	2025	2026	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	4,460	—	—	—	—	—	4,460
Trade and other payables ⁽¹⁾	280,545	—	—	—	—	—	280,545
Notes, debentures and credit facilities	256,764	321,449	21,449	2,524,355	—	189,255	3,313,272
Lease liabilities	4,771	4,119	4,048	3,855	3,847	38,743	59,383
Other liabilities	169	169	169	169	—	—	676
	546,709	325,737	25,666	2,528,379	3,847	227,998	3,658,336

(1) Excluding accrued interest on notes, debentures and credit facilities.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter:

	2022	2023	2024	2025	2026	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Interest payments on notes, debentures and credit facilities ⁽¹⁾	85,313	78,792	65,820	38,939	8,119	4,060	281,043
Interest payments on lease liabilities	1,887	2,399	1,953	1,723	1,587	9,635	19,184
Interest receipts on derivative financial instruments ⁽¹⁾	(822)	(679)	(396)	(67)	—	—	(1,964)
Interest payments on derivative financial instruments ⁽¹⁾	20,717	17,097	9,879	1,643	—	—	49,336
	107,095	97,609	77,256	42,238	9,706	13,695	347,599

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2021 and their respective maturities.

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 August 31, 2021, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, Cogeco Communications' U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2021:

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

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately \$13.1 million based on the outstanding debt and swap agreements at August 31, 2021.

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 financial expense by approximately \$8.3 million based on the outstanding debt and swap agreements at August 31, 2021.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents and trade and other payables denominated mainly in US dollars, and the impact of a 10% decrease in the exchange rate of the US dollar into Canadian dollar would increase financial expense by approximately \$3.0 million. The Corporation's exposure is as follows:

At August 31,	2021	2020
	US	US
(In thousands of Canadian dollars)	\$	\$
Financial assets (liabilities)		
Cash and cash equivalents	30,636	2,940
Trade and other payables	(169)	(2,743)
	30,467	197

Furthermore, a foreign currency exposure arises from Cogeco Communications' net investment in its U.S. 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 U.S. 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 U.S. subsidiary's US dollar denominated First Lien Credit Facilities.

The following table shows the aggregate investment in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge this investment at August 31, 2021:

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US\$390 million	US\$1,164 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2021 was \$1.2617 (\$1.3042 at August 31, 2020) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately \$97.6 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 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.

The following table shows the Corporation's equity derivative contracts outstanding at August 31, 2021:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	46,600 units	January 2022	\$82.12	Equity price exposure

The following table shows Cogeco Communications' equity derivative contracts outstanding at August 31, 2021:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	58,300 units	January 2022	\$100.86	Equity price exposure

At August 31, 2021, the fair value of the equity swaps was \$1.3 million and recognized as an asset. As a result of the equity swaps, a 10% increase in the market price of the subordinate voting shares would not have a material financial impact on the Corporation's results.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, restricted cash, trade and other receivables, bank indebtedness and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Term Revolving Facilities and First Lien Credit Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds plus applicable credit spread. The fair value of these instruments is based on current trading values for similar financial instruments;
- The fair value of the Senior Secured Debentures Series 3 and 4, Senior Secured Notes and Unsecured Debentures is based on current trading values for similar financial instruments.

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

At August 31,	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
(In thousands of Canadian dollars)	\$	\$	\$	\$
Notes, debentures and credit facilities	3,270,131	3,383,015	3,157,678	3,311,359

All financial instruments recognized at fair value on the consolidated statements of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

C) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including development of the business by acquisition and internal 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.

The provisions of financing agreements of the Corporation and its subsidiary, Cogeco Communications, provide for restrictions on their activities. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2021 and 2020, the Corporation and its subsidiary 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:

Years ended August 31,	2021	2020
Net indebtedness ⁽¹⁾ / adjusted EBITDA	2.45	2.45
Adjusted EBITDA / financial expense ⁽²⁾	9.7	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) Financial expense for fiscal 2020 excludes the gain on debt modification of \$22.9 million, which is consistent with the covenants calculation.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial assets		
Financial assets measured and classified at amortized cost	649,592	503,527
	649,592	503,527
Financial liabilities		
Financial liabilities measured and classified at amortized cost	3,563,182	3,397,236
Derivative financial instruments in designated hedge relationships	42,000	70,998
	3,605,182	3,468,234

24. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco is the parent company of Cogeco Communications and, at August 31, 2021, held 33.5% of Cogeco Communications' equity shares, representing 83.4% of the votes attached to Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For fiscal 2021, management fees paid by Cogeco Communications amounted to \$23.5 million (\$24.1 million in 2020).

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

Years ended August 31,	2021	2020
Stock options	74,275	110,875
PSUs	10,375	14,375
DSUs	792	1,847

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:

Years ended August 31,	2021	2020
<i>(In thousands of Canadian dollars)</i>	\$	\$
Stock options	1,242	1,205
ISUs	6	39
PSUs	632	1,386
DSUs	269	217
	2,149	2,847

The Corporation had a \$1.8 million payable to Cogeco Communications at August 31, 2020.

B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board and of the Management Committee of the Corporation. The compensation paid or payable to key management personnel for employee services is as follows:

Years ended August 31,	2021	2020
(In thousands of Canadian dollars)	\$	\$
Salaries and other short-term employee benefits	9,297	6,385
Post-employment benefits	1,545	1,107
Share-based payments	4,638	6,446
	15,480	13,938

25. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

The following table presents the Corporation's commitments that are not recognized as liabilities at August 31, 2021, and are due in each of the next five years and thereafter:

	2022	2023	2024	2025	2026	Thereafter
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	\$
Acquisition of property, plant and equipment ⁽¹⁾	309,655	1,800	1,800	1,800	1,800	—
Acquisition of intangible assets ⁽²⁾	236,073	—	—	—	—	—
Other long-term contracts ⁽³⁾	58,956	50,308	44,169	28,006	28,102	28,319
Lease commitments ⁽⁴⁾	684	1,180	1,176	1,176	666	161
	605,368	53,288	47,145	30,982	30,568	28,480

(1) Include contractual obligations in connection with the Corporation's high-speed Internet expansion projects, accelerated purchases of certain equipment in order to avoid potential supply chain shortages and minimum spend commitments for acquisition of customer premise equipment.

(2) Include commitments related to the acquisition of the spectrum licences secured in the 3500 MHz band auction.

(3) Include long-term commitments under service and product contracts for operating expenditures, including minimum spend commitments.

(4) Include leases committed not yet commenced and leases of low value items.

Acquisition and sale of radio stations

On May 6, 2021, the Corporation's subsidiary, Cogeco Media, announced that it had entered into an agreement with Arsenal Média to acquire and sell radio stations located in the Saguenay-Lac-Saint-Jean and Abitibi-Témiscamingue regions, respectively. Cogeco Media will acquire a radio station owned by Arsenal Média in the Saguenay-Lac-Saint-Jean region, known as the CILM radio station, and will simultaneously sell to Arsenal Média two radio stations owned by Cogeco Media in the Abitibi-Témiscamingue region, known as the Capitale Rock and Wow radio stations.

This transaction is subject to customary closing conditions, including the approval of the Canadian Radio-television and Telecommunications Commission.

B) CONTINGENCIES

Final rates for aggregated wholesale Internet access services

On May 27, 2021, the CRTC released Telecom Decision 2021-181, which ruled on applications by cable carriers (including Cogeco Communications) and telecommunications carriers to review and vary Telecom Order 2019-288. In Telecom Order 2019-288, the CRTC had set final rates for Cogeco Connexion's aggregated wholesale high-speed Internet access service that were significantly lower than the interim rates set in October 2016, and had made them retroactive to March 31, 2016. In Telecom Decision 2021-181, the CRTC overturned the 2019 rate reductions and made the interim rates it had previously established in 2016, with certain adjustments, final. As a result of this decision, Cogeco Communications was required to make retroactive payments to wholesale Internet access customers for the period of March to October 2016 and has recognized an amount of \$4.6 million as a reduction of revenue during the third quarter of fiscal 2021.

Since then, two independent Internet service providers ("Resellers") and a trade association representing Resellers have petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision. On July 28, 2021, a Reseller sought leave to appeal Telecom Decision 2021-181 to the Federal Court of Appeal, which was granted on September 15, 2021. The Corporation, along with several other cable carriers, has asked the Governor in Council to deny the petitions and intervened before the Federal Court of Appeal.

Royalties payable for retransmission of distant television signals

On July 22, 2021, the Federal Court of Appeal issued a decision in response to two applications for judicial review filed by six broadcasting distribution undertakings ("BDUs") (including Cogeco Communications) and nine collective societies challenging a decision by the Copyright Board setting the quantum of royalties payable for the retransmission of distant Canadian and U.S. television over-the-air signals in Canada, for the 2014-2018 period. The Federal Court of Appeal determined that the 2014 and 2015 rates would be final but agreed with the collective societies that the Copyright Board had made errors in determining the 2016 to 2018 rates. The Federal Court of Appeal has sent the matter back to the Copyright Board, which will hold a new proceeding to determine the rates from 2016 onwards, which could increase as a result of this decision.

Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has not recorded any financial impact as at August 31, 2021.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to these consolidated financial statements. At August 31, 2021 and 2020, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those included in Note 16.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2021 and 2020, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16.

3500 MHz band auction

In connection with the 3500 MHz band auction (see Note 13), Cogeco Connexion contracted a \$150 million unsecured letter of credit, which was submitted to ISED Canada as a pre-auction deposit, with the application to bid. This unsecured letter of credit will remain outstanding until the final payment is made.

Sale of a business

In connection with the sale of a business, the Corporation and its subsidiaries have agreed to indemnify the purchaser against claims related to events that occurred prior to the date of sale.

Long-term debt

Under the terms of Cogeco Communications' US Senior Secured Notes, the subsidiary has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

Employees and contractual indemnification agreements

The Corporation's subsidiary, Cogeco Media, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss.

Sale of services

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

Purchase and development of assets

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

26. NON-MONETARY TRANSACTIONS

During fiscal 2021, the Corporation's subsidiary, Cogeco Media, entered into non-monetary transactions. An amount of \$2.3 million (\$2.6 million in 2020) of revenue and \$2.2 million (\$2.7 million in 2020) of operating expenses was recorded.

27. SUBSEQUENT EVENTS

Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Cogeco Communications' subsidiary Atlantic Broadband completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio ("Ohio broadband systems") for a purchase price of US\$1.125 billion, subject to customary post-closing adjustments. The transaction was executed through an asset purchase agreement. With the closing of this transaction, Atlantic Broadband is expanding its activities in Ohio and significantly growing its customer base. The acquired Ohio broadband systems passed approximately 689,000 homes and businesses in Cleveland and Columbus and served approximately 196,000 Internet, 54,000 video and 33,000 telephony customers. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to Atlantic Broadband's existing footprint and capitalizes on its existing platform. In the short term, the acquired operations will continue to operate under the WOW! name and trademark and be rebranded following the integration period.

During the fourth quarter of fiscal 2021, due diligence costs and legal fees amounting to \$4.0 million (US\$3.2 million) were recognized within *Integration, restructuring and acquisition costs* (see Note 5). In addition, transaction costs amounting to \$19.5 million (US\$15.5 million), which were due upon closing of the acquisition on September 1, 2021, will be recognized during the first quarter of fiscal 2022. The purchase price and transaction costs have been financed through the issuance of a US\$900 million secured Term B loan by Atlantic Broadband maturing in 2028 and excess cash on hand. Financing costs amounting to US\$13.1 million were due upon closing of this debt issuance. On October 25, 2021, the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US\$800 million of the new secured Term B loan. These agreements have the effect of converting the floating US LIBOR base rate, or 50 bps LIBOR floor if higher, into fixed rates ranging from 1.2237% to 1.4631%, plus applicable credit spread, for maturities between October 31, 2025 and July 31, 2027.

Issuance of \$500 million senior secured notes

On September 20, 2021, Cogeco Communications completed, pursuant to a private placement, the issuance of \$500 million senior secured notes, bearing interest at 2.991% and maturing on September 22, 2031. Cogeco Communications used the net proceeds of the offering to fund spectrum auction spend, repay existing indebtedness and for other general corporate purposes. The senior secured notes will be direct and unsubordinated secured debt obligations of Cogeco Communications and will rank equally and pari passu, with all other secured senior indebtedness of Cogeco Communications.

INVESTOR INFORMATION

CREDIT RATINGS

COGECO COMMUNICATIONS

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

At August 31, 2021	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	BBB-	BBB (low)	NR
Corporate credit issuer default rating	BB+	BB (high)	NR
Atlantic Broadband			
First Lien Credit Facilities	BB	NR	B1
Corporate credit issuer default rating	BB	NR	B1

NR : Not rated

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

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

SHARE INFORMATION

At August 31, 2021		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	1,602,217	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1-800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	14,399,638	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

DIVIDENDS

DIVIDEND DECLARATION

At its November 11, 2021 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of \$0.625 per share for multiple voting and subordinate voting shares, payable on December 9, 2021 to shareholders of record on November 25, 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.

TRADING STATISTICS

					2021
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
<i>(In Canadian dollars, except subordinate voting share volumes)</i>	\$	\$	\$	\$	
<hr/>					
The Toronto Stock Exchange					
High	105.99	98.15	101.24	98.00	
Low	77.01	78.60	92.19	89.50	
Close	79.55	93.38	93.26	91.29	
Volume (subordinate voting shares)	2,921,700	2,187,011	834,302	387,272	6,330,285
<hr/>					
					2020
Quarters ended	Nov. 30	Feb. 29	May 31	Aug. 31	Total
<i>(In Canadian dollars, except subordinate voting share volumes)</i>	\$	\$	\$	\$	
<hr/>					
The Toronto Stock Exchange					
High	107.88	106.77	95.49	88.73	
Low	92.77	90.50	70.95	78.21	
Close	102.97	92.14	86.28	78.43	
Volume (subordinate voting shares)	972,831	1,954,895	2,044,076	1,031,761	6,003,563
<hr/>					

PRIMARY SERVICE UNIT STATISTICS

	August 31, 2021	May 31, 2021	February 28, 2021 ⁽¹⁾	November 30, 2020	August 31, 2020
CONSOLIDATED					
Primary service units	2,972,073	2,976,391	2,982,402	2,763,466	2,757,631
Internet service customers	1,436,201	1,427,752	1,416,325	1,319,869	1,304,228
Video service customers	982,708	989,698	1,001,077	930,684	936,636
Telephony service customers	553,164	558,941	565,000	512,913	516,767
CANADA					
Homes passed	1,983,868	1,982,255	1,977,734	1,779,083	1,775,885
Primary service units	2,002,083	2,002,736	2,010,049	1,790,783	1,799,706
Internet service customers	915,684	909,901	905,321	815,248	812,016
Penetration as a percentage of homes passed	46.2%	45.9%	45.8%	45.8%	45.7%
Video service customers	677,194	680,456	687,486	612,297	619,249
Penetration as a percentage of homes passed	34.1%	34.3%	34.8%	34.4%	34.9%
Telephony service customers	409,205	412,379	417,242	363,238	368,441
Penetration as a percentage of homes passed	20.6%	20.8%	21.1%	20.4%	20.7%
UNITED STATES					
Homes passed	936,519	935,520	929,323	927,564	922,872
Primary service units	969,990	973,655	972,353	972,683	957,925
Internet service customers	520,517	517,851	511,004	504,621	492,212
Penetration as a percentage of homes passed	55.6%	55.4%	55.0%	54.4%	53.3%
Video service customers	305,514	309,242	313,591	318,387	317,387
Penetration as a percentage of homes passed	32.6%	33.1%	33.7%	34.3%	34.4%
Telephony service customers	143,959	146,562	147,758	149,675	148,326
Penetration as a percentage of homes passed	15.4%	15.7%	15.9%	16.1%	16.1%

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

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

★ **LOUIS AUDET**, Eng., MBA, C.M., **Board Chair**
Westmount (Québec)

★ ● ■ **JAMES C. CHERRY**, B.Com, FCPA, FCA, **Lead Director**
Elizabethtown (Ontario)
Corporate Director

■ ♦ **ARUN BAJAJ**, B.C.L., LL.B.
Westmount (Québec)
Executive Vice President, Chief Human Resources Officer,
Gildan Activewear Inc. (Canadian manufacturer of branded clothing)

■ ♦ **MARY-ANN BELL**, Eng., M.Sc., ASC
Montréal (Québec)
Corporate Director

● ■ ★ **PATRICIA CURADEAU-GROU**, B.Com, Finance, ICD.D
Montréal (Québec)
Corporate Director

★ **PHILIPPE JETTÉ**, Eng.
Montréal (Québec)
President and Chief Executive Officer of Cogeco and
Cogeco Communications

● ★ **SAMIH ELHAGE**, MSc, BSc, BASc
Munich (Germany)
Corporate Director

● ♦ ★ **NORMAND LEGAULT**, B.B.A
Ville de Lac Brome (Québec)
Corporate Director

■ ♦ ★ **DAVID MCAUSLAND**, B.C.L., LL.B., Ad.E., F.ICD
Baie-D'Urfé (Québec)
Counsel of McCarthy Tétrault (Major law firm in Canada)

Legend :

- ★ Attends as an observer and participates in meetings of all the committees
- Member of the Audit Committee
- Member of the Human Resources Committee
- ♦ Member of the Corporate Governance Committee
- ★ Member of the Strategic Opportunities Committee

CORPORATE HEAD OFFICE

1 Place Ville Marie
Suite 3301
Montréal (Québec)
H3B 3N2
corpo.cogeco.com

CORPORATE MANAGEMENT

PHILIPPE JETTÉ

President and Chief Executive Officer

ELIZABETH ALVES

Vice President, Enterprise Strategy and Social Responsibility

PAUL BEAUDRY

Vice President, Regulatory Affairs

FRANCE DE BLOIS

Vice President, Finance

MARTIN GRENIER

Vice President, Procurement

CHRISTIAN JOLIVET

Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary

MARIE-HÉLÈNE LABRIE

Senior Vice President and Chief Public Affairs, Communications and Strategy Officer

ZOUHEIR MANSOURATI

Senior Vice President and Chief Technology Officer

DIANE NYISZTOR

Senior Vice President and Chief Human Resources Officer

PATRICE OUMET

Senior Vice President and Chief Financial Officer

ANDRÉE PINARD

Vice President, Investor Relations and Treasurer

SUBSIDIARIES INFORMATION

COGECO COMMUNICATIONS INC.

PHILIPPE JETTÉ

President and Chief Executive Officer

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Montréal (Québec)
H3B 3N2
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COGECO CONNEXION

FRÉDÉRIC PERRON

President

1 Place Ville Marie
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H3B 3N2
www.cogeco.ca

ATLANTIC BROADBAND

FRANK VAN DER POST

President

2 Batterymarch Park
Suite 205
Quincy, MA 02169
www.atlanticbb.com

COGECO MEDIA

CAROLINE PAQUET

President

1 Place Ville Marie
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Montréal (Québec)
H3B 3N2
www.cogecomedia.com

CORPORATE INFORMATION

ANNUAL MEETING

January 14, 2022
Additional information on Cogeco Inc. and press releases are available on the Corporation's website at:
corpo.cogeco.com

AUDITORS

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H3B 0M7

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1155 René-Lévesque Blvd. West
Suite 4100
Montréal (Québec)
H3B 3V2

TRANSFER AGENT FOR SUBORDINATE AND MULTIPLE VOTING SHARES, AND TRUSTEE FOR SENIOR SECURED DEBENTURES AND NOTES
Computershare Trust Company of Canada

QUARTER ENDS

November, February, May

YEAR END

August 31

INQUIRIES

The Annual Report, Annual Information Form, Quarterly Reports and Information Circular are available in the Investors section of the Corporation's website (corpo.cogeco.com) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle, des rapports trimestriels et de la circulaire d'information sont disponibles sous la section « Investisseurs » du site Internet de la société (corpo.cogeco.com) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

For all matters related to investor relations, please contact:

ANDRÉE PINARD

Vice President, Investor Relations and Treasurer
514-764-4781
andree.pinard@cogeco.com

SHAREHOLDERS

For any inquiries regarding a change of address or a change of registration of shares, please contact Computershare Trust Company of Canada. For any other inquiries please refer to the Shareholder Engagement Policy which can be found on the "Information for Shareholders" section on the Corporation's website at corpo.cogeco.com.

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

ETHICS LINE

Cogeco Inc. makes available an anonymous and confidential Ethics Line for its employees and the employees of all of its business units and other individuals who wish to report any perceived or actual instances of violations of the Cogeco Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is operated by a specialized external provider that is independent of Cogeco Inc. Reports can be made through secured confidential toll-free telephone lines or the website described below. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and/or the Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting truthfully and in good faith.

By telephone:

Canada or United States:

1-877-706-2640

Website of ClearView Connects: www.clearviewconnects.com

corpo.cogeco.com