COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three and six-month periods ended February 28, 2022

FINANCIAL HIGHLIGHTS

(In thousands of Canadian dollars, except percentages and per share data)	Three months ended February 28, 2022	2021	Change	Change in constant currency [1] [2]	Foreign exchange impact [1]	Six months ended February 28, 2022	2021	Change	Change in constant currency [1] [2]	Foreign exchange impact [1]
	$	$	%	%	$	**$**	$	%	%	$
Operations										
Revenue	**728,549**	634,548	14.8	15.0	(1,007)	**1,447,090**	1,253,461	15.4	16.9	(18,693)
Adjusted EBITDA [2]	**349,087**	306,994	13.7	13.8	(410)	**698,374**	618,087	13.0	14.4	(8,442)
Adjusted EBITDA margin [2]	**47.9 %**	48.4 %				**48.3 %**	49.3 %			
Integration, restructuring and acquisition costs [3]	**1,451**	2,330	(37.7)			**20,086**	3,545	—		
Profit for the period	**119,911**	110,559	8.5			**236,521**	225,455	4.9		
Profit for the period attributable to owners of the Corporation	**111,275**	102,936	8.1			**218,112**	209,615	4.1		
Cash flow										
Cash flows from operating activities	**281,199**	231,166	21.6			**568,144**	472,891	20.1		
Acquisition of property, plant and equipment [4]	**142,195**	115,214	23.4	23.6	(265)	**283,223**	231,436	22.4	24.4	(4,717)
Free cash flow [2]	**153,000**	142,768	7.2	7.2	(50)	**285,111**	283,384	0.6	1.0	(1,241)
Capital intensity [2]	**19.5 %**	18.2 %				**19.6 %**	18.5 %			
Financial condition [5]										
Cash and cash equivalents						**178,192**	365,520	(51.2)		
Total assets						**8,907,266**	7,351,692	21.2		
Indebtedness [2] [6]						**4,684,887**	3,319,708	41.1		
Equity attributable to owners of the Corporation						**2,563,605**	2,415,144	6.1		
Per share data [7]										
Earnings per share										
Basic	**2.40**	2.16	11.1			**4.69**	4.39	6.8		
Diluted	**2.38**	2.14	11.2			**4.65**	4.36	6.7		
Dividends	**0.705**	0.64	10.2			**1.41**	1.28	10.2		

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. For the three and six-month periods ended February 28, 2021, the average foreign exchange rates used for translation were 1.2744 USD/CDN and 1.2957 USD/CDN, respectively.

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

(3) For the three and six-month periods ended February 28, 2022, integration, restructuring and acquisition costs resulted mostly from costs incurred in connection with the acquisition, completed on September 1, 2021, and ongoing integration of the Ohio broadband systems. For the three and six-month periods ended February 28, 2021, integration, restructuring and acquisition costs resulted mostly from the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

(4) For the three and six-month periods ended February 28, 2022, acquisition of property, plant and equipment in constant currency amounted to $142.5 million and $287.9 million, respectively.

(5) At February 28, 2022 and August 31, 2021.

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

(7) Per multiple and subordinate voting share.

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

Three and six-month periods ended February 28, 2022

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, purchase price allocation, tax rates, weighted average cost of capital, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate objectives and strategies" and "Fiscal 2022 financial guidelines" sections of the Corporation's 2021 annual MD&A and the "Fiscal 2022 revised financial guidelines" of the current MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as competitive risks, business risks (including potential disruption to our supply chain worsened by the increasing instability resulting from the war in Ukraine, increasing transportation lead times, scarcity of input materials and shortages of chipsets, semi-conductors and key telecommunication equipment), regulatory risks, technology risks (including cybersecurity), financial risks (including variations in currency and interest rates), economic conditions (including elevated inflation and a potential recession), 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 COVID-19 pandemic, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and main risk factors" sections of the Corporation's 2021 annual MD&A and of the current MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three and six-month periods ended February 28, 2022 prepared in accordance with International Financial Reporting Standards ("IFRS") and the Corporation's 2021 Annual Report.

In preparing this MD&A, the Corporation has taken into account information available up to April 13, 2022, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its 2021 Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

2. CORPORATE OBJECTIVES AND STRATEGIES

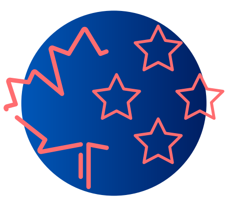
OUR STRATEGY FOR CONTINUED GROWTH

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

In an evolving and competitive ecosystem, our commitment to excellence endures as evidenced by 65 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:

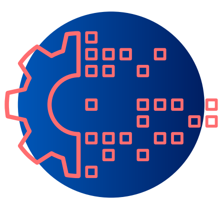
Organic

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



Acquisitions

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



Innovation

We continuously enhance our product and service offerings to benefit our customers, fueled in large part by the acceleration of digital initiatives. 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 a solid organizational culture that is aligned with our core values and strong ESG practices which, in turn, are systematically embedded into our operations 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 six strategic growth pillars:

Customer Experience

Deliver a distinctive customer experience by focusing on our customers' needs

Cost Efficiency

Optimize operational effectiveness and increase synergies

Brand Value

Build a strong and socially responsible brand

Network Performance

Build high-performing and resilient networks

Employee Experience

Empower colleagues with a personalized, inclusive and engaging experience

Market Expansion

Augment our geographic reach and expand into new market segments

Each Business Unit of the Corporation has in turn elaborated a strategic plan that is aligned to the growth pillars defined above. For further details on the key areas of focus of those strategic plans, please refer to the Corporation's 2021 Annual Report available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

The Corporation measures its financial performance, with regard to these objectives, by monitoring revenue, adjusted EBITDA[1], capital intensity[1] and free cash flow[1] on a constant currency basis[1].

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

2.1 KEY PERFORMANCE INDICATORS

Overall, Cogeco Communications' financial results for the first half of fiscal 2022 were as expected in its annual financial guidelines, issued on November 11, 2021. However, as the Corporation expects in the second half of fiscal 2022 lower acquisition of property, plant and equipment than initially planned and a corresponding increase in projected free cash flow, Cogeco Communications revised its fiscal 2022 financial guidelines related to the acquisition of property, plant and equipment and free cash flow. Refer to the "Fiscal 2022 revised financial guidelines" section below for further details.

REVENUE

For the first six months of fiscal 2022, revenue increased by 15.4% (16.9% in constant currency) resulting from:

- growth of 27.9% (31.2% in constant currency) in the American broadband services segment, mainly from the Ohio broadband systems acquisition completed on September 1, 2021 and organic revenue growth driven by the cumulative effect of high-speed Internet service additions over the past year and by annual rate increases implemented for certain services; and
- an increase of 5.0%, as reported and in constant currency, in the Canadian broadband services segment, mainly from revenue generated from the DERYtelecom acquisition completed on December 14, 2020 and stable organic revenue.

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, revenue in constant currency increased by 2.2% for the first six months of fiscal 2022.

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

ADJUSTED EBITDA (1)

For the first six months of fiscal 2022, adjusted EBITDA increased by 13.0% (14.4% in constant currency) as a result of:

- an increase of 28.9% (32.3% in constant currency) in the American broadband services segment, mainly resulting from the impact of the Ohio broadband systems acquisition and organic revenue growth, partly offset by costs incurred in connection with the rebranding of Atlantic Broadband to Breezeline, which related activities are expected to continue at a lower pace during the third quarter, and overall higher marketing and advertising activities and other costs, which were unusually low last year in the context of the COVID-19 pandemic restrictions; and
- an increase of 1.3% (1.2% in constant currency) in the Canadian broadband services segment, mainly attributable to the impact of the DERYtelecom acquisition and organic growth; partly offset by
- higher corporate costs, primarily due to costs incurred and initiatives undertaken to support the Corporation's future growth and strategies.

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, adjusted EBITDA in constant currency decreased by 0.3% for the first six months of fiscal 2022 due to the increase in expenses as explained above.

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

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

For the first six months of fiscal 2022, acquisition of property, plant and equipment increased by 22.4% (24.4% in constant currency) resulting from:

- higher capital expenditures in the American broadband services segment related to the Ohio acquisition, the geographical network expansion, the 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; and
- higher capital expenditures in the Canadian broadband services segment related to the maintenance, growth and expansion of Cogeco Connexion's network infrastructure, as it accelerates its construction efforts in connection with its high-speed Internet network expansion in Québec and Ontario.

For the first six months of fiscal 2022, capital intensity reached 19.6% compared to 18.5% for the same period of the prior year, mainly as a result of higher capital expenditures, partly offset by the revenue growth, in both the American and Canadian broadband services segments.

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

FREE CASH FLOW (1)

For the first six months of fiscal 2022, free cash flow increased by 0.6% (1.0% in constant currency), mainly resulting from:

- higher adjusted EBITDA; and
- lower current income taxes, mainly attributable to the impact of a favorable tax adjustment recorded in the second quarter of fiscal 2022; partly offset by
- higher capital expenditures in both the American and Canadian broadband services segments;
- higher financial expense; and
- higher integration, restructuring and acquisition costs, mainly resulting from the acquisition of the Ohio broadband systems.

(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.

2.2 FISCAL 2022 REVISED FINANCIAL GUIDELINES

The following section contains forward-looking statements concerning the business outlook for Cogeco Communications. For a description of risk factors that could cause actual results to differ materially from what Cogeco Communications expects, please refer to the "Uncertainties and main risk factors" section of the current MD&A and of the Corporation's 2021 annual MD&A.

The Corporation is revising its fiscal 2022 financial guidelines as issued on November 11, 2021 since it expects in the second half of fiscal 2022 lower acquisition of property, plant and equipment than initially planned and a corresponding increase in projected free cash flow. The reduction in the projected acquisition of property, plant and equipment is primarily related to network expansions in the American and Canadian broadband segments resulting from delays in obtaining permits and franchise agreements for certain projects that will be carried on during the first semester of fiscal 2023. The reduction is also due to the timing of other projects, including network investments in our recently acquired Ohio operation which will be spent over a longer period of time. On a constant currency and consolidated basis, revenue and adjusted EBITDA projections are expected to remain the same as previously issued. Revised projections for acquisition of property, plant and equipment amount to between $720 and $750 million, including those related to the Ohio broadband systems integration and approximately $180 to $200 million in network expansion projects net of government subsidies, resulting in capital intensity of approximately 25%, or 19% excluding growth-oriented network expansion projects. Free cash flow is expected to decrease between 13% and 23% compared to the previous fiscal year, which is a lesser decline than under the previous financial guidelines. Excluding the fiscal year 2022 network expansion projects, free cash flow on a constant currency and consolidated basis would otherwise increase between 16% and 26% compared to the previous fiscal year.

The financial guidelines exclude the impact from other 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 licenses (refer to section "Non-IFRS financial measures"). The projections take into consideration the experience gained while operating during the COVID-19 pandemic so far, but exclude potential unexpected significant material impacts from it. Furthermore, while the application of the recently issued agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)* by the IFRS Interpretations Committee may reduce projected capital expenditures and adjusted EBITDA due to certain implementation costs associated with cloud computing arrangements being expensed as incurred, management does not expect it will impact the fiscal 2022 financial guidelines previously issued. For further details in connection with this agenda decision, refer to the "Accounting policies" section.

The following table outlines fiscal 2022 revised financial guidelines on a consolidated basis, compared to the fiscal 2022 financial guidelines as issued on November 11, 2021:

	April 13, 2022	November 11, 2021
	Revised projections	Revised projections
	Fiscal 2022 (constant currency)	Fiscal 2022 (constant currency)
(In millions of Canadian dollars, except percentages)	$	$
Financial guidelines		
Revenue	Increase of 15% to 17% (1)	Increase of 15% to 17% (1)
Adjusted EBITDA (5)	Increase of 14% to 16% (1)	Increase of 14% to 16% (1)
Acquisition of property, plant and equipment	$720 to $750 (2)	$815 to $845 (2)
Capital intensity (5)	Approximately 25%	Approximately 28%
Free cash flow (5)	Decrease of 13% to 23% (3) (4)	Decrease of 33% to 43% (3) (4)

(1) Preliminary fiscal 2022 financial guidelines issued on July 14, 2021 were revised during the fourth quarter of fiscal 2021 to incorporate the impact from the acquisition of the Ohio broadband systems which was completed on September 1, 2021. 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 $30 million of acquisition and integration costs in connection with the acquisition of the Ohio broadband systems.

(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.

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

While the impact of the COVID-19 pandemic on the Corporation is generally stabilizing, we remain cautious in our management of the situation which can evolve quickly. Our priority remains on ensuring the well-being of our employees, customers and business partners.

The pandemic has generally highlighted the value of the services we offer, especially our high-speed Internet services, as customers have been spending more time at home for work, education and entertainment purposes. We have generally witnessed strong demand initially for either obtaining or upgrading speeds of high-speed Internet, along with reduced operating costs due to a stable customer base and not being able to use all usual sales channels. However, operations have generally been conducted in a normal fashion during the recent quarters.

The pandemic has also accelerated the willingness of various governments to support access to high-speed Internet in underserved and unserved areas by providing subsidies to partially pay for network expansions in such areas. The Corporation has partnered with governments in both Canada and the United States in such endeavor and expects to do more in the years to come.

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

3. BUSINESS DEVELOPMENTS

Atlantic Broadband changes its name to Breezeline

On January 10, 2022, the American broadband services segment announced a full rebrand, changing its operating name to Breezeline (formerly Atlantic Broadband). The name change reflects the segment's commitment to an easy and convenient customer experience, while better representing the segment's geographic reach and full product breadth.

Amendment of the $750 million Term Revolving Facility into a sustainability-linked loan

On December 17, 2021, Cogeco Communications amended and extended its $750 million Term Revolving Facility to January 24, 2027. As part of the amendments, Cogeco Communications transitioned its revolving facility into a sustainability-linked loan ("SLL") structure, underscoring its strong leadership and dedication to sustainability and the organization's Environmental, social and governance (ESG) goals. On the same day, Cogeco, the parent company, also announced the amendment and extension of its term revolving facility. Both Cogeco's and Cogeco Communications' revolving facilities represent the first syndicated SLL in Canada within the telecommunications and media sectors.

The SLL facilities incorporate ESG-linked incentive pricing terms which reduce or increase the cost of funding, depending on the annual performance against specific targets related to Cogeco's GHG annual emissions reduction and digital inclusion initiatives by deploying high-speed Internet networks in underserved and unserved areas of Canada over a three-year period. Additionally, Cogeco and Cogeco Communications will dedicate any savings achieved from the SLL towards internal sustainability initiatives.

Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Breezeline (formerly Atlantic Broadband), completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio ("Ohio broadband systems") for a purchase price of $1.418 billion (US$1.125 billion), subject to customary post-closing adjustments. During the first quarter, the allocation of the purchase price was established on a preliminary basis, and will be finalized over the coming quarters. The transaction was executed through an asset purchase agreement. With the closing of this transaction, Breezeline 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 196,338 Internet, 54,598 video and 33,604 telephony customers at the acquisition date. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to its existing U.S. 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 senior secured Term B loan maturing in September 2028 and excess cash on hand.

Breezeline also entered into a Transition Service Agreement with WOW! to ensure a smooth transition period and allow Breezeline to further upgrade the network and launch its products and services, including a state-of-the-art IPTV platform.

Further details on the Ohio broadband systems acquisition, including the preliminary purchase price allocation, can be found in Note 5 of the condensed interim consolidated financial statements for the three and six-month periods ended February 28, 2022.

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 in September 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 are direct and unsubordinated secured debt obligations of Cogeco Communications and rank equally and pari passu, with all other secured senior indebtedness of Cogeco Communications.

Final payment for the 3500 MHz band spectrum licences

Following the 3500 MHz band auction held by Innovation, Science and Economic Development ("ISED") Canada ended on July 23, 2021, Cogeco Connexion acquired 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. On December 16, 2021, the Corporation made the $236 million final payment. The unsecured letter of credit of $150 million, submitted in connection with this transaction, was cancelled on December 20, 2021, following the final payment.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended February 28,				
	2022 (1)	2021	Change	Change in constant currency (2) (3)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**728,549**	634,548	14.8	15.0	(1,007)
Operating expenses	**373,891**	321,701	16.2	16.4	(597)
Management fees – Cogeco Inc.	**5,571**	5,853	(4.8)	(4.8)	—
Adjusted EBITDA (3)	**349,087**	306,994	13.7	13.8	(410)
Adjusted EBITDA margin (3)	**47.9 %**	48.4%			

(1) For the three-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2709 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2744 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.

	Six months ended February 28,				
	2022 (1)	2021	Change	Change in constant currency (2) (3)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**1,447,090**	1,253,461	15.4	16.9	(18,693)
Operating expenses	**737,565**	623,669	18.3	19.9	(10,251)
Management fees – Cogeco Inc.	**11,151**	11,705	(4.7)	(4.7)	—
Adjusted EBITDA (3)	**698,374**	618,087	13.0	14.4	(8,442)
Adjusted EBITDA margin (3)	**48.3 %**	49.3%			

(1) For the six-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2634 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2957 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.

REVENUE

	Three months ended February 28,				
	2022	2021	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**362,323**	354,902	2.1	2.1	—
American broadband services	**366,226**	279,646	31.0	31.3	(1,007)
	728,549	634,548	14.8	15.0	(1,007)

				Six months ended February 28,	
	2022	2021	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	717,370	682,911	5.0	5.0	—
American broadband services	729,720	570,550	27.9	31.2	(18,693)
	1,447,090	1,253,461	15.4	16.9	(18,693)

For the second quarter and the first six months of fiscal 2022, revenue increased by 14.8% and 15.4% (15.0% and 16.9% in constant currency), respectively, resulting mainly from:

- the Ohio broadband systems acquisition completed on September 1, 2021, which contributed to revenue growth in the American broadband services segment;
- the DERYtelecom acquisition completed on December 14, 2020, which contributed to revenue growth in the Canadian broadband services segment; and
- organic revenue growth in both the American and Canadian broadband services segments, driven by the cumulative effect of high-speed Internet service additions over the past year and by annual rate increases implemented for certain services.

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, revenue in constant currency increased by 2.5% and 2.2%, respectively, for the second quarter and the first six months of fiscal 2022.

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

OPERATING EXPENSES

				Three months ended February 28,	
	2022	2021	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	169,307	165,194	2.5	2.5	(41)
American broadband services	196,436	150,117	30.9	31.2	(556)
Corporate and eliminations	8,148	6,390	27.5	27.5	—
	373,891	321,701	16.2	16.4	(597)

				Six months ended February 28,	
	2022	2021	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	336,493	307,089	9.6	9.8	(550)
American broadband services	384,166	302,495	27.0	30.2	(9,701)
Corporate and eliminations	16,906	14,085	20.0	20.0	—
	737,565	623,669	18.3	19.9	(10,251)

For the second quarter and the first six months of fiscal 2022, operating expenses increased by 16.2% and 18.3% (16.4% and 19.9% in constant currency), respectively, mainly resulting from:

- higher operating expenses in the American broadband services segment, mainly resulting from the Ohio broadband systems acquisition, costs in connection with the rebranding of Atlantic Broadband to Breezeline and higher overall operating expenses to drive and support customer growth, compared to unusually low marketing and advertising activities during the first half of the previous year in the context of the COVID-19 pandemic restrictions;
- higher operating expenses in the Canadian broadband services segment, mainly resulting from the DERYtelecom acquisition; and
- higher corporate costs, primarily due to costs incurred and initiatives undertaken to support the Corporation's future growth and strategies.

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

MANAGEMENT FEES

For the second quarter and the first six months of fiscal 2022, management fees paid to Cogeco Inc. ("Cogeco") reached $5.6 million and $11.2 million, respectively, compared to $5.9 million and $11.7 million for the same periods of fiscal 2021. The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

				Three months ended February 28,	
	2022	2021	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**193,016**	189,708	1.7	1.7	41
American broadband services	**169,790**	129,529	31.1	31.4	(451)
Corporate and eliminations	**(13,719)**	(12,243)	(12.1)	(12.1)	—
	349,087	306,994	13.7	13.8	(410)

				Six months ended February 28,	
	2022	2021	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**380,877**	375,822	1.3	1.2	550
American broadband services	**345,554**	268,055	28.9	32.3	(8,992)
Corporate and eliminations	**(28,057)**	(25,790)	(8.8)	(8.8)	—
	698,374	618,087	13.0	14.4	(8,442)

For the second quarter and the first six months of fiscal 2022, adjusted EBITDA increased by 13.7% and 13.0% (13.8% and 14.4% in constant currency), respectively, as a result of:

- an increase in the American broadband services segment, mainly resulting from the impact of the Ohio broadband systems acquisition and organic revenue growth driven by the cumulative effect of high-speed Internet service additions over the past year and by annual rate increases implemented for certain services; and
- an increase in the Canadian broadband services segment, mainly resulting from the impact of the DERYtelecom acquisition and organic growth; partly offset by
- higher marketing and advertising expenses in the American broadband services segment, including Breezeline's rebranding costs, compared to unusually low marketing and advertising activities during the first half of the previous year in the context of the COVID-19 pandemic restrictions; and
- higher corporate costs.

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, adjusted EBITDA in constant currency increased by 1.9% for the second quarter of fiscal 2022 and decreased by 0.3% for the first six months of fiscal 2022. Adjusted EBITDA for the first half of fiscal 2022 was unfavorably impacted by the higher marketing and advertising expenses compared to the same period of the prior year, as explained above.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

For the second quarter and the first six months of fiscal 2022, integration, restructuring and acquisition costs amounted to $1.5 million and $20.1 million, respectively, mostly related to costs incurred in connection with the acquisition, completed on September 1, 2021, and ongoing integration of the Ohio broadband systems.

For the second quarter and the first six months of fiscal 2021, integration, restructuring and acquisition costs amounted to $2.3 million and $3.5 million, respectively, mostly related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended February 28,			Six months ended February 28,		
	2022	2021	Change	**2022**	2021	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation of property, plant and equipment (1)	**135,394**	117,193	15.5	**272,584**	226,608	20.3
Amortization of intangible assets	**14,631**	9,661	51.4	**29,078**	24,496	18.7
	150,025	126,854	18.3	**301,662**	251,104	20.1

(1) Includes depreciation of right-of-use assets amounting to $1.5 million and $2.7 million for the three and six-month periods of fiscal 2022, respectively ($1.4 million and $3.0 million in fiscal 2021).

For the second quarter and the first six months of fiscal 2022, depreciation and amortization expense increased by 18.3% and 20.1%, respectively, mainly as a result of the acquisition of the Ohio broadband systems, combined with a higher level of capital expenditures. In addition, for the first six months of fiscal 2022, the increase is also explained by the depreciation and amortization expense resulting from the acquisition of DERYtelecom.

4.4 FINANCIAL EXPENSE

	Three months ended February 28,			Six months ended February 28,		
	2022	2021	Change	**2022**	2021	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**45,021**	32,081	40.3	**87,657**	65,406	34.0
Interest on lease liabilities	**324**	324	—	**634**	662	(4.2)
Net foreign exchange gain	**(1,323)**	(1,483)	(10.8)	**(51)**	(677)	(92.5)
Amortization of deferred transaction costs related to the revolving facilities	**175**	185	(5.4)	**358**	396	(9.6)
Other	**782**	732	6.8	**1,336**	1,262	5.9
	44,979	31,839	41.3	**89,934**	67,049	34.1

For the second quarter and the first six months of fiscal 2022, financial expense increased by 41.3% and 34.1%, respectively, mainly due to:

- higher debt outstanding following the issuance of a US$900 million senior secured Term B loan to finance the Ohio broadband systems acquisition completed on September 1, 2021 and the issuance of $500 million senior secured notes on September 20, 2021; partly offset by
- the depreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year; and
- lower interest expense on the Senior Secured Term Loan B Facility - Tranche 1, resulting from the decrease in the principal amount outstanding.

4.5 INCOME TAXES

	Three months ended February 28,			Six months ended February 28,		
	2022	2021	Change	**2022**	2021	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Current	**10,786**	18,373	(41.3)	**25,349**	38,235	(33.7)
Deferred	**21,935**	17,039	28.7	**24,822**	32,699	(24.1)
	32,721	35,412	(7.6)	**50,171**	70,934	(29.3)

(In thousands of Canadian dollars, except percentages)	Three months ended February 28, 2022 $	2021 $	Change %	Six months ended February 28, 2022 $	2021 $	Change %
Profit before income taxes	152,632	145,971	4.6	286,692	296,389	(3.3)
Combined Canadian income tax rate	26.5 %	26.5 %	—	26.5 %	26.5 %	—
Income taxes at combined Canadian income tax rate	40,447	38,682	4.6	75,973	78,543	(3.3)
Difference in operations' statutory income tax rates	83	1,135	(92.7)	(44)	1,766	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	192	215	(10.7)	89	329	(72.9)
Tax impacts related to foreign operations	(7,208)	(4,892)	47.3	(13,769)	(10,035)	37.2
Other	(793)	272	—	(12,078)	331	—
Income taxes at effective income tax rate	32,721	35,412	(7.6)	50,171	70,934	(29.3)
Effective income tax rate	21.4 %	24.3 %	(11.9)	17.5 %	23.9 %	(26.8)

For the second quarter of fiscal 2022, income tax expense decreased by 7.6%, mainly due to:

- tax benefits from the Ohio broadband systems acquisition; partly offset by
- the increase in profit before income taxes.

For the first six months of fiscal 2022, income tax expense decreased by 29.3%, mainly due to:

- a $11.9 million adjustment recognized in the first quarter of fiscal 2022 following the Ohio broadband systems acquisition, which reduced the blended state income tax rate, enabling the Corporation to recognize a reduction of deferred tax liability related to U.S. temporary tax differences;
- other tax benefits from the Ohio broadband systems acquisition; and
- the decrease in profit before income taxes.

4.6 PROFIT FOR THE PERIOD

(In thousands of Canadian dollars, except percentages and earnings per share)	Three months ended February 28, 2022 $	2021 $	Change %	Six months ended February 28, 2022 $	2021 $	Change %
Profit for the period	119,911	110,559	8.5	236,521	225,455	4.9
Profit for the period attributable to owners of the Corporation	111,275	102,936	8.1	218,112	209,615	4.1
Profit for the period attributable to non-controlling interest (1)	8,636	7,623	13.3	18,409	15,840	16.2
Basic earnings per share	2.40	2.16	11.1	4.69	4.39	6.8

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

For the second quarter of fiscal 2022, profit for the period and profit for the period attributable to owners of the Corporation increased by 8.5% and 8.1%, respectively. For the first six months of fiscal 2022, profit for the period and profit for the period attributable to owners of the Corporation increased by 4.9% and 4.1%, respectively. The increases for both periods are mainly resulting from:

- higher adjusted EBITDA; and
- lower income tax expense; partly offset by
- higher depreciation and amortization expense; and
- higher financial expense.

In addition, the increases for the first six months of fiscal 2022 are also partly offset by higher integration, restructuring and acquisition costs, mainly resulting from the acquisition of the Ohio broadband systems.

5. 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.

5.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

				Three months ended February 28,	
	2022 (1)	2021	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**362,323**	354,902	2.1	2.1	—
Operating expenses	**169,307**	165,194	2.5	2.5	(41)
Adjusted EBITDA	**193,016**	189,708	1.7	1.7	41
Adjusted EBITDA margin	**53.3 %**	53.5 %			
Acquisition of property, plant and equipment	**67,763**	57,454	17.9	18.1	(63)
Capital intensity	**18.7 %**	16.2 %			

(1) For the three-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2709 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2744 USD/CDN.

				Six months ended February 28,	
	2022 (1)	2021	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**717,370**	682,911	5.0	5.0	—
Operating expenses	**336,493**	307,089	9.6	9.8	(550)
Adjusted EBITDA	**380,877**	375,822	1.3	1.2	550
Adjusted EBITDA margin	**53.1 %**	55.0 %			
Acquisition of property, plant and equipment	**135,234**	123,064	9.9	10.7	(953)
Capital intensity	**18.9 %**	18.0 %			

(1) For the six-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2634 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2957 USD/CDN.

REVENUE

For the second quarter and the first six months of fiscal 2022, revenue increased by 2.1% and 5.0%, respectively, as reported and in constant currency, mainly as a result of:

- the DERYtelecom acquisition completed on December 14, 2020;
- higher Internet service customer base and rate increases; and
- growth in the commercial sector, mainly driven by higher value Internet product mix; partly offset by
- a decline in video and telephony service customers.

Excluding the acquisition of DERYtelecom, revenue in constant currency increased by 0.9% and 0.2%, respectively, for the second quarter and the first six months of fiscal 2022.

OPERATING EXPENSES

For the second quarter and the first six months of fiscal 2022, operating expenses increased by 2.5% and 9.6% (2.5% and 9.8% in constant currency), respectively, mainly due to higher operating expenses resulting from the DERYtelecom acquisition.

ADJUSTED EBITDA

For the second quarter and the first six months of fiscal 2022, adjusted EBITDA increased by 1.7% and 1.3% (1.7% and 1.2% in constant currency), respectively, mainly resulting from the impact of the DERYtelecom acquisition and organic growth.

Excluding the acquisition of DERYtelecom, adjusted EBITDA in constant currency increased by 0.6% and decreased by 3.1%, respectively, for the second quarter and the first six months of fiscal 2022, as expected in our annual financial guidelines.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

For the second quarter of fiscal 2022, acquisition of property, plant and equipment increased by 17.9% (18.1% in constant currency), resulting mainly from:

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

For the first six months of fiscal 2022, acquisition of property, plant and equipment increased by 9.9% (10.7% in constant currency), resulting mainly from higher costs related to the maintenance, growth and expansion of Cogeco Connexion's network infrastructure.

Furthermore, as the segment continues its high-speed Internet network expansion in Québec and Ontario, capital spending is expected to ramp up during the second half of fiscal 2022.

For the second quarter and the first six months of fiscal 2022, capital intensity reached 18.7% and 18.9%, respectively, compared to 16.2% and 18.0% for the same periods of fiscal 2021. Capital intensity increases for both periods are explained mainly by higher capital expenditures, partly offset by the revenue growth.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended February 28,		Net additions (losses) Six months ended February 28,		% of penetration (1)	
	February 28, 2022	**2022**	2021 (2)	**2022**	2021 (2)	**February 28, 2022**	February 28, 2021
Primary service units	**1,991,371**	**(5,635)**	(4,773)	**(10,712)**	(13,696)		
Internet service customers	**921,043**	**2,739**	4,431	**5,359**	7,663	**46.3**	45.9
Video service customers	**667,629**	**(5,152)**	(5,029)	**(9,565)**	(11,981)	**33.5**	34.9
Telephony service customers	**402,699**	**(3,222)**	(4,175)	**(6,506)**	(9,378)	**20.2**	21.2

(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.

INTERNET

For the second quarter and the first six months of fiscal 2022, Internet service customers net additions amounted to 2,739 and 5,359, respectively, compared to 4,431 and 7,663 for the same periods of the prior year. The net additions for both periods of fiscal 2022 were mainly resulting from the ongoing interest in high-speed offerings.

VIDEO

For the second quarter and the first six months of fiscal 2022, video service customers net losses amounted to 5,152 and 9,565, respectively, compared to 5,029 and 11,981 for the same periods of the prior year. The net losses for both periods of fiscal 2022 were mainly due to the ongoing change in the video consumption environment, with an increasing proportion of customers only subscribing to Internet services, and highly competitive offers in the industry.

TELEPHONY

For the second quarter and the first six months of fiscal 2022, telephony service customers net losses amounted to 3,222 and 6,506, respectively, compared to 4,175 and 9,378, respectively, for the same periods of the prior year. The net losses for both periods of fiscal 2022 were mainly due to increasing mobile wireless penetration in Canada causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

DISTRIBUTION OF CUSTOMERS

At February 28, 2022, 66% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

5.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended February 28,				
	2022 [1]	2021	Change	Change in constant currency [2]	Foreign exchange impact [2]
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**366,226**	279,646	31.0	31.3	(1,007)
Operating expenses	**196,436**	150,117	30.9	31.2	(556)
Adjusted EBITDA	**169,790**	129,529	31.1	31.4	(451)
Adjusted EBITDA margin	**46.4 %**	46.3 %			
Acquisition of property, plant and equipment	**73,178**	57,559	27.1	27.5	(202)
Capital intensity	**20.0 %**	20.6 %			

(1) For the three-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2709 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2744 USD/CDN.

	Six months ended February 28,				
	2022 [1]	2021	Change	Change in constant currency [2]	Foreign exchange impact [2]
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**729,720**	570,550	27.9	31.2	(18,693)
Operating expenses	**384,166**	302,495	27.0	30.2	(9,701)
Adjusted EBITDA	**345,554**	268,055	28.9	32.3	(8,992)
Adjusted EBITDA margin	**47.4 %**	47.0 %			
Acquisition of property, plant and equipment	**146,405**	106,906	36.9	40.5	(3,764)
Capital intensity	**20.1 %**	18.7 %			

(1) For the six-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2634 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2957 USD/CDN.

REVENUE

For the second quarter and the first six months of fiscal 2022, revenue increased by 31.0% and 27.9% (31.3% and 31.2% in constant currency), respectively. In local currency, revenue amounted to US$288.2 million and US$577.6 million compared to US$219.4 million and US$440.3 million for the same periods of fiscal 2021. The increases in both periods resulted mainly from:

- the Ohio broadband systems acquisition completed on September 1, 2021;
- a higher Internet service customer base and a higher value product mix; and
- annual rate increases implemented for certain services.

Excluding the acquisition of the Ohio broadband systems, revenue in constant currency increased by 4.4% and 4.5%, respectively, for the second quarter and the first six months of fiscal 2022.

OPERATING EXPENSES

For the second quarter and the first six months of fiscal 2022, operating expenses increased by 30.9% and 27.0% (31.2% and 30.2% in constant currency), mainly due to:

- the Ohio broadband systems acquisition completed on September 1, 2021;
- costs incurred in connection with the rebranding of Atlantic Broadband to Breezeline, announced in January 2022, for which the rebranding activities are expected to continue at a lower pace during the third quarter of fiscal 2022;
- higher other marketing and advertising expenses to support overall customer base growth, compared to unusually low costs during the first half of the previous year in the context of the COVID-19 pandemic restrictions; and
- higher overall operating expenses to drive and support customer growth.

ADJUSTED EBITDA

For the second quarter and the first six months of fiscal 2022, adjusted EBITDA increased by 31.1% and 28.9% (31.4% and 32.3% in constant currency), respectively. In local currency, adjusted EBITDA amounted to US$133.6 million and US$273.5 million compared to US$101.6 million and US$206.8 million for the same periods of fiscal 2021. The increases in both periods are mainly resulting from:

- the impact of the Ohio broadband systems acquisition; and
- organic revenue growth driven by the cumulative effect of high-speed Internet service additions over the past year and by annual rate increases implemented for certain services; partly offset by
- rebranding costs; and
- higher other marketing and advertising expenses.

Excluding the acquisition of the Ohio broadband systems, adjusted EBITDA in constant currency increased by 4.8% and 4.5%, respectively, for the second quarter and the first six months of fiscal 2022.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

For the second quarter and the first six months of fiscal 2022, acquisition of property, plant and equipment increased by 27.1% and 36.9% (27.5% and 40.5% in constant currency), respectively, resulting mainly from:

- higher capital expenditures related to the Ohio acquisition and the geographical network expansion;
- 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.

For the second quarter and the first six months of fiscal 2022, capital intensity reached 20.0% and 20.1% compared to 20.6% and 18.7% for the same periods of fiscal 2021. The capital intensity decrease for the second quarter is explained by the revenue growth exceeding higher capital expenditures, whereas the capital intensity increase for the first six months is explained mainly by higher capital expenditures, which were partly offset by the revenue growth.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended February 28,		Net additions (losses) Six months ended February 28,		% of penetration [1]	
	February 28, 2022	**2022**	2021	**2022** [2]	2021	**February 28, 2022** [3]	February 28, 2021
Primary service units	**1,227,850**	**(8,708)**	(330)	**(26,680)**	14,428		
Internet service customers	**719,608**	**2,830**	6,383	**2,753**	18,792	**44.1**	55.0
Video service customers	**339,021**	**(7,708)**	(4,796)	**(21,091)**	(3,796)	**20.8**	33.7
Telephony service customers	**169,221**	**(3,830)**	(1,917)	**(8,342)**	(568)	**10.4**	15.9

(1) As a percentage of homes passed.

(2) Excludes 284,540 primary service units (196,338 Internet services, 54,598 video services and 33,604 telephony services) from the acquisition of the Ohio broadband systems completed on September 1, 2021, the first day of fiscal 2022.

(3) The percentage of homes passed reflects a lower penetration of the Ohio broadband systems, which were acquired during the first quarter of fiscal 2022.

INTERNET

For the second quarter and the first six months of fiscal 2022, Internet service customers net additions amounted to 2,830 and 2,753, respectively, compared to 6,383 and 18,792 for the same periods of the prior year. The net additions for both periods of fiscal 2022 were mainly resulting from:

- growth in the residential sector primarily driven by ongoing demand for high-speed offerings;
- increased marketing efforts toward the Internet led offerings under the Broadband First strategy; and
- growth in the commercial sector.

The significant growth in the first six months of fiscal 2021 was mainly driven by the increase in high-speed Internet demand in the residential sector resulting directly from the COVID-19 pandemic. Lower Internet service customer additions during the first six months of fiscal 2022 were mainly due to generally low customer movements in the industry following an active period during the prior year.

VIDEO

For the second quarter and the first six months of fiscal 2022, video service customers net losses amounted to 7,708 and 21,091, respectively, compared to 4,796 and 3,796 for the same periods of the prior year. The net losses for both periods of fiscal 2022 were mainly due to:

- the continued emphasis on offers that are Internet led and the cessation of non-bulk residential video-only new offer;
- seasonal commercial disconnects;
- lower Internet service customer additions and certain customers declining to subscribe to video services as they move to strictly streaming video content especially in the Ohio network; and
- competitive offers in the industry.

TELEPHONY

For the second quarter and the first six months of fiscal 2022, telephony service customers net losses amounted to 3,830 and 8,342, respectively, compared to 1,917 and 568 for the same periods of the prior year. The net losses for both periods of fiscal 2022 were mainly due to:

- the continued emphasis on offers that are Internet led; partly offset by
- growth in the commercial sector mainly driven by Hosted Voice product offerings.

DISTRIBUTION OF CUSTOMERS

At February 28, 2022, 37% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

6. RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of Cogeco, which as of February 28, 2022 held 33.8% of the Corporation's equity shares, representing 83.6% of the votes attached to the Corporation's voting shares.

Cogeco provides executive and administrative services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the second quarter and the first six months of fiscal 2022, management fees paid to Cogeco amounted to $5.6 million and $11.2 million, respectively, compared to $5.9 million and $11.7 million for the same periods of fiscal 2021.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first six months of fiscal 2022 and 2021, the Corporation granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications, and issued deferred share units ("DSUs") to Board directors of Cogeco, as shown in the following table:

	Six months ended February 28,	
(In number of units)	**2022**	2021
Stock options	**72,200**	69,200
PSUs	**10,100**	10,375
DSUs	**—**	792

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
(In thousands of Canadian dollars)	**$**	$	**$**	$
Stock options	**277**	266	**609**	611
ISUs	**—**	—	**—**	6
PSUs	**270**	275	**640**	125
DSUs	**39**	213	**(79)**	188
	586	754	**1,170**	930

7. CASH FLOWS ANALYSIS

	Three months ended February 28,			Six months ended February 28,		
	2022	2021	Change	2022	2021	Change
(In thousands of Canadian dollars, except percentages)	$	$	%	$	$	%
Cash flows from operating activities	281,199	231,166	21.6	568,144	472,891	20.1
Cash flows used in investing activities	(378,255)	(498,674)	(24.1)	(1,946,941)	(623,908)	—
Cash flows (used in) from financing activities	(133,046)	109,695	—	1,190,770	57,995	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(691)	(4,996)	(86.2)	699	(7,302)	—
Net change in cash and cash equivalents	(230,793)	(162,809)	41.8	(187,328)	(100,324)	86.7
Cash and cash equivalents, beginning of the period	408,985	428,982	(4.7)	365,520	366,497	(0.3)
Cash and cash equivalents, end of the period	178,192	266,173	(33.1)	178,192	266,173	(33.1)

7.1 OPERATING ACTIVITIES

For the second quarter and the first six months of fiscal 2022, cash flows from operating activities increased by 21.6% and 20.1%, respectively, mainly from:

- higher adjusted EBITDA; and
- lower income taxes paid, mainly due to the timing of income tax instalments.

7.2 INVESTING ACTIVITIES

For the second quarter of fiscal 2022, cash flows used in investing activities decreased by 24.1%, mainly as a result of:

- cash flows used in connection with the acquisition of DERYtelecom last year; partly offset by
- the $236 million final payment made to acquire 38 spectrum licences in the 3500 MHz band auction; and
- the increase in acquisition of property, plant and equipment.

For the first six months of fiscal 2022, cash flows used in investing activities increased by 212.1%, mainly due to:

- the Ohio broadband systems acquisition;
- the $236 million final payment made to acquire 38 spectrum licences in the 3500 MHz band auction; and
- the increase in acquisition of property, plant and equipment, particularly in the American broadband services segment; partly offset by
- cash flows used in connection with the acquisition of DERYtelecom last year.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

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

	Three months ended February 28,				Six months ended February 28,			
	2022	2021	Change	Change in constant currency (1)	2022	2021	Change	Change in constant currency (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$	$	%	%
Canadian broadband services	67,763	57,454	17.9	18.1	135,234	123,064	9.9	10.7
Capital intensity	18.7 %	16.2 %			18.9 %	18.0 %		
American broadband services	73,178	57,559	27.1	27.5	146,405	106,906	36.9	40.5
Capital intensity	20.0 %	20.6 %			20.1 %	18.7 %		
Corporate and eliminations	1,254	201	—	—	1,584	1,466	8.0	8.0
Consolidated	142,195	115,214	23.4	23.6	283,223	231,436	22.4	24.4
Capital intensity	19.5 %	18.2 %			19.6 %	18.5 %		

(1) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2744 USD/CDN.
(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2957 USD/CDN.

For the second quarter and the first six months of fiscal 2022, acquisition of property, plant and equipment increased by 23.4% and 22.4% (23.6% and 24.4% in constant currency), respectively, mainly due to:

- higher capital expenditures in the American broadband services segment related to the Ohio acquisition, the geographical network expansion, and the accelerated purchases of customer premise equipment and networking equipment in order to avoid supply chain shortages impacting many industries;
- higher capital expenditures in the Canadian broadband services segment related to the maintenance, growth and expansion of Cogeco Connexion's network infrastructure; and
- the timing of certain initiatives in both the American and Canadian broadband services segments.

For the second quarter and the first six months of fiscal 2022, capital intensity reached 19.5% and 19.6%, respectively, compared to 18.2% and 18.5% for the same periods of the prior year. Capital intensity increases for both periods are explained mainly as a result of higher capital expenditures, partly offset by the revenue growth, in both the American and Canadian broadband services segments.

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

7.3 FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

For the second quarter and the first six months of fiscal 2022, changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

	Three months ended February 28,		Six months ended February 28,		
	2022	2021	**2022**	2021	Explanations
(In thousands of Canadian dollars)	**$**	$	**$**	$	
Decrease in bank indebtedness	**(13,900)**	—	**(4,460)**	(7,610)	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**172,693**	180,512	**(83,770)**	180,512	Repayment of amounts drawn under the revolving facilities in the first quarter of fiscal 2022 as a result of net proceeds used from the issuance of $500 million senior secured notes and generated free cash flow, partly offset by funds used in the second quarter to acquire the 38 spectrum licences, for which the final payment was made in December 2021, and to reimburse the $200 million Senior Secured Debentures Series 3 in February 2022.
Issuance of long-term debt, net of discounts and transaction costs	**(236)**	—	**1,611,303**	—	Mainly related to the Ohio broadband systems acquisition, which was financed in part through the issuance of a US$900 million senior secured Term B loan, and the issuance of $500 million senior secured notes in the first quarter of fiscal 2022.
Repayment of notes, debentures and credit facilities	**(205,397)**	(5,400)	**(210,834)**	(10,954)	Mainly related to the repayment of the $200 million Senior Secured Debentures Series 3, which matured in February 2022.
Repayment of lease liabilities	**(1,031)**	(1,055)	**(2,026)**	(2,143)	Comparable.
Repayment of balance due on business combinations	**—**	—	**—**	(1,258)	Repayment of the balance due related to the FiberLight acquisition in the first quarter of fiscal 2021.
Increase in deferred transaction costs	**(675)**	—	**(675)**	—	Related to the amendment and extension of the Term Revolving Facility in December 2021.
	(48,546)	174,057	**1,309,538**	158,547	

DIVIDENDS

As a result of a timing of the dividend payments, both quarterly eligible dividends of $0.705 per share declared on November 11, 2021 and on January 13, 2022, totalling $65.4 million, were paid to the holders of multiple and subordinate voting shares during the second quarter of fiscal 2022, compared to a quarterly eligible dividend of $0.64 per share, or $30.5 million, paid in the second quarter of fiscal 2021. Dividend payment in the first six months of fiscal 2022 totalled $1.41 per share or $65.4 million compared to $1.28 or $61.0 million in the prior year.

NORMAL COURSE ISSUER BID ("NCIB")

On April 30, 2021, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 2,068,000 subordinate voting shares from May 4, 2021 to May 3, 2022, representing approximately 10% percent of the public float of the Corporation's 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, the Corporation could purchase for cancellation a maximum of 1,809,000 subordinate voting shares.

The NCIB purchases were as follows:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	**$**	$	**$**	$
Subordinate voting shares purchased and cancelled	**189,425**	313,700	**463,425**	328,600
Weighted average purchase price per share	**101.58**	111.72	**105.19**	111.15
Purchase costs	**19,241**	35,046	**48,749**	36,525

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

7.4 FREE CASH FLOW

	Three months ended February 28,				
	2022 (1)	2021	Change	Change in constant currency (2) (3)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA (3)	**349,087**	306,994	13.7	13.8	(410)
Amortization of deferred transaction costs and discounts on long-term debt	**2,993**	2,323	28.8	29.2	(9)
Share-based payment	**2,417**	2,871	(15.8)	(15.8)	—
(Gain) loss on disposals and write-offs of property, plant and equipment	**(56)**	737	—	—	—
Defined benefit plans contributions, net of expense	**(999)**	(1,346)	(25.8)	(25.8)	—
Integration, restructuring and acquisition costs	**(1,451)**	(2,330)	(37.7)	(37.7)	—
Financial expense	**(44,979)**	(31,839)	41.3	41.6	101
Current income taxes	**(10,786)**	(18,373)	(41.3)	(41.3)	2
Acquisition of property, plant and equipment	**(142,195)**	(115,214)	23.4	23.6	265
Repayment of lease liabilities	**(1,031)**	(1,055)	(2.3)	(2.2)	1
Free cash flow (3)	**153,000**	142,768	7.2	7.2	(50)

(1) For the three-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2709 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2744 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.

	2022 [1]	2021	Change	Change in constant currency [2] [3]	Foreign exchange impact [2]
	Six months ended February 28,				
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Adjusted EBITDA [3]	**698,374**	618,087	13.0	14.4	(8,442)
Amortization of deferred transaction costs and discounts on long-term debt	**5,915**	4,601	28.6	31.8	(148)
Share-based payment	**3,510**	3,754	(6.5)	(6.5)	—
(Gain) loss on disposals and write-offs of property, plant and equipment	**(1,149)**	256	—	—	—
Defined benefit plans contributions, net of expense	**(921)**	(906)	1.7	1.7	—
Integration, restructuring and acquisition costs	**(20,086)**	(3,545)	—	—	848
Financial expense	**(89,934)**	(67,049)	34.1	36.7	1,694
Current income taxes	**(25,349)**	(38,235)	(33.7)	(33.5)	68
Acquisition of property, plant and equipment	**(283,223)**	(231,436)	22.4	24.4	4,717
Repayment of lease liabilities	**(2,026)**	(2,143)	(5.5)	(4.4)	22
Free cash flow [3]	**285,111**	283,384	0.6	1.0	(1,241)

(1) For the six-month period ended February 28, 2022, the average foreign exchange rate used for translation was 1.2634 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.2957 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.

For the second quarter and the first six months of fiscal 2022, free cash flow increased by 7.2% and 0.6% (7.2% and 1.0% in constant currency), respectively, mainly due to the following:

- higher adjusted EBITDA; and
- lower current income taxes, mainly attributable to the impact of a favorable tax adjustment recorded in the second quarter of fiscal 2022; partly offset by
- higher capital expenditures in both the American and Canadian broadband services segments; and
- higher financial expense.

In addition, the increase for the first six months of fiscal 2022 is also partly offset by higher integration, restructuring and acquisition costs, mainly resulting from the acquisition of the Ohio broadband systems.

7.5 DIVIDEND DECLARATION

At its April 13, 2022 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.705 per share for multiple and subordinate voting shares, payable on May 11, 2022 to shareholders of record on April 27, 2022. 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.

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

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

The variations are as follows:

	February 28, 2022	August 31, 2021	Change	Explanations
(In thousands of Canadian dollars)	**$**	$	$	
Current assets				
Cash and cash equivalents	**178,192**	365,520	(187,328)	Refer to the "Cash flows analysis" section.
Restricted cash	**163,036**	170,434	(7,398)	Mainly related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects. Long-term balance classified as current at February 28, 2022.
Trade and other receivables	**121,505**	78,346	43,159	Mainly related to a higher level of trade accounts receivable resulting from the acquisition of the Ohio broadband systems and the timing of collection of trade accounts receivable.
Income taxes receivable	**12,075**	6,063	6,012	Not significant.
Prepaid expenses and other	**36,617**	32,681	3,936	Not significant.
Derivative financial instruments	**198**	1,076	(878)	Not significant.
	511,623	654,120	(142,497)	
Current liabilities				
Bank indebtedness	**—**	4,460	(4,460)	Timing of payments made to suppliers.
Trade and other payables	**301,995**	270,497	31,498	Mainly related to the timing of payments made to suppliers and a higher level of trade and other payables resulting from the acquisition of the Ohio broadband systems.
Provisions	**22,707**	17,949	4,758	Not significant.
Income tax liabilities	**7,085**	5,800	1,285	Not significant.
Contract liabilities and other liabilities	**69,566**	57,231	12,335	Mainly related to the acquisition of the Ohio broadband systems.
Government subsidies received in advance	**163,036**	170,434	(7,398)	Mainly related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects. Long-term balance classified as current at February 28, 2022.
Derivative financial instruments	**3,623**	—	3,623	Not significant.
Current portion of long-term debt	**40,563**	225,344	(184,781)	Mainly related to the repayment of the $200 million Senior Secured Debentures Series 3, which matured in February 2022, partly offset by the current portion of the US$900 million Senior Secured Term B loan, issued during the first quarter of fiscal 2022 to finance the acquisition of the Ohio broadband systems, and by the balance due related to this acquisition.
	608,575	751,715	(143,140)	
Working capital deficiency	**(96,952)**	(97,595)	643	

8.2 OTHER SIGNIFICANT CHANGES

(In thousands of Canadian dollars)	February 28, 2022 $	August 31, 2021 $	Change $	Explanations
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. Balance classified as current at February 28, 2022.
Other assets	61,840	105,445	(43,605)	Mainly related to the reclassification of the $59 million deposit, paid in August 2021 in order to secure 38 spectrum licences in the 3500 MHz band auction, to intangible assets following the final payment made in December 2021, partly offset by other assets acquired as part of the acquisition of the Ohio broadband systems.
Property, plant and equipment	2,859,312	2,357,845	501,467	Mainly related to the acquisition of the Ohio broadband systems and to capital investments made during the first half of fiscal 2022, partly offset by the depreciation expense of the period.
Intangible assets	3,527,564	2,739,911	787,653	Mainly related to the acquisition of the Ohio broadband systems and the 38 spectrum licences acquired for a total purchase price of $295 million, partly offset by the amortization for the period.
Goodwill	1,922,127	1,476,150	445,977	Mainly related to the acquisition of the Ohio broadband systems.
Derivative financial instruments	19,475	—	19,475	Mainly related to the interest rate swap agreements entered into in connection with the new US$900 million Senior Secured Term B loan.
Non-current liabilities				
Long-term debt	4,585,645	3,046,872	1,538,773	Mainly related to the issuance of a US$900 million senior secured Term B loan to finance the Ohio broadband systems acquisition, the issuance of $500 million senior secured notes and the appreciation of the US dollar against the Canadian dollar, partly offset by the repayment of the revolving facilities and the quarterly repayments on the Senior Secured Term B Loan Facility.
Derivative financial instruments	9,518	42,000	(32,482)	Mainly related to changes in market interest rates, partly offset by a portion of the interest rate swaps balance being classified as current at February 28, 2022.
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. Balance classified as current at February 28, 2022.
Deferred tax liabilities	713,610	673,278	40,332	Mainly related to the timing of temporary differences, partly offset by the $11.9 million adjustment recognized in the first quarter of fiscal 2022 to reflect the blended state income tax rate resulting from the impact of the Ohio acquisition and the impact of a favorable tax adjustment recorded in the second quarter of fiscal 2022.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at March 31, 2022 is presented in the table below. Additional details are provided in Note 13 B) of the condensed interim consolidated financial statements.

(In thousands of Canadian dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	30,600,003	860,091
Options to purchase subordinate voting shares		
Outstanding options	975,294	
Exercisable options	515,799	

8.4 FINANCING

On September 1, 2021, in connection with the financing of the Ohio broadband systems acquisition, a U.S. subsidiary of Cogeco Communications completed the issuance of a new US$900 million tranche of the Senior Secured Term Loan B Facility, maturing on September 1, 2028. The interest rate is based on LIBOR, with a 50 bps floor, plus an applicable credit spread. On October 25, 2021, the U.S. subsidiary also entered into interest rate swap agreements to fix the interest rate on an amount of US$800 million of the new Senior Secured Term Loan B. These agreements have the effect of converting the floating US LIBOR base rate, or the 50 bps LIBOR floor if higher, into fixed rates ranging from 1.2237% to 1.4631%, plus an applicable credit spread, for maturities between October 31, 2025 and July 31, 2027.

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.

On December 17, 2021, Cogeco Communications amended and extended its $750 million Term Revolving Facility to January 24, 2027. As part of the amendments, Cogeco Communications transitioned its revolving facility into a sustainability-linked loan ("SLL") structure, underscoring its strong leadership and dedication to sustainability and the organization's ESG goals. On the same day, Cogeco, the parent company, also announced the amendment and extension of its term revolving facility. Both Cogeco's and Cogeco Communications' revolving facilities represent the first syndicated SLL in Canada within the telecommunications and media sectors. The SLL facilities incorporate ESG-linked incentive pricing terms which reduce or increase the cost of funding, depending on the annual performance against specific targets related to Cogeco's GHG annual emissions reduction and digital inclusion initiatives by deploying high-speed Internet networks in underserved and unserved areas of Canada over a three-year period. Additionally, Cogeco and Cogeco Communications will dedicate any savings achieved from the SLL towards internal sustainability initiatives.

In January 2022, Cogeco Connexion contracted a new unsecured letter of credit, which was submitted to Infrastructure Ontario as a pre-auction deposit with the application to bid in Ontario's high-speed Internet expansion program, which aims to connect unserved and underserved communities to high-speed Internet. In accordance with the rules of confidentiality established by Infrastructure Ontario pertaining to communications during the auction process, the Corporation is forbidden from disclosing the amount of this letter of credit.

The Corporation reimbursed the $200 million Senior Secured Debentures Series 3 at their maturity date, on February 14, 2022.

8.5 CREDIT RATINGS

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

At February 28, 2022	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
U.S. subsidiaries			
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.

8.6 FINANCIAL RISK MANAGEMENT

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

Credit risk

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

The Corporation reduces the credit risk with regard to the derivative financial instruments by completing transactions with financial institutions that carry a high credit rating. At February 28, 2022, management believes this credit risk to be minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P").

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

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

Liquidity risk

At February 28, 2022, the Corporation had used $172.7 million of its $750 million Term Revolving Facility for a remaining availability of $577.3 million. In addition, the U.S. subsidiaries benefit from a Senior Secured Revolving Facility of $190.5 million (US$150 million), of which $2.8 million (US$2.2 million) was used at February 28, 2022 for a remaining availability of $187.7 million (US$147.8 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At February 28, 2022, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the U.S. subsidiaries entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 28, 2022:

Type of hedge	Notional amount	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 - Tranche 1
Cash flow	US$800 million	US LIBOR base rate with a 50 bps floor	1.224% - 1.463%	October 2025 - July 2027	Senior Secured Term Loan B - Tranche 2

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate, which is only applicable to the unhedged portion of these facilities, would represent an increase of approximately $13.2 million based on the outstanding debt and swap agreements at February 28, 2022.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollar would increase the annual financial expense by approximately $12.8 million based on the outstanding debt and swap agreements at February 28, 2022.

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

The exchange rate used to translate the US dollar currency into Canadian dollar for the consolidated statement of financial position accounts at February 28, 2022 was $1.2698 ($1.2617 at August 31, 2021) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $107.2 million.

8.7 FOREIGN CURRENCY

For the three and six-month periods ended February 28, 2022 and 2021, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

	Three months ended February 28,				Six months ended February 28,			
	2022	2021	Change	Change	**2022**	2021	Change	Change
	$	$	$	%	**$**	$	$	%
US dollar vs Canadian dollar	**1.2709**	1.2744	—	(0.3)	**1.2634**	1.2957	(0.03)	(2.5)

The following table highlights in Canadian dollars, the impact of a $0.03 variation of the Canadian dollar against the US dollar, which corresponds to the variation in the exchange rate between the first six months of fiscal 2022 and 2021, on Cogeco Communications' segmented and consolidated operating results for the six-month period ended February 28, 2022:

	Canadian broadband services	American broadband services	Consolidated (1)
Six months ended February 28, 2022	Exchange rate impact	Exchange rate impact	Exchange rate impact
(In thousands of Canadian dollars)	$	$	$
Revenue	—	(18,693)	(18,693)
Operating expenses	(550)	(9,701)	(10,251)
Adjusted EBITDA	550	(8,992)	(8,442)
Acquisition of property, plant and equipment	(953)	(3,764)	(4,717)
Free cash flow			(1,241)

(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.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

On March 1, 2022, Cogeco published its sixth ESG and Sustainability report, in which it provides an update on its environmental, social and governance (ESG) performance indicators along with other information pertaining to its sustainability strategy and the progress achieved over the last two years. The report, which will henceforth be published annually, was prepared in accordance with the Global Reporting Initiative (GRI) standards and also integrates indicators from the Sustainability Accounting Standards Board (SASB) Telecommunication Standards. It provides information on Cogeco's initiatives, targets and commitments, as well as detailing the most significant challenges. Cogeco's ESG and Sustainability report is available on the Corporation's website at corpo.cogeco.com, under "Sustainability - ESG Practices (Environment, Social, Governance)".

On February 16, 2022, Cogeco Communications announced that it had been ranked among the 2022 Carbon Clean200 which recognizes publicly traded companies that are leading the way by putting sustainability at the heart of their actions helping to move the world onto a more sustainable trajectory. Furthermore, on February 1, 2022, Cogeco Communications announced that it has been included, for the first time, in the prestigious Sustainability Yearbook 2022 presented by S&P Global for its excellence in implementing best ESG business practices. In order to be listed in the Yearbook, companies must score within the 15% top performers in their industry and achieve an S&P Global ESG Score within 30% of their industry's top-performing businesses. S&P evaluated more than 7,000 companies and designated only 716 as sustainability leaders.

On December 7, 2021, Cogeco published its first Task Force on Climate Related Financial Disclosures ("TCFD") report as part of its Climate Action Plan, outlining the key steps it is taking in support of urgent climate action, as well as its processes and strategies to assess and manage climate-related risks and opportunities. Cogeco's 2021 Climate Action Plan and TCFD report is available on the Corporation's website at corpo.cogeco.com, under "Sustainability - ESG Practices (Environment, Social, Governance)".

On November 3, 2021, Cogeco announced that it was one of 45 companies globally that received His Royal Highness The Prince of Wales' Terra Carta Seal in recognition of its commitment to creating a sustainable future. This seal was awarded to companies whose ambitions are aligned with those of the Terra Carta, a recovery plan for Nature, People and Planet, launched in January 2021. Another important recognition for Cogeco is the receipt of the prestigious "A" rating from the CDP for its environmental transparency, announced on December 7, 2021. This rating, which places Cogeco in the top 2% of companies that were assessed by the CDP, demonstrates our leadership and commitment to best practices in governance, disclosure and emissions reduction. Cogeco was also recognized as a Supplier Engagement Leader by the CDP for taking climate action in our supply chain. Lastly, Cogeco and Cogeco Communications announced on December 17, 2021 that they both transitioned their term revolving facilities into the first syndicated sustainability-linked loans ("SLL") in Canada within the telecommunications and media sectors. The SLL facilities incorporate ESG-linked incentive pricing terms which reduce or increase the cost of funding, depending on the annual performance against specific targets related to Cogeco's GHG annual emissions reduction and digital inclusion initiatives by deploying high-speed Internet networks in underserved and unserved areas of Canada over a three-year period. Additionally, Cogeco and Cogeco Communications will dedicate any savings achieved from the SLL towards internal sustainability initiatives.

For details on the Corporation's ESG strategy and related achievements and priorities, please refer to the "Environmental, social and governance (ESG) practices" section of the Corporation's 2021 Annual Report and the ESG and Sustainability report published in March 2022. Detailed KPIs can be found in Cogeco's ESG data supplement, which is available on the Corporation's website at corpo.cogeco.com.

10. CONTROLS AND PROCEDURES

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

The Corporation has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of the Ohio broadband systems business acquired on September 1, 2021, as permitted by National Instrument 52-109, which allows for an issuer to limit the scope for a business it has acquired not more than 365 days before the end of the financial period to which the certificate relates. For the six-month period ended February 28, 2022, the Ohio broadband systems contributed approximately 10.2% to the consolidated revenue and approximately 11.8% to the consolidated profit for the period. As at February 28, 2022, the Ohio broadband systems represented approximately 4.6% of the current assets, 16.9% of the non-current assets, 5.0% of the current liabilities and a negligible portion of the non-current liabilities of the condensed interim consolidated financial statements. Management expects to complete its review of the design of DC&P and ICFR for the Ohio broadband systems and assess its effectiveness in the upcoming quarters. Further details on the Ohio broadband systems acquisition, including the preliminary purchase price allocation, can be found in Note 5 of the condensed interim consolidated financial statements for the three and six-month periods ended February 28, 2022.

In addition, on September 1, 2021, the Corporation's head office and Cogeco Connexion implemented a new financial system. This implementation resulted in changes to internal controls related to financial reporting for the six-month period ended February 28, 2022.

The CEO and CFO, supported by management, evaluated the design of the Corporation's DC&P and ICFR at February 28, 2022, and concluded that they are adequate.

11. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2021 Annual Report, available at www.sedar.com and corpo.cogeco.com, which are hereby incorporated by reference. The following update should be read together with the uncertainties and main risk factors described in the 2021 Annual Report.

Increasing global instability

Although Cogeco Communications does not conduct business with or within Russia and Ukraine, increasing global instability is expected to impact our operations with worsening supply chain disruptions and semiconductor/chipset shortages (e.g. transportation delays, materials scarcity as both Ukraine and Russia are primary suppliers of key inputs such as neon gas and rare metals) coupled with macro-economic forces increasing market and foreign exchange volatility, driving up fuel prices and increasing inflationary pressures limiting consumer spending capacity and rising operating expenses. In addition, governments have warned of potential coordinated cyber attacks on critical infrastructures. Cogeco Communications has risk mitigation measures in place such as advance placement of orders to secure materials and supplier diversification (alternate sourcing), and increased vigilance measures to protect against cyber attacks. Cogeco Communications will continue to follow the situation closely and adjust existing measures and/or implement new measures, as needed.

12. ACCOUNTING POLICIES

12.1 CHANGE IN ACCOUNTING POLICIES

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)

In March 2021, the IFRS Interpretations Committee finalized agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*, which clarified how to recognize certain configuration or customisation costs related to cloud computing arrangements. Management finalized its assessment of the impact of this agenda decision during the first quarter of fiscal 2022 and concluded it had no material impact on its consolidated financial statements for previously capitalized costs incurred in connection with cloud computing arrangements. As the Corporation continues to enter into certain cloud computing arrangements, mainly in connection with certain IT projects, the application of this agenda decision may have an impact on the Corporation's consolidated financial statements for future periods.

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB amended IAS 12, *Income Taxes*, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. Effective September 1, 2021, the Corporation applied these amendments, which had no impact on the consolidated financial statements.

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 *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. 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. Effective September 1, 2021, the Corporation adopted these amendments, which had no material impact on the consolidated financial statements. As the Corporation continues to monitor the reform and its related implications, the effects, if any, will be dependent on the facts and circumstances of any future changes in financial instruments and any future changes in interest rate benchmarks.

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

New standards, interpretations and amendments to standards and interpretations were issued by the IASB or the IFRS Interpretations Committee, but have not yet been applied in preparing the condensed interim 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 arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)	In September 2021, the IFRS Interpretations Committee (the "IFRIC") issued tentative agenda decision *Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (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. In March 2022, the IFRIC decided to finalize the tentative agenda decision, which will be considered by the IASB at a future meeting. The Corporation is currently assessing the impact on its consolidated financial statements, particularly in regard 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, which are currently presented as *Restricted cash*, and its related impact on the Corporation's key performance indicators.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	In February 2021, the IASB amended IAS 1, *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its accounting policies disclosure.
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.

13. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco Communications throughout this MD&A. These financial measures are reviewed in assessing the performance of the Corporation and used in the decision-making process with regard to its business units. Reconciliations between "adjusted EBITDA", "adjusted EBITDA margin", "free cash flow", "capital intensity", "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.

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

(1) 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
Indebtedness and net indebtedness	Indebtedness and net indebtedness are measures used by management and investors to assess Cogeco Communications' financial leverage, as they represent the debt and the debt net of 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

13.1 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

The reconciliation of adjusted EBITDA to the most comparable IFRS financial measure and the calculation of adjusted EBITDA margin are as follows:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
(In thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Profit for the period	**119,911**	110,559	**236,521**	225,455
Income taxes	**32,721**	35,412	**50,171**	70,934
Financial expense	**44,979**	31,839	**89,934**	67,049
Depreciation and amortization	**150,025**	126,854	**301,662**	251,104
Integration, restructuring and acquisition costs	**1,451**	2,330	**20,086**	3,545
Adjusted EBITDA	**349,087**	306,994	**698,374**	618,087
Revenue	**728,549**	634,548	**1,447,090**	1,253,461
Adjusted EBITDA margin	**47.9 %**	48.4 %	**48.3 %**	49.3 %

13.2 FREE CASH FLOW RECONCILIATION

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
(In thousands of Canadian dollars)	**$**	$	**$**	$
Cash flows from operating activities	**281,199**	231,166	**568,144**	472,891
Amortization of deferred transaction costs and discounts on long-term debt	**2,993**	2,323	**5,915**	4,601
Changes in other non-cash operating activities	**22,544**	19,953	**9,370**	25,315
Income taxes paid	**4,701**	16,529	**30,061**	58,310
Current income taxes	**(10,786)**	(18,373)	**(25,349)**	(38,235)
Interest paid	**40,554**	39,278	**72,153**	61,130
Financial expense	**(44,979)**	(31,839)	**(89,934)**	(67,049)
Acquisition of property, plant and equipment	**(142,195)**	(115,214)	**(283,223)**	(231,436)
Repayment of lease liabilities	**(1,031)**	(1,055)	**(2,026)**	(2,143)
Free cash flow	**153,000**	142,768	**285,111**	283,384

13.3 CAPITAL INTENSITY RECONCILIATION

The calculation of capital intensity is as follows:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
(In thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**142,195**	115,214	**283,223**	231,436
Revenue	**728,549**	634,548	**1,447,090**	1,253,461
Capital intensity	**19.5 %**	18.2 %	**19.6 %**	18.5 %

13.4 INDEBTEDNESS AND NET INDEBTEDNESS RECONCILIATION

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

	At February 28, 2022	At August 31, 2021
(In thousands of Canadian dollars)	**$**	$
Long-term debt, including the current portion	**4,626,208**	3,272,216
Discounts, transaction costs and other	**58,679**	43,032
Bank indebtedness	**—**	4,460
Indebtedness	**4,684,887**	3,319,708
Cash and cash equivalents	**(178,192)**	(365,520)
Net indebtedness	**4,506,695**	2,954,188

14. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

	Fiscal 2022		Fiscal 2021				Fiscal 2020	
Three months ended	February 28, 2022	November 30, 2021	August 31, 2021	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020
(In thousands of Canadian dollars, except percentages and per share data)	$	$	$	$	$	$	$	$
Operations								
Revenue	728,549	718,541	632,684	624,308	634,548	618,913	605,168	605,821
Adjusted EBITDA	349,087	349,287	290,570	296,999	306,994	311,093	294,535	294,717
Adjusted EBITDA margin	47.9 %	48.6 %	45.9 %	47.6 %	48.4 %	50.3 %	48.7 %	48.6 %
Integration, restructuring and acquisition costs	1,451	18,635	3,974	1,225	2,330	1,215	3,955	12
Profit for the period	119,911	116,610	103,406	102,786	110,559	114,896	96,148	96,724
Profit for the period attributable to owners of the Corporation	111,275	106,837	96,200	95,702	102,936	106,679	90,834	90,771
Cash flow								
Cash flows from operating activities	281,199	286,945	281,547	264,621	231,166	241,725	254,745	282,229
Acquisition of property, plant and equipment	142,195	141,028	175,180	126,570	115,214	116,222	128,195	123,653
Free cash flow	153,000	132,111	71,423	132,070	142,768	140,616	111,372	116,158
Capital intensity	19.5 %	19.6 %	27.7 %	20.3 %	18.2 %	18.8 %	21.2 %	20.4 %
Per share data (1)								
Earnings per share								
Basic	2.40	2.29	2.05	2.02	2.16	2.24	1.90	1.89
Diluted	2.38	2.27	2.03	2.01	2.14	2.22	1.88	1.87
Dividends per share	0.705	0.705	0.64	0.64	0.64	0.64	0.58	0.58

(1) Per multiple and subordinate voting share.

14.1 SEASONAL VARIATIONS

Cogeco Communications' 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.

COGECO COMMUNICATIONS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six-month periods ended February 28, 2022

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

		Three months ended February 28,		Six months ended February 28,	
	Notes	**2022**	2021	**2022**	2021
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*3*	**728,549**	634,548	**1,447,090**	1,253,461
Operating expenses	*6*	**373,891**	321,701	**737,565**	623,669
Management fees – Cogeco Inc.	*17*	**5,571**	5,853	**11,151**	11,705
Integration, restructuring and acquisition costs	*4*	**1,451**	2,330	**20,086**	3,545
Depreciation and amortization	*7*	**150,025**	126,854	**301,662**	251,104
Financial expense	*8*	**44,979**	31,839	**89,934**	67,049
Profit before income taxes		**152,632**	145,971	**286,692**	296,389
Income taxes	*9*	**32,721**	35,412	**50,171**	70,934
Profit for the period		**119,911**	110,559	**236,521**	225,455
Profit for the period attributable to:					
Owners of the Corporation		**111,275**	102,936	**218,112**	209,615
Non-controlling interest		**8,636**	7,623	**18,409**	15,840
		119,911	110,559	**236,521**	225,455
Earnings per share					
Basic	*10*	**2.40**	2.16	**4.69**	4.39
Diluted	*10*	**2.38**	2.14	**4.65**	4.36

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**119,911**	110,559	**236,521**	225,455
Other comprehensive income (loss)				
Items to be subsequently reclassified to profit or loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**37,921**	11,781	**48,839**	20,173
Related income taxes	**(10,049)**	(3,122)	**(12,942)**	(5,345)
	27,872	8,659	**35,897**	14,828
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**(14,974)**	(40,844)	**13,132**	(52,400)
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**3,666**	10,920	**(3,159)**	13,923
Related income taxes	**30**	112	**(23)**	137
	(11,278)	(29,812)	**9,950**	(38,340)
	16,594	(21,153)	**45,847**	(23,512)
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**2,617**	2,801	**3,090**	5,520
Related income taxes	**(694)**	(742)	**(819)**	(1,463)
	1,923	2,059	**2,271**	4,057
	18,517	(19,094)	**48,118**	(19,455)
Comprehensive income for the period	**138,428**	91,465	**284,639**	206,000
Comprehensive income for the period attributable to:				
Owners of the Corporation	**132,811**	92,126	**263,585**	200,796
Non-controlling interest	**5,617**	(661)	**21,054**	5,204
	138,428	91,465	**284,639**	206,000

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

	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 13)		*(Note 14)*			
Balance at August 31, 2020	984,963	16,347	(7,117)	1,274,053	373,504	2,641,750
Profit for the period	—	—	—	209,615	15,840	225,455
Other comprehensive (loss) income for the period	—	—	(12,876)	4,057	(10,636)	(19,455)
Comprehensive (loss) income for the period	—	—	(12,876)	213,672	5,204	206,000
Issuance of subordinate voting shares under the Stock Option Plan	1,437	—	—	—	—	1,437
Share-based payment (Notes 13 D) and 17)	—	2,710	—	—	—	2,710
Share-based payment previously recorded in share-based payment reserve for options exercised	229	(229)	—	—	—	—
Dividends (Note 13 C))	—	—	—	(61,025)	—	(61,025)
Purchase and cancellation of subordinate voting shares	(9,211)	—	—	(27,314)	—	(36,525)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(4,439)	—	—	—	—	(4,439)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	4,957	(4,799)	—	(158)	—	—
Total distributions to shareholders	(7,027)	(2,318)	—	(88,497)	—	(97,842)
Balance at February 28, 2021	977,936	14,029	(19,993)	1,399,228	378,708	2,749,908
Balance at August 31, 2021	**958,251**	**16,889**	**(17,994)**	**1,457,998**	**391,183**	**2,806,327**
Profit for the period	**—**	**—**	**—**	**218,112**	**18,409**	**236,521**
Other comprehensive income for the period	**—**	**—**	**43,202**	**2,271**	**2,645**	**48,118**
Comprehensive income for the period	**—**	**—**	**43,202**	**220,383**	**21,054**	**284,639**
Issuance of subordinate voting shares under the Stock Option Plan	**222**	**—**	**—**	**—**	**—**	**222**
Share-based payment (Notes 13 D) and 17)	**—**	**3,644**	**—**	**—**	**—**	**3,644**
Share-based payment previously recorded in share-based payment reserve for options exercised	**32**	**(32)**	**—**	**—**	**—**	**—**
Dividends (Note 13 C))	**—**	**—**	**—**	**(65,376)**	**—**	**(65,376)**
Purchase and cancellation of subordinate voting shares	**(13,023)**	**—**	**—**	**(35,726)**	**—**	**(48,749)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(4,865)**	**—**	**—**	**—**	**—**	**(4,865)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**4,401**	**(3,325)**	**—**	**(1,076)**	**—**	**—**
Total (distributions to) contributions by shareholders	**(13,233)**	**287**	**—**	**(102,178)**	**—**	**(115,124)**
Balance at February 28, 2022	**945,018**	**17,176**	**25,208**	**1,576,203**	**412,237**	**2,975,842**

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

(In thousands of Canadian dollars)	*Notes*	**February 28, 2022** $	August 31, 2021 $
Assets			
Current			
Cash and cash equivalents		**178,192**	365,520
Restricted cash		**163,036**	170,434
Trade and other receivables		**121,505**	78,346
Income taxes receivable		**12,075**	6,063
Prepaid expenses and other		**36,617**	32,681
Derivative financial instruments		**198**	1,076
		511,623	654,120
Non-current			
Restricted cash		**—**	13,100
Other assets	*11*	**61,840**	105,445
Property, plant and equipment		**2,859,312**	2,357,845
Intangible assets	*11*	**3,527,564**	2,739,911
Goodwill		**1,922,127**	1,476,150
Derivative financial instruments		**19,475**	—
Pension plan assets		**728**	—
Deferred tax assets		**4,597**	5,121
		8,907,266	7,351,692
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**—**	4,460
Trade and other payables		**301,995**	270,497
Provisions		**22,707**	17,949
Income tax liabilities		**7,085**	5,800
Contract liabilities and other liabilities		**69,566**	57,231
Government subsidies received in advance		**163,036**	170,434
Derivative financial instruments		**3,623**	—
Current portion of long-term debt	*12*	**40,563**	225,344
		608,575	751,715
Non-current			
Long-term debt	*12*	**4,585,645**	3,046,872
Derivative financial instruments		**9,518**	42,000
Contract liabilities and other liabilities		**7,638**	8,547
Government subsidies received in advance		**—**	13,100
Pension plan liabilities and accrued employee benefits		**6,438**	9,853
Deferred tax liabilities		**713,610**	673,278
		5,931,424	4,545,365
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*13 B)*	**945,018**	958,251
Share-based payment reserve		**17,176**	16,889
Accumulated other comprehensive income (loss)	*14*	**25,208**	(17,994)
Retained earnings		**1,576,203**	1,457,998
		2,563,605	2,415,144
Equity attributable to non-controlling interest		**412,237**	391,183
		2,975,842	2,806,327
		8,907,266	7,351,692

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

		Three months ended February 28,		Six months ended February 28,	
	Notes	2022	2021	2022	2021
(In thousands of Canadian dollars)		$	$	$	$
Cash flows from operating activities					
Profit for the period		119,911	110,559	236,521	225,455
Adjustments for:					
Depreciation and amortization	7	150,025	126,854	301,662	251,104
Financial expense	8	44,979	31,839	89,934	67,049
Income taxes	9	32,721	35,412	50,171	70,934
Share-based payment		2,417	2,871	3,510	3,754
(Gain) loss on disposals and write-offs of property, plant and equipment		(56)	737	(1,149)	256
Defined benefit plans contributions, net of expense		(999)	(1,346)	(921)	(906)
		348,998	306,926	679,728	617,646
Changes in other non-cash operating activities	15 A)	(22,544)	(19,953)	(9,370)	(25,315)
Interest paid		(40,554)	(39,278)	(72,153)	(61,130)
Income taxes paid		(4,701)	(16,529)	(30,061)	(58,310)
		281,199	231,166	568,144	472,891
Cash flows from investing activities					
Acquisition of property, plant and equipment		(142,195)	(115,214)	(283,223)	(231,436)
Acquisition of spectrum licences	11	(236,073)	—	(236,073)	—
Business combinations, net of cash and cash equivalents acquired	5	—	(384,296)	(1,427,658)	(394,296)
Proceeds on disposals of property, plant and equipment		13	836	13	1,824
		(378,255)	(498,674)	(1,946,941)	(623,908)
Cash flows from financing activities					
Decrease in bank indebtedness		(13,900)	—	(4,460)	(7,610)
Net increase (decrease) under the revolving facilities		172,693	180,512	(83,770)	180,512
Issuance of long-term debt, net of discounts and transaction costs		(236)	—	1,611,303	—
Repayment of notes, debentures and credit facilities		(205,397)	(5,400)	(210,834)	(10,954)
Repayment of lease liabilities		(1,031)	(1,055)	(2,026)	(2,143)
Repayment of balance due on business combinations		—	—	—	(1,258)
Increase in deferred transaction costs		(675)	—	(675)	—
Issuance of subordinate voting shares	13 B)	117	1,165	222	1,437
Purchase and cancellation of subordinate voting shares	13 B)	(19,241)	(35,046)	(48,749)	(36,525)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	13 B)	—	—	(4,865)	(4,439)
Dividends paid	13 C)	(65,376)	(30,481)	(65,376)	(61,025)
		(133,046)	109,695	1,190,770	57,995
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		(691)	(4,996)	699	(7,302)
Net change in cash and cash equivalents		(230,793)	(162,809)	(187,328)	(100,324)
Cash and cash equivalents, beginning of the period		408,985	428,982	365,520	366,497
Cash and cash equivalents, end of the period		178,192	266,173	178,192	266,173

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation") is a telecommunications corporation operating through its business units Cogeco Connexion and Breezeline (formerly Atlantic Broadband). Cogeco Communications provides Internet, video and phone services to residential and business customers in Quebec and Ontario in Canada as well as in twelve states in the United States.

On September 1, 2021, a U.S. subsidiary of Cogeco Communications completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio.

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which as of February 28, 2022 held 33.8% of the Corporation's equity shares, representing 83.6% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim financial reporting*, as issued by the International Accounting Standards Board ("IASB") and do not include all the information required for annual financial statements. Certain information and footnote disclosure normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2021 annual consolidated financial statements.

The condensed interim consolidated financial statements have been prepared with the same accounting policies and methods of computation followed by the Corporation in its 2021 annual consolidated financial statements. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements, except as described in Note 2.

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

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

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

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on April 13, 2022.

2. ACCOUNTING POLICY DEVELOPMENTS

A) CHANGE IN ACCOUNTING POLICIES

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)

In March 2021, the IFRS Interpretations Committee finalized agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*, which clarified how to recognize certain configuration or customisation costs related to cloud computing arrangements. Management finalized its assessment of the impact of this agenda decision during the first quarter of fiscal 2022 and concluded it had no material impact on its consolidated financial statements for previously capitalized costs incurred in connection with cloud computing arrangements. As the Corporation continues to enter into certain cloud computing arrangements, mainly in connection with certain IT projects, the application of this agenda decision may have an impact on the Corporation's consolidated financial statements for future periods.

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB amended IAS 12, *Income Taxes*, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. Effective September 1, 2021, the Corporation applied these amendments, which had no impact on the consolidated financial statements.

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 *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. 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. Effective September 1, 2021, the Corporation adopted these amendments, which had no material impact on the consolidated financial statements. As the Corporation continues to monitor the reform and its related implications, the effects, if any, will be dependent on the facts and circumstances of any future changes in financial instruments and any future changes in interest rate benchmarks.

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

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

New standards, interpretations and amendments to standards and interpretations were issued by the IASB or the IFRS Interpretations Committee, but have not yet been applied in preparing these condensed interim 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 arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)	In September 2021, the IFRS Interpretations Committee (the "IFRIC") issued tentative agenda decision *Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (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. In March 2022, the IFRIC decided to finalize the tentative agenda decision, which will be considered by the IASB at a future meeting. The Corporation is currently assessing the impact on its consolidated financial statements, particularly in regard 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, which are currently presented as *Restricted cash*, and its related impact on the Corporation's key performance indicators.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	In February 2021, the IASB amended IAS 1, *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its accounting policies disclosure.
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.

3. REVENUE

						Three months ended February 28,
	Canadian broadband services		**American broadband services**			**Consolidated**
	2022	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$
Residential [(1)]	**322,966**	317,947	**308,211**	242,145	**631,177**	560,092
Commercial	**39,037**	36,648	**53,849**	33,453	**92,886**	70,101
Other	**320**	307	**4,166**	4,048	**4,486**	4,355
	362,323	354,902	**366,226**	279,646	**728,549**	634,548

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

						Six months ended February 28,
	Canadian broadband services		**American broadband services**			**Consolidated**
	2022	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$
Residential [(1)]	**638,184**	611,373	**625,524**	491,010	**1,263,708**	1,102,383
Commercial	**78,244**	70,665	**94,228**	67,870	**172,472**	138,535
Other	**942**	873	**9,968**	11,670	**10,910**	12,543
	717,370	682,911	**729,720**	570,550	**1,447,090**	1,253,461

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

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

4. OPERATING SEGMENTS

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

The Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers, as well as business services across their coverage areas. The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Quebec and Ontario and the American broadband services activities are carried out by Breezeline (formerly Atlantic Broadband) in twelve states in the United 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.

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

				Three months ended February 28, 2022
	Canadian broadband services	American broadband services	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	362,323	366,226	—	728,549
Operating expenses	169,307	196,436	8,148	373,891
Management fees – Cogeco Inc.	—	—	5,571	5,571
Segment profit (loss)	193,016	169,790	(13,719)	349,087
Integration, restructuring and acquisition costs (1)				1,451
Depreciation and amortization				150,025
Financial expense				44,979
Profit before income taxes				152,632
Income taxes				32,721
Profit for the period				119,911
Acquisition of property, plant and equipment	67,763	73,178	1,254	142,195
Acquisition of spectrum licences	236,073	—	—	236,073

(1) Comprised primarily of costs incurred in connection with the ongoing integration of the Ohio broadband systems, which were acquired on September 1, 2021.

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

	Three months ended February 28, 2021			
	Canadian broadband services	American broadband services	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	354,902	279,646	—	634,548
Operating expenses	165,194	150,117	6,390	321,701
Management fees – Cogeco Inc.	—	—	5,853	5,853
Segment profit (loss)	189,708	129,529	(12,243)	306,994
Integration, restructuring and acquisition costs (1)				2,330
Depreciation and amortization				126,854
Financial expense				31,839
Profit before income taxes				145,971
Income taxes				35,412
Profit for the period				110,559
Acquisition of property, plant and equipment	57,454	57,559	201	115,214

(1) Comprised primarily of costs related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

	Six months ended February 28, 2022			
	Canadian broadband services	**American broadband services**	**Corporate and eliminations**	**Consolidated**
	$	**$**	**$**	**$**
Revenue	**717,370**	**729,720**	**—**	**1,447,090**
Operating expenses	**336,493**	**384,166**	**16,906**	**737,565**
Management fees – Cogeco Inc.	**—**	**—**	**11,151**	**11,151**
Segment profit (loss)	**380,877**	**345,554**	**(28,057)**	**698,374**
Integration, restructuring and acquisition costs (1)				**20,086**
Depreciation and amortization				**301,662**
Financial expense				**89,934**
Profit before income taxes				**286,692**
Income taxes				**50,171**
Profit for the period				**236,521**
Acquisition of property, plant and equipment	**135,234**	**146,405**	**1,584**	**283,223**
Acquisition of spectrum licences	**236,073**	**—**	**—**	**236,073**

(1) Comprised primarily of costs incurred in connection with the acquisition, completed on September 1, 2021, and ongoing integration of the Ohio broadband systems.

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

	Six months ended February 28, 2021			
	Canadian broadband services	American broadband services	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	682,911	570,550	—	1,253,461
Operating expenses	307,089	302,495	14,085	623,669
Management fees – Cogeco Inc.	—	—	11,705	11,705
Segment profit (loss)	375,822	268,055	(25,790)	618,087
Integration, restructuring and acquisition costs (1)				3,545
Depreciation and amortization				251,104
Financial expense				67,049
Profit before income taxes				296,389
Income taxes				70,934
Profit for the period				225,455
Acquisition of property, plant and equipment	123,064	106,906	1,466	231,436

(1) Comprised primarily of costs related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

5. BUSINESS COMBINATIONS

BUSINESS COMBINATION IN FISCAL 2022

Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Breezeline (formerly Atlantic Broadband), completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio ("Ohio broadband systems") for a purchase price of $1.418 billion (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, Breezeline 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 196,338 Internet, 54,598 video and 33,604 telephony customers at the acquisition date. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to its existing U.S. 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 senior secured Term B loan maturing in September 2028 and excess cash on hand.

The Corporation is currently assessing the fair value of the assets acquired and the liabilities assumed at the date of acquisition, for which the valuation process of certain assets remains to be finalized. The preliminary allocation of the purchase price was based on the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition, which is subject to material adjustments until the fair value assessment is 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 over the coming quarters. Final adjustment to the purchase price allocation could also impact depreciation, amortization and income tax expenses recognized since the initial accounting of the Ohio broadband systems business acquisition.

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

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

	At February 28, 2022	At November 30, 2021
	Preliminary	Preliminary, as previously presented
	$	$
Purchase price		
Base purchase price	1,418,288	1,418,288
Closing adjustment	9,370	9,370
Consideration paid at closing	1,427,658	1,427,658
Balance due on a business combination	3,152	3,152
	1,430,810	1,430,810
Net assets acquired		
Current assets	18,827	18,835
Other non-current assets	9,600	9,600
Property, plant and equipment	487,054	487,632
Intangible assets	497,977	497,977
Goodwill	432,890	432,870
Current liabilities	(14,220)	(14,415)
Non-current liabilities	(1,318)	(1,689)
	1,430,810	1,430,810

The amount of goodwill, which is expected to be 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 $22.2 million (US$17.6 million), of which $18.2 million (US$14.4 million) were recognized in the current year ($4.0 million or US$3.2 million in 2021), within *Integration, restructuring and acquisition costs* in the Corporation's consolidated statement of profit and loss.

During the three and six-month periods ended February 28, 2022, with regard to the operations generated by the acquisition of the Ohio broadband systems, the Corporation recognized $75.0 million and $148.3 million of revenue, respectively, and $12.1 million and $28.0 million of profit, respectively, which excludes acquisition and integration costs, financial expense and income taxes. The results of operations of the Ohio broadband systems are reported in the American broadband services operating segment.

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

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. During the first quarter of fiscal 2022, the Corporation finalized the purchase price allocation and, as a result, adjustments were made to *Property, plant and equipment, Intangible assets, Goodwill* and *Provisions*. The impact of this final adjustment on the consolidated statements of profit or loss was not material.

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

	At November 30, 2021	At August 31, 2021
	Final	Preliminary
	$	$
Purchase price		
Consideration paid at closing	403,000	403,000
Working capital adjustments	(7,710)	(7,710)
	395,290	395,290
Net assets acquired		
Cash and cash equivalents acquired	204	204
Current assets	6,694	6,694
Property, plant and equipment	226,311	235,001
Intangible assets	50,600	41,350
Goodwill	141,282	139,842
Provisions and other current liabilities	(29,801)	(27,801)
	395,290	395,290

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.

6. OPERATING EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	2022	2021
	$	$	$	$
Salaries, employee benefits and outsourced services	107,030	99,095	212,801	190,922
Service delivery costs	200,419	173,348	397,056	339,312
Customer related costs	30,739	20,818	57,818	40,425
Other external purchases	35,703	28,440	69,890	53,010
	373,891	321,701	737,565	623,669

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

7. DEPRECIATION AND AMORTIZATION

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Depreciation of property, plant and equipment (1)	**135,394**	117,193	**272,584**	226,608
Amortization of intangible assets	**14,631**	9,661	**29,078**	24,496
	150,025	126,854	**301,662**	251,104

(1) Includes depreciation of right-of-use assets amounting to $1.5 million and $2.7 million for the three and six-month periods of fiscal 2022, respectively ($1.4 million and $3.0 million in fiscal 2021).

8. FINANCIAL EXPENSE

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Interest on long-term debt, excluding interest on lease liabilities	**45,021**	32,081	**87,657**	65,406
Interest on lease liabilities	**324**	324	**634**	662
Net foreign exchange gain	**(1,323)**	(1,483)	**(51)**	(677)
Amortization of deferred transaction costs related to the revolving facilities	**175**	185	**358**	396
Other	**782**	732	**1,336**	1,262
	44,979	31,839	**89,934**	67,049

9. INCOME TAXES

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Current	**10,786**	18,373	**25,349**	38,235
Deferred	**21,935**	17,039	**24,822**	32,699
	32,721	35,412	**50,171**	70,934

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

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Profit before income taxes	**152,632**	145,971	**286,692**	296,389
Combined Canadian income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %
Income taxes at combined Canadian income tax rate	**40,447**	38,682	**75,973**	78,543
Difference in operations' statutory income tax rates	**83**	1,135	**(44)**	1,766
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**192**	215	**89**	329
Tax impacts related to foreign operations	**(7,208)**	(4,892)	**(13,769)**	(10,035)
Other (1)	**(793)**	272	**(12,078)**	331
Income taxes at effective income tax rate	**32,721**	35,412	**50,171**	70,934
Effective income tax rate	**21.4%**	24.3%	**17.5 %**	23.9 %

(1) Primarily related to the reduction of the blended state income tax rate applied to the U.S. temporary tax differences, following the Ohio broadband systems acquisition in the first quarter of fiscal 2022.

10. EARNINGS PER SHARE

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Profit for the period attributable to owners of the Corporation	**111,275**	102,936	**218,112**	209,615
Weighted average number of multiple and subordinate voting shares outstanding	**46,372,951**	47,699,244	**46,485,109**	47,712,338
Effect of dilutive stock options (1)	**180,832**	221,132	**203,018**	214,941
Effect of dilutive incentive share units	**76,818**	72,404	**73,047**	74,166
Effect of dilutive performance share units	**95,290**	100,316	**94,650**	102,869
Weighted average number of diluted multiple and subordinate voting shares outstanding	**46,725,891**	48,093,096	**46,855,824**	48,104,314

(1) For the three and six-month periods ended February 28, 2022, 331,815 and 176,990 stock options (188,030 in 2021) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

11. INTANGIBLE ASSETS

Following the 3500 MHz band auction held by Innovation, Science and Economic Development ("ISED") Canada ended on July 23, 2021, Cogeco Connexion acquired 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. On December 16, 2021, the Corporation made the $236 million final payment. The unsecured letter of credit of $150 million, submitted in connection with this transaction, was cancelled on December 20, 2021, following the final payment.

The $59 million spectrum licences deposit was previously classified with *Other Assets*, as Cogeco Connexion did not have the right to commercially use the licences. During the second quarter of fiscal 2022, following the final payment made and upon obtaining the right to commercially use the spectrum licences in December, the Corporation reclassified the $59 million deposit from *Other Assets* to *Intangible assets*. Accordingly, at February 28, 2022, the total $295 million spectrum licences acquired in the 3500 MHz band auction are presented as *Intangible assets with an indefinite useful life* in the consolidated statement of financial position. Intangible assets with an indefinite useful life are not amortized, but are tested for impairment annually and whenever there is an indication that the intangible assets may be impaired.

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

12. LONG-TERM DEBT

	February 28, 2022	August 31, 2021
	$	$
Notes, debentures and credit facilities	**4,585,152**	3,234,816
Lease liabilities	**37,881**	37,400
Balance due on business combinations	**3,175**	—
	4,626,208	3,272,216
Less current portion	**40,563**	225,344
	4,585,645	3,046,872

NOTES, DEBENTURES AND CREDIT FACILITIES

	Maturity	Interest rate		February 28, 2022	August 31, 2021
		%		$	$
Corporation					
Term Revolving Facility [a]					
Revolving loan	January 2027	—		—	52,972
Revolving loan – US$136 million (US$160 million at August 31, 2021)	January 2027	1.41	(1) (2)	**172,693**	201,872
Senior Secured Notes					
Series A - US$25 million	September 2024	4.14		**31,702**	31,491
Series B - US$150 million	September 2026	4.29		**190,078**	188,823
Senior Secured Notes - US$215 million	June 2025	4.30		**272,499**	270,686
Senior Secured Notes [b]	September 2031	2.99		**496,961**	—
Senior Secured Debentures Series 3 [c]	—	—		—	199,895
Senior Secured Debentures Series 4	May 2023	4.18		**299,550**	299,371
U.S. subsidiaries					
First Lien Credit Facilities [d]					
Senior Secured Term Loan B Facility					
Tranche 1 - US$1,601.3 million (US$1,609.8 million at August 31, 2021)	January 2025	2.21	(1) (3)	**1,997,795**	1,989,706
Tranche 2 - US$900 million [e]	September 2028	3.00	(1) (4)	**1,123,874**	—
Senior Secured Revolving Facility	July 2024	—		—	—
				4,585,152	3,234,816
Less current portion				**33,015**	221,344
				4,552,137	3,013,472

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

(2) An amount of US$136 million drawn under the Corporation's Term Revolving Facility was hedged until March 31, 2022, using a cross-currency swap agreement which sets the amount redeemable at maturity at $173.2 million and the effective interest rate on the Canadian dollar equivalent at 1.59%.

(3) As of February 28, 2022, a U.S. subsidiary had entered into interest rate swap agreements to fix the interest rate on an amount of US$770 million of the Senior Secured Term Loan B Facility - Tranche 1. 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. Taking into account these agreements, the effective interest rate on the Tranche 1 of the Senior Secured Term Loan B Facility is 3.13%.

(4) As of February 28, 2022, a U.S. subsidiary had entered into interest rate swap agreements to fix the interest rate on an amount of US$800 million of the Senior Secured Term Loan B Facility - Tranche 2. These agreements have the effect of converting the floating US LIBOR base rate, or the 50 bps LIBOR floor if higher, into fixed rates ranging from 1.2237% to 1.4631%, plus an applicable credit spread, for maturities between October 31, 2025 and July 31, 2027. Taking into account these agreements, the effective interest rate on the Tranche 2 of the Senior Secured Term Loan B Facility is 3.73%.

In January 2022, Cogeco Connexion contracted a new unsecured letter of credit, which was submitted to Infrastructure Ontario as a pre-auction deposit with the application to bid in Ontario's high-speed Internet expansion program, which aims to connect unserved and underserved communities to high-speed Internet. In accordance with the rules of confidentiality established by Infrastructure Ontario pertaining to communications during the auction process, the Corporation is forbidden from disclosing the amount of this letter of credit.

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

a) On December 17, 2021, Cogeco Communications amended and extended its $750 million Term Revolving Facility to January 24, 2027. As part of the amendments, Cogeco Communications transitioned its revolving facility into a sustainability-linked loan ("SLL") structure, underscoring its strong leadership and dedication to sustainability and the organization's Environmental, social and governance (ESG) goals. The SLL facility incorporates ESG-linked incentive pricing terms which reduce or increase the cost of funding, depending on the annual performance against specific targets related to Cogeco's GHG annual emissions reduction and digital inclusion initiatives by deploying high-speed Internet networks in underserved and unserved areas of Canada over a three-year period.

b) 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. The interest on the Senior Secured Notes is payable semi-annually. These notes 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 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 the Corporation and most of its Canadian subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries.

c) The Corporation reimbursed the Senior Secured Debentures Series 3 at their maturity date, on February 14, 2022.

d) The First Lien Credit Facilities are non-recourse to the Corporation and most of its Canadian subsidiaries.

e) On September 1, 2021, in connection with the financing of the Ohio broadband systems acquisition, a U.S. subsidiary of Cogeco Communications completed the issuance of a new US$900 million tranche of the Senior Secured Term Loan B Facility, maturing on September 1, 2028. The interest rate is based on LIBOR, with a 50 bps floor, plus an applicable credit spread. The Senior Secured Term Loan B - Tranche 2 is subject to a quarterly amortization of 0.25% starting on May 31, 2022 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 the U.S. subsidiary's ratio of net senior secured indebtedness / adjusted EBITDA ("leverage ratio") is greater than or equal to 5.1;
   (ii) 25% if the U.S. subsidiary's leverage ratio is greater than or equal to 4.6 but less than 5.1; and
   (iii) 0% if the U.S. subsidiary's leverage ratio is less than 4.6.

13. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

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

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	February 28, 2022	August 31, 2021
	$	$
15,691,100 multiple voting shares	**98,346**	98,346
30,694,223 subordinate voting shares (31,154,698 at August 31, 2021)	**862,667**	875,436
	961,013	973,782
78,630 subordinate voting shares held in trust under the Incentive Share Unit Plan (73,987 at August 31, 2021)	**(7,134)**	(6,403)
96,932 subordinate voting shares held in trust under the Performance Share Unit Plan (103,587 at August 31, 2021)	**(8,861)**	(9,128)
	945,018	958,251

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

During the first six months of fiscal 2022, subordinate voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2021	31,154,698	875,436
Shares issued for cash under the Stock Option Plan	2,950	222
Share-based payment previously recorded in share-based payment reserve for options exercised	—	32
Purchase and cancellation of subordinate voting shares (1)	(463,425)	(13,023)
Balance at February 28, 2022	**30,694,223**	**862,667**

(1) During the second quarter and the first six months of fiscal 2022, under its Normal Course Issuer Bid ("NCIB") program, the Corporation purchased and cancelled 189,425 and 463,425 (313,700 and 328,600 in 2021) subordinate voting shares with an average stated value of $5.3 million and $13.0 million ($8.8 million and $9.2 million in 2021), for consideration of $19.2 million and $48.7 million ($35.0 million and $36.5 million in 2021). The excess of the purchase price over the average stated value of the shares totalled $13.9 million and $35.7 million ($26.3 million and $27.3 million in 2021) and was charged to retained earnings.

Normal course issuer bid

On April 30, 2021, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 2,068,000 subordinate voting shares from May 4, 2021 to May 3, 2022, representing approximately 10% percent of the public float of the Corporation's 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, the Corporation could purchase for cancellation a maximum of 1,809,000 subordinate voting shares.

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

Subordinate voting shares held in trust

During the first six months of fiscal 2022, the transactions pertaining to the subordinate voting shares held in trust under the Incentive Share Unit Plan were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2021	73,987	6,403
Subordinate voting shares acquired	23,053	2,324
Subordinate voting shares distributed to employees	(18,410)	(1,593)
Balance at February 28, 2022	**78,630**	**7,134**

During the first six months of fiscal 2022, the transactions pertaining to the subordinate voting shares held in trust under the Performance Share Unit Plan were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2021	103,587	9,128
Subordinate voting shares acquired	25,208	2,541
Subordinate voting shares distributed to employees	(31,863)	(2,808)
Balance at February 28, 2022	**96,932**	**8,861**

C) DIVIDENDS

During the six-month period ended February 28, 2022, quarterly eligible dividends of $0.705 per share, for a total of $1.41 per share or $65.4 million, were declared and paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.64 per share, for a total of $1.28 per share or $61.0 million, during the six-month period ended February 28, 2021.

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Dividends on multiple voting shares	**11,062**	10,043	**22,124**	20,085
Dividends on subordinate voting shares	**21,599**	20,438	**43,252**	40,940
	32,661	30,481	**65,376**	61,025

At its April 13, 2022 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.705 per share for multiple and subordinate voting shares, payable on May 11, 2022 to shareholders of record on April 27, 2022.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries and a Stock Option Plan to its executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors. A detailed description of these plans can be found in the 2021 annual consolidated financial statements of the Corporation.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at February 28, 2022:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2021	**835,074**	**81.73**
Granted	**154,825**	**100.78**
Exercised [(1)]	**(2,950)**	**75.37**
Cancelled	**(10,075)**	**99.52**
Outstanding at February 28, 2022	**976,874**	**84.58**
Exercisable at February 28, 2022	**517,379**	**73.31**

(1) The weighted average share price for options exercised during the six-month period was $101.84.

The weighted average fair value of stock options granted for the six-month period ended February 28, 2022 was $17.37 per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	%
Expected dividend yield	**2.81**
Expected volatility	**24.35**
Risk-free interest rate	**1.56**
Expected life (in years)	**6.0**

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at February 28, 2022:

Outstanding at August 31, 2021	**68,835**
Granted [(1)]	**27,775**
Distributed	**(18,410)**
Cancelled	**(1,450)**
Outstanding at February 28, 2022	**76,750**

(1) The weighted average fair value of the ISUs granted during the six-month period was $100.78.

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

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at February 28, 2022:

Outstanding at August 31, 2021	**96,183**
Granted [(1)]	**33,025**
Performance-based additional units granted	**443**
Distributed	**(31,863)**
Cancelled	**(3,320)**
Dividend equivalents	**1,307**
Outstanding at February 28, 2022	**95,775**

(1) The weighted average fair value of the PSUs granted during the six-month period was $100.78.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at February 28, 2022:

Outstanding at August 31, 2021	**59,280**
Issued [(1)]	**10,862**
Dividend equivalents	**890**
Outstanding at February 28, 2022	**71,032**

(1) The weighted average fair value of the DSUs issued during the six-month period was $99.38.

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Stock options	**230**	115	**451**	383
ISUs	**660**	532	**1,119**	1,005
PSUs	**517**	402	**825**	580
DSUs	**424**	1,068	**(55)**	856
	1,831	2,117	**2,340**	2,824

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2020	(52,184)	45,067	(7,117)
Other comprehensive income (loss)	14,828	(27,704)	(12,876)
Balance at February 28, 2021	(37,356)	17,363	(19,993)
Balance at August 31, 2021	**(30,870)**	**12,876**	**(17,994)**
Other comprehensive income	**35,897**	**7,305**	**43,202**
Balance at February 28, 2022	**5,027**	**20,181**	**25,208**

15. ADDITIONAL CASH FLOWS INFORMATION

A) CHANGES IN OTHER NON-CASH OPERATING ACTIVITIES

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Trade and other receivables	**(16,910)**	(17,939)	**(24,559)**	(20,304)
Prepaid expenses and other	**(645)**	1,370	**(2,127)**	(10,006)
Other assets	**(3,006)**	(446)	**(5,194)**	(1,160)
Trade and other payables	**(4,353)**	(8,000)	**21,275**	7,060
Provisions	**2,302**	1,406	**3,058**	802
Contract liabilities and other liabilities	**68**	3,656	**(1,823)**	(1,707)
	(22,544)	(19,953)	**(9,370)**	(25,315)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

		Long-term debt			
Six months ended February 28, 2022	Bank indebtedness	Notes, debentures and credit facilities	Lease liabilities	Balance due on business combinations	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Balance at August 31, 2021	**4,460**	**3,234,816**	**37,400**	**—**	**3,276,676**
Decrease in bank indebtedness	**(4,460)**	**—**	**—**	**—**	**(4,460)**
Net decrease under the revolving facilities	**—**	**(83,770)**	**—**	**—**	**(83,770)**
Issuance of long-term debt, net of discounts and transaction costs	**—**	**1,611,303**	**—**	**—**	**1,611,303**
Repayment of notes, debentures and credit facilities	**—**	**(210,834)**	**—**	**—**	**(210,834)**
Repayment of lease liabilities	**—**	**—**	**(2,026)**	**—**	**(2,026)**
Total cash flows (used in) from financing activities excluding equity	**(4,460)**	**1,316,699**	**(2,026)**	**—**	**1,310,213**
Interest paid on lease liabilities	**—**	**—**	**(628)**	**—**	**(628)**
Total cash flow changes	**(4,460)**	**1,316,699**	**(2,654)**	**—**	**1,309,585**
Effect of changes in foreign exchange rates	**—**	**25,716**	**74**	**23**	**25,813**
Amortization of discounts, transaction costs and other	**—**	**7,921**	**—**	**—**	**7,921**
Net increase in lease liabilities	**—**	**—**	**1,808**	**—**	**1,808**
Assumed through business combinations	**—**	**—**	**1,253**	**—**	**1,253**
Increase in balance due on business combinations	**—**	**—**	**—**	**3,152**	**3,152**
Total non-cash changes	**—**	**33,637**	**3,135**	**3,175**	**39,947**
Balance at February 28, 2022	**—**	**4,585,152**	**37,881**	**3,175**	**4,626,208**

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

16. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Credit risk

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

The Corporation reduces the credit risk with regard to the derivative financial instruments by completing transactions with financial institutions that carry a high credit rating. At February 28, 2022, management believes this credit risk to be minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P").

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

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

Liquidity risk

At February 28, 2022, the Corporation had used $172.7 million of its $750 million Term Revolving Facility for a remaining availability of $577.3 million. In addition, the U.S. subsidiaries benefit from a Senior Secured Revolving Facility of $190.5 million (US$150 million), of which $2.8 million (US$2.2 million) was used at February 28, 2022 for a remaining availability of $187.7 million (US$147.8 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At February 28, 2022, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the U.S. subsidiaries entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 28, 2022:

Type of hedge	Notional amount	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 - Tranche 1
Cash flow	US$800 million	US LIBOR base rate with a 50 bps floor	1.224% - 1.463%	October 2025 - July 2027	Senior Secured Term Loan B - Tranche 2

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate, which is only applicable to the unhedged portion of these facilities, would represent an increase of approximately $13.2 million based on the outstanding debt and swap agreements at February 28, 2022.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollar would increase the annual financial expense by approximately $12.8 million based on the outstanding debt and swap agreements at February 28, 2022.

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

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

The exchange rate used to translate the US dollar currency into Canadian dollar for the consolidated statement of financial position accounts at February 28, 2022 was $1.2698 ($1.2617 at August 31, 2021) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $107.2 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		February 28, 2022		August 31, 2021
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Notes, debentures and credit facilities	4,585,152	4,642,214	3,234,816	3,347,701

C) CAPITAL MANAGEMENT

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

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

At February 28, 2022 and August 31, 2021, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

	February 28, 2022	August 31, 2021
Net indebtedness (1) / adjusted EBITDA (2)	3.5	2.4
Adjusted EBITDA (2) / financial expense (2)	8.7	9.7

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended February 28, 2022, which includes 6 months of the Ohio broadband services operations, and for the year ended August 31, 2021, which includes 8.5 months of DERYtelecom operations.

17. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which as of February 28, 2022 held 33.8% of the Corporation's equity shares, representing 83.6% of the votes attached to the Corporation's voting shares.

Cogeco provides executive and administrative services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three and six-month periods ended February 28, 2022, management fees paid to Cogeco amounted to $5.6 million and $11.2 million, respectively, compared to $5.9 million and $11.7 million for the same periods of fiscal 2021.

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

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the six-month periods ended February 28, 2022 and 2021, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, and issued DSUs to Board directors of Cogeco, as shown in the following table:

	Six months ended February 28,	
	2022	2021
Stock options	**72,200**	69,200
PSUs	**10,100**	10,375
DSUs	**—**	792

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Stock options	**277**	266	**609**	611
ISUs	**—**	—	**—**	6
PSUs	**270**	275	**640**	125
DSUs	**39**	213	**(79)**	188
	586	754	**1,170**	930

PRIMARY SERVICE UNIT STATISTICS

	February 28, 2022	November 30, 2021 (1)	August 31, 2021	May 31, 2021	February 28, 2021 (2)
CONSOLIDATED					
Primary service units	**3,219,221**	3,233,564	2,972,073	2,976,391	2,982,402
Internet service customers	**1,640,651**	1,635,082	1,436,201	1,427,752	1,416,325
Video service customers	**1,006,650**	1,019,510	982,708	989,698	1,001,077
Telephony service customers	**571,920**	578,972	553,164	558,941	565,000
CANADA					
Homes passed	**1,991,129**	1,984,397	1,976,617	1,975,004	1,970,483
Primary service units	**1,991,371**	1,997,006	2,002,083	2,002,736	2,010,049
Internet service customers	**921,043**	918,304	915,684	909,901	905,321
Penetration as a percentage of homes passed	**46.3%**	46.3%	46.3%	46.1%	45.9%
Video service customers	**667,629**	672,781	677,194	680,456	687,486
Penetration as a percentage of homes passed	**33.5%**	33.9%	34.3%	34.5%	34.9%
Telephony service customers	**402,699**	405,921	409,205	412,379	417,242
Penetration as a percentage of homes passed	**20.2%**	20.5%	20.7%	20.9%	21.2%
UNITED STATES					
Homes passed	**1,632,689**	1,630,411	936,519	935,520	929,323
Primary service units (3)	**1,227,850**	1,236,558	969,990	973,655	972,353
Internet service customers	**719,608**	716,778	520,517	517,851	511,004
Penetration as a percentage of homes passed	**44.1%**	44.0%	55.6%	55.4%	55.0%
Video service customers	**339,021**	346,729	305,514	309,242	313,591
Penetration as a percentage of homes passed	**20.8%**	21.3%	32.6%	33.1%	33.7%
Telephony service customers	**169,221**	173,051	143,959	146,562	147,758
Penetration as a percentage of homes passed	**10.4%**	10.6%	15.4%	15.7%	15.9%

(1) On September 1, 2021, 284,540 primary service units (196,338 Internet services, 54,598 video services and 33,604 telephony services) were added related to the acquisition of the Ohio broadband systems.

(2) 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.

(3) The percentage of homes passed reflects a lower penetration of the Ohio broadband systems, which were acquired during the first quarter of fiscal 2022.