

Evolving today for a stronger tomorrow

2023 ANNUAL REPORT



 **COGECO**

A world of your **very own**

Profile

Rooted in the communities it serves, Cogeco Inc. is a growing competitive force in the North American telecommunications and media sectors, serving 1.6 million residential and business customers. Its Cogeco Communications Inc. subsidiary provides Internet, video and phone services in Canada, as well as in thirteen states in the United States through its business units Cogeco Connexion and Breezeline. Through Cogeco Media, it owns and operates 21 radio stations primarily in the province of Québec as well as a news agency. Cogeco's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CGO). The subordinate voting shares of Cogeco Communications Inc. are also listed on the Toronto Stock Exchange (TSX: CCA).

Evolving today for a stronger tomorrow

Evolution is a continuous process and is always critical to long-term growth and development. Cogeco can look ahead to the future with confidence because we have proven our ability to evolve and succeed.

As we set up for success in a transforming and challenging market that is filled with opportunities, we build on our strengths and leverage the agility that comes with our mid-size scale, our unique North American broadband platform, our quality customer service, our leading network of radio stations and our people-centric culture.

We invest to ensure our networks deliver new capabilities. We expand our services to meet the evolving needs of our customers and to better capture growth opportunities. We harness our unique market position in Canada and the United States to bring our community-first approach to new areas. We strengthen our operations through improved efficiencies and innovation. We build on our digital-first approach to always put the customer at the center of everything we do.

Cogeco is evolving every day, supporting a sustained focus on its mission of bringing people together through powerful communications and entertainment experiences, and building a business that delivers the best and most sustainable value to all our stakeholders – our customers, our shareholders, our employees, and the communities where we live and work.

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2023 financial performance

(In thousands of Canadian dollars, except homes passed, Internet service customers, per share data and percentages)

Homes passed

2023	2,056,180 1,743,888	+3.4%	3,800,068
2022	1,998,418 1,677,939	+26.9%	3,676,357
2021	1,960,036 936,519		2,896,555

Canadian telecommunications | American telecommunications

Internet service customers

2023	854,703 671,762	+3.1%	1,526,465
2022	772,600 707,438	+15.9%	1,480,038
2021	756,054 520,517		1,276,571

Canadian telecommunications | American telecommunications

Revenue

2023		+2.9%	3,081,136
2022		+15.0%	2,995,012
2021			2,603,845

Adjusted EBITDA¹

2023		+1.9%	1,432,929
2022		+14.7%	1,405,588
2021			1,225,468

Profit for the year

2023		(23.5)%	350,235
2022		+4.3%	457,755
2021			439,015

¹ Adjusted EBITDA is a total of segments measure. This indicated term does not have a standardized definition prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more information on this financial measure, including references to the specific sections within the Management's Discussion and Analysis ("MD&A"), as applicable, for the reconciliations to the most directly comparable IFRS financial measures, please consult the "Non-IFRS and other financial measures" section of the fiscal 2023 MD&A, available on SEDAR+ at www.sedarplus.ca. Fiscal 2021 reconciliations to the most directly comparable IFRS financial measures have been incorporated by reference and can be found in the "Non-IFRS and other financial measures" section of the Corporation's 2022 annual MD&A, available on SEDAR+ at www.sedarplus.ca.

Profit attributable to owners of the Corporation and diluted earnings per share

2023	(52.6)% 70,630	(51.9)%	\$4.51
2022	+5.1% 149,108	+5.6%	\$9.37
2021	141,856		\$8.87

Adjusted profit attributable to owners of the Corporation¹ and adjusted diluted earnings per share¹

2023	(4.7)% 149,297	(3.2)%	\$9.53
2022	+8.9% 156,684	+9.6%	\$9.85
2021	143,816		\$8.99

Cash flows from operating activities

2023	(23.1)%	968,214
2022	+22.2%	1,258,427
2021		1,029,767

Free cash flow¹ and free cash flow, excluding network expansion projects¹

2023	(2.7)%	421,430
	+0.6%	594,265
2022	(13.1)%	433,181
	+18.5% ²	590,470
2021		498,273

● Free cash flow
● Free cash flow, excluding network expansion projects

Dividend per share

2023	+17.0%	\$2.92
2022	+14.7%	\$2.50
2021		\$2.18

¹ Free cash flow and free cash flow, excluding network expansion projects are non-IFRS financial measures. Adjusted diluted earnings per share is a non-IFRS ratio. Adjusted profit attributable to owners of the Corporation is a non-IFRS financial measure and is a component of adjusted diluted earnings per share. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, including references to the specific sections within the MD&A, as applicable, for the reconciliations to the most directly comparable IFRS financial measures, please consult the "Non-IFRS and other financial measures" section of the fiscal 2023 MD&A, available on SEDAR+ at www.sedarplus.ca. Fiscal 2021 free cash flow reconciliations to the most directly comparable IFRS financial measures have been incorporated by reference and can be found in the "Non-IFRS and other financial measures" section of the Corporation's 2022 annual MD&A, available on SEDAR+ at www.sedarplus.ca.

² Calculated by taking into consideration the fiscal 2022 net capital expenditures in connection with network expansion projects, compared to the fiscal 2021 actual free cash flow, in order to provide a common basis for comparing the impact of the net capital expenditures prior to the acceleration of the network expansion projects in fiscal 2022.

Financial highlights

Years ended August 31 <i>(In thousands of Canadian dollars, except percentages and per share data)</i>	2023 \$	2022 \$	Change %	Change in constant currency ^{1,2} %
OPERATIONS				
Revenue	3,081,136	2,995,012	2.9	0.1
Adjusted EBITDA ²	1,432,929	1,405,588	1.9	(0.6)
Acquisition, integration, restructuring and other costs ³	36,245	35,029	3.5	
Impairment of goodwill and intangible assets	88,000	—	—	
Profit for the year	350,235	457,755	(23.5)	
Profit for the year attributable to owners of the Corporation	70,630	149,108	(52.6)	
Adjusted profit attributable to owners of the Corporation ^{2,4}	149,298	156,684	(4.7)	
CASH FLOW				
Cash flows from operating activities	968,214	1,258,427	(23.1)	
Free cash flow ²	421,430	433,181	(2.7)	(2.0)
Free cash flow, excluding network expansion projects ²	594,265	590,470	0.6	—
Acquisition of property, plant and equipment	806,237	747,608	7.8	
Net capital expenditures ²	702,913	691,866	1.6	(2.4)
Net capital expenditures, excluding network expansion projects ²	530,078	534,577	(0.8)	(4.7)
PER SHARE DATA⁵				
Earnings per share				
Basic	4.53	9.43	(52.0)	
Diluted	4.51	9.37	(51.9)	
Adjusted diluted ^{2,4}	9.53	9.85	(3.2)	
Dividends per share	2.924	2.500	17.0	

1 Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the prior year. For the year ended August 31, 2022, the average foreign exchange rate used for translation was 1.2718 USD/CDN.

2 Adjusted EBITDA and net capital expenditures are total of segments measures. Adjusted profit attributable to owners of the Corporation, free cash flow, free cash flow, excluding network expansion projects and net capital expenditures, excluding network expansion projects are non-IFRS financial measures. Change in constant currency and adjusted diluted earnings per share are non-IFRS ratios. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, including references to the specific sections within the MD&A, as applicable, for the reconciliations to the most directly comparable IFRS financial measures, please consult the "Non-IFRS and other financial measures" section of the fiscal 2023 MD&A, available on SEDAR+ at www.sedarplus.ca.

3 For the year ended August 31, 2023, acquisition, integration, restructuring and other costs resulted mostly from costs related to the ongoing integration of past acquisitions as well as acquisition and integration costs incurred in connection with the acquisition of oxio, completed on March 3, 2023, from restructuring costs associated with organizational changes during the fourth quarter of fiscal 2023 within the Canadian and the American telecommunications segments, from a retroactive adjustment of \$3.3 million recognized during the third quarter of fiscal 2023, in addition to a \$5.1 million adjustment recognized in the second quarter, both related to the Copyright Board preliminary conclusions of the 2016-2018 retransmission tariffs, impacting those years and estimated costs for the following years, and from configuration and customization costs related to cloud computing arrangements. For the year ended August 31, 2022, acquisition, integration, restructuring and other costs resulted mostly from acquisition and integration costs incurred in connection with the acquisition, completed on September 1, 2021, of the Ohio broadband systems, from restructuring costs associated with organizational changes during the fourth quarter of fiscal 2022 within the Canadian telecommunications segment, resulting in cost optimization, from costs associated with configuration and customization related to cloud computing arrangements as well as from integration costs related to the DERYtecom acquisition.

4 Excludes the impact of non-cash impairment charges, and acquisition, integration, restructuring and other costs, net of tax and non-controlling interest.

5 Per multiple and subordinate voting share.

As at <i>(In thousands of Canadian dollars, except percentages)</i>	August 31, 2023 \$	August 31, 2022 \$
FINANCIAL CONDITION		
Cash and cash equivalents	363,854	379,001
Total assets	9,869,778	9,468,025
Long-term debt		
Current	43,325	340,468
Non-current	5,045,672	4,398,142
Net indebtedness ¹	4,817,113	4,545,809
Equity attributable to owners of the Corporation	925,863	919,843
Return on equity ²	7.7%	17.2%

¹ Net indebtedness is a capital management measure. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section of the Corporation's MD&A for the year ended August 31, 2023, available on SEDAR+ at www.sedarplus.ca.

² Return on equity is a supplementary financial measure and is calculated as profit attributable to owners of the Corporation for the year divided by the average of the equity attributable to owners of the Corporation for the year.



MESSAGE TO SHAREHOLDERS

"In fiscal year 2023 we further evolved our longer-term strategic objectives as well as met increasing customer needs while facing increased competition in a world characterized by global economic uncertainty."

- Louis Audet



Message from the Chairman of the Board

Dear shareholders,

In fiscal year 2023 we further evolved our longer-term strategic objectives as well as met increasing customer needs while facing increased competition in a world characterized by global economic uncertainty.

I am pleased to report that management responded by continuing to execute successfully, delivering sound business performance, providing distinctive customer service, and driving forward with our vision of delivering the best and most sustainable value to our customers, communities, colleagues, suppliers and shareholders.

Progress is evident across all our businesses. Our ambitious broadband network expansion program in Canada and the United States is connecting our brands to more homes, our digital initiatives have enhanced our customer service and product offerings, and the acquisition of the digital Internet brand oxio has expanded our reach in Canada. In addition, our progress in developing our mobile services positions us well for future growth and our radio business is gradually transforming into a multi-platform audio content provider. As a result, Cogeco's annual revenue reached \$3.1 billion.

We have continued to build on the attributes that already set us apart: our unique North American broadband platform, strong network of radio

stations, reliable and resilient networks, innovative products and services, solid relationships with our local communities, customer-centric mindset and people-focused culture.

These achievements continue to be underpinned by robust sustainability practices to drive long-term growth. Our commitments are centered on the key actions of reducing our environmental footprint, implementing strong governance practices and supporting our key stakeholders, namely our shareholders, customers, colleagues and suppliers.

We remain focused on long-term value creation. We are committed to a balanced approach to capital allocation, including making important investments in our growth, while returning significant capital to shareholders. Building on our history of capital distributions, Cogeco's dividend was raised once more and, with the increase announced today, will align with the dividend of our operating company Cogeco Communications in the upcoming fiscal year.

I would like to thank the members of our Board of Directors for their commitment to the success of your company. Their business acumen, experience, strategic thinking, cohesion, and critical insight are immensely helpful to management. I wish to take this opportunity to express my appreciation to Patricia Curadeau-Grou who has

served on the Board of Cogeco Inc. and on the Board of Cogeco Communications Inc. for 12 years. Throughout those years, she has been an active member of several committees where her extensive experience such as deal making, strategy and risk management, were a distinct asset and have been particularly helpful to the Board.

I would also like to commend the management team for their progress against our strategy. A special thank you to our employees for their dedication and commitment to the company's core values and strategy to ensure our continued success which rests on customer satisfaction.

And to our shareholders, as always, I thank you for your continued trust and confidence.

Sincerely,



LOUIS AUDET
Chairman of the Board

Message from the President and CEO

Every day, all of us at Cogeco take action to fulfill our mission of bringing people together through powerful communications and entertainment experiences.

Cogeco today is a growing competitive force in the telecommunications and media sectors. We are strategically building our business by delivering a distinctive customer experience, empowering our teams to thrive and supporting our communities. The agility and efficiency that comes with our mid-size scale, our unique North American broadband platform, our quality customer service and our people-focused culture are all key differentiators that set us apart.

The increasing digitization of society is creating exciting growth opportunities. Younger generations are overwhelmingly adopting digital solutions. There is increasing demand in the marketplace for bandwidth and mobile services. High-speed Internet access and digital inclusion continue to be societal priorities, generating opportunities for network expansion in collaboration with governments. In addition, the proliferation of audio content on digital platforms represents new opportunities.

Today, we navigate in a more difficult and uncertain economic environment that requires us to continuously innovate and drive execution to achieve our goals. Moreover, the market dynamics have changed. The Canadian telecommunications market has consolidated and we have seen increased competitive pressure in the U.S. telecommunication market. What's more, the radio broadcasting sector is going through a major transformation with increasing presence of global digital advertising platforms.

Through all of this, with our focus on execution, and our smart and strategic growth, we are delivering solid returns.

In fiscal 2023, our consolidated revenue increased by 3% to reach \$3.1 billion, while adjusted EBITDA also increased

by 2% to \$1.4 billion. Profit for the year reached \$350.2 million, cash flows from operating activities \$1.0 billion and free cash flow before network expansion projects \$594.3 million. We continued to take a balanced approach to capital allocation by maintaining prudent leverage while investing in the growth of the business – including through network enhancement and expansion, business acquisitions and developing our mobile offering – and returning significant capital to shareholders through share buybacks and increased dividends. Dividends paid to our shareholders increased by 17% to \$2.92 per share.

Delivering on our strategy

During the year, we made significant progress on delivering our strategy. Our priority is to strengthen our core foundation through a distinctive customer experience, high quality product offering, solid brands, increased digitization and improved operational efficiencies while we focus our actions on six growth vectors:

1- PURSUE NETWORK EXPANSION

- We are growing our footprint and reducing the digital divide by leveraging government support programs. During fiscal 2023, our fibre-to-the-home Internet network expansion projects in both Canada and the United States added close to 124,000 homes passed. Since fiscal 2021, these projects have driven a 7% expansion of our network.

2- EVOLVE OUR WIRELINE NETWORK

- We are evolving our fibre-powered broadband network to meet increasing bandwidth demand and changing customer needs. During the year, we pursued the integration of technological advancements in our network to further improve speed, performance, and capacity, and maximize system resiliency and reliability, thereby improving the customer experience.

3- EXPAND IN NEW CUSTOMER SEGMENTS

- We are adopting a multi-brand approach to serve new demographics and customer segments. During the last year, we expanded our service offering to include a digital-only experience for a younger generation of residential customers through the acquisition of the oxio brand in Canada. This gives Cogeco Connexion a second brand to serve the telecommunications needs of Canadians. We also pursued our plans to enter the mobile market, which will enable us to reach more customers and provide existing customers with a bundled fixed-mobile offering. In radio, we expanded our customer base by attracting new advertisers from different industries.

4- LAUNCH AND GROW MOBILE SERVICES

- We are preparing to launch mobile services using a capital efficient model. By enhancing our offering, we will expand our addressable market and capture a larger share of wallet in telecommunications. In fiscal 2023, we achieved key milestones on this path. We purchased additional wireless spectrum to reach spectrum coverage of 95% of our Canadian broadband footprint. We initiated negotiations with national incumbents to access their networks and met the terms and conditions for this access outlined by the industry regulator. We also initiated plans to enter the U.S. wireless market through mobile virtual network operator ("MVNO") arrangements currently in use in the States we serve.

5- MAKE ACCRETIVE AND COMPLEMENTARY ACQUISITIONS

- We are pursuing growth through acquisition of complementary businesses to expand our footprint geographically and to broaden our capabilities and service offerings. The recent acquisition of the telecommunication operations of oxio, an attractive digital brand with high customer satisfaction, is a good example.

6- TRANSFORM OUR RADIO BUSINESS

- We are pursuing the

transformation of our radio business into a multi-platform audio content provider. We have created new digital content and increased our digital presence while adapting our systems and operations. We also further tailored our radio programming to align with regional interests and audience demographics.

Making an impact for our people and our communities

At the heart of our strategy is our wish to see our colleagues achieve their full potential. Our teamwork and our highly collaborative environment are key to our success. This is especially important as we operate in a less predictable environment that requires creativity and flexibility. Our high engagement scores tell us we are on the right path. To build on this strength, we honed our people strategy during the year, putting more focus on enabling our teams to make an even greater impact. This includes increased investments in leadership capabilities and on building opportunities, creating tools and solidifying our culture to further empower our customer facing teams.

As we strive to build a more sustainable and inclusive future, we remain committed to delivering our sustainability strategy. We do this through our long-standing tradition of social engagement and community involvement, prioritizing digital inclusion and climate action, implementing leading operating practices and pursuing our responsible and ethical management.

As we look forward to taking on the challenges and opportunities that the new fiscal year brings, I am honored to have the support of a talented and engaged team of more than 5,200 employees, who

embody our values of innovation, customer commitment, teamwork, respect and social engagement. I also wish to acknowledge the contribution of our talented Board to our success.

I am thankful for the support of our customers, communities and shareholders. All of us at Cogeco come to work each day to do our very best for you.



PHILIPPE JETTÉ
President &
Chief Executive
Officer



2023 in review



Pursued investments to expand our fibre-powered network in Canada and the United States

by connecting close to 124,000 homes and businesses, several in collaboration with governments to increase digital inclusion.



Pursued our business expansion with the acquisition of the telecommunication operations of oxio,

enabling us to adopt a multi-brand approach to serve new customer demographic segments in Canada.



« Progressed in our plans to enter the mobile services market in Canada,

by initiating negotiations with national incumbents to access their networks, advancing the development of our wireless network and go-to-market plans, and acquiring additional spectrum reaching 95% footprint coverage.

Remained focused on elevating the customer experience

by enhancing our product offering and digital initiatives, introducing convenient self-service options, giving more customers access to content on TV and on mobile devices inside and outside the home through our IPTV services, integrating technological advancements in our fibre-powered network and providing leading audio programming consistently holding strong Numeris rankings.



Accelerated the digital transformation of our radio business

by building our first multi-format broadcasting studio and by selecting a solution to renew our digital content delivery platforms.





Continued to make an impact on the growth, engagement and development of our people

by increasing our investments in leadership capabilities, further empowering our customer-facing teams, and fostering a more inclusive workplace through the establishment of three new employee-led resource groups (Abilities, Multicultural and Pride) in addition to our Women Connect group.





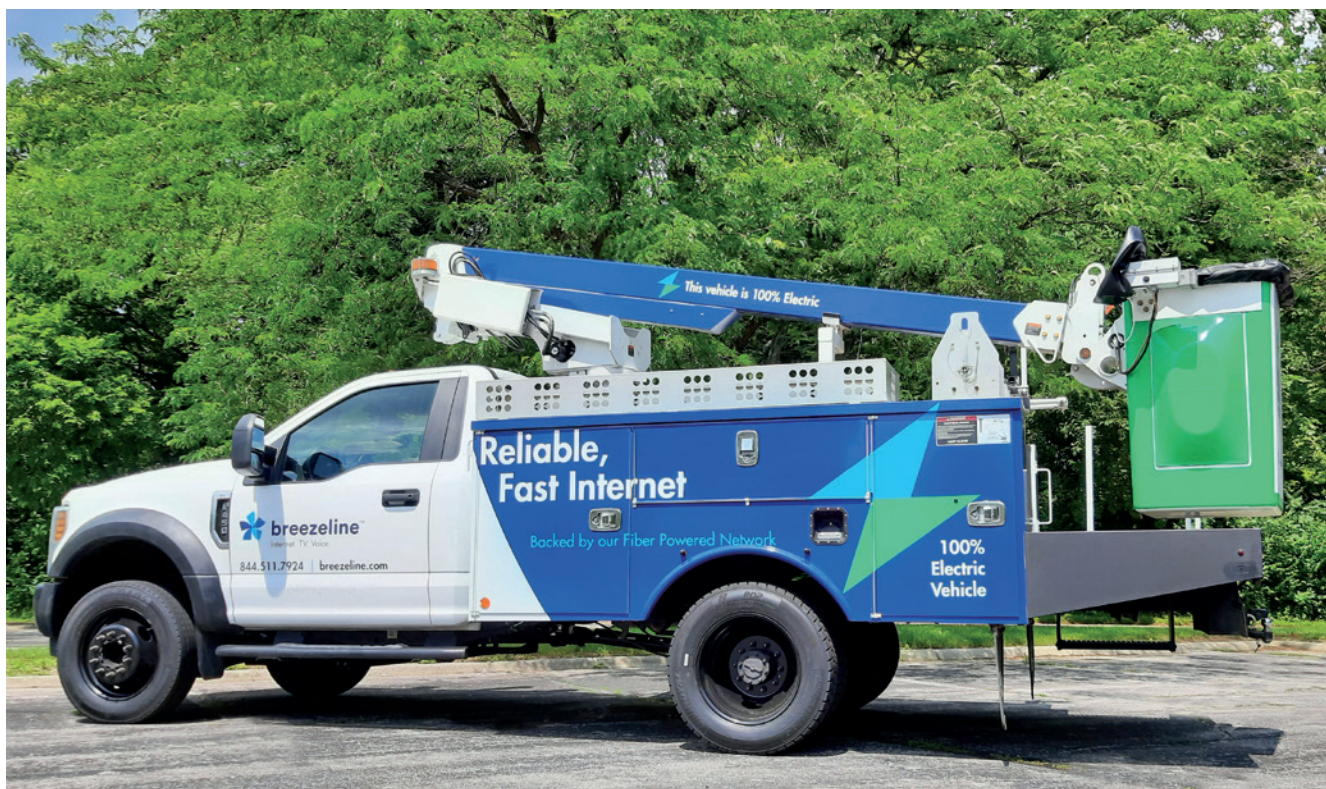
Donated 3.8% of our pre-tax profits to non-profit organizations in our communities

to support local initiatives aimed at promoting social inclusion and diversity, fostering digital equity, protecting the environment, and advancing education.



Pursued the execution of our climate action roadmap

through fleet electrification and other initiatives.



Management's discussion and analysis ("MD&A")

MD&A

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1. Forward-looking statements

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, purchase price allocation, tax rates, weighted average cost of capital, performance and business prospects and opportunities, which Cogeco believes are reasonable as of the current date. Refer in particular to the "Corporate objectives and strategies" and "Fiscal 2024 financial guidelines" sections of the present MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks (including changing competitive ecosystems and disruptive competitive strategies adopted by our competitors), business risks, regulatory risks, technology risks (including cybersecurity), financial risks (including variations in currency and interest rates), economic conditions (including inflation pressuring revenue, reduced consumer spending and increasing costs), talent management risks (including highly competitive market for limited pool of digitally skilled employees), human-caused and natural threats to the Corporation's network (including increased frequency of extreme weather events with the potential to disrupt operations), infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks, litigation risks and public health and safety, many of which are beyond the Corporation's control. Moreover, the Corporation's radio operations are significantly exposed to advertising budgets from the retail industry, which can fluctuate due to changing economic conditions. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and main risk factors" section of the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco and future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2023.

In preparing this MD&A, the Corporation has taken into account information available up to November 1, 2023, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Information Form, is available on SEDAR+ at www.sedarplus.ca or on the Corporation's website at corpo.cogeco.com.

2. Overview of the business

Cogeco is a diversified holding corporation which operates in the telecommunications and media sectors. The Corporation's results are reported in two operating segments: Canadian telecommunications and American telecommunications. The reporting structure reflects how the Corporation manages its business activities, makes decisions about resources to be allocated to the segments and assesses their performance.

2.1 Canadian and American telecommunications segments

Description of services

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

The Canadian telecommunications activities are carried out by Cogeco Connexion in Canada and the American telecommunications activities are carried out by Breezeline in 13 U.S. states: Connecticut, Delaware, Florida, Maine, Maryland, Massachusetts, New Hampshire, New York, Ohio, Pennsylvania, South Carolina, Virginia and West Virginia. In fiscal 2023, Cogeco Connexion completed the acquisition of the telecommunication operations of oxio, serving customers in Québec, Ontario and the western provinces. With this acquisition, Cogeco Connexion now has a second brand to serve the telecommunication needs of Canadians.

The following four services represent our core suite of offerings:

Internet services: We offer a wide range of Internet packages with top download speeds of up to 1 Gbps for residential customers and up to 10 Gbps for commercial customers in Canada and the United States. We also offer best-in-class managed Wi-Fi, with home Wi-Fi solutions. These solutions improve the overall customer experience by providing expanded Wi-Fi coverage with enhanced reliability and consistent speed in every area of the home. Both Cogeco Connexion and Breezeline's home Wi-Fi solutions include self-installation devices which are provided to customers on a rental basis and work with any of the available gateways or modems. We also offer e-mail solutions as well as a simple and complete Internet security suite to our Internet customers with automatic updates to protect their desktop and mobile devices. As an added benefit, Internet customers can connect wirelessly to the Internet at no extra cost from designated Wi-Fi Internet hotspots in our Canadian and American footprints.

Video services: We offer our customers a full array of digital video services and programming offerings. Our customers have access to a basic service, various digital tier packages, pay-per-view ("PPV") channels, video on demand ("VOD") services, advanced video services and an Internet protocol television ("IPTV") service. Along with the launch of Cogeco Connexion's new user interface in fiscal 2023 and through Breezeline's Stream TV application, Cogeco video services are now available on retail devices such as Apple TV, Roku, Samsung, and Amazon Fire TV allowing for customers to watch what they want on multiple screens.

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

Business services: We offer to our business customers, depending on the area, a wide range of Internet packages, video services, voice services and other advanced network connectivity services, such as dedicated fibre, session initiation protocol ("SIP") or primary rate interface ("PRI") trunking solutions and hosted private branch exchange ("HPBX") solutions, as well as managed business Wi-Fi ("MBW").

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

Networks and infrastructure

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

Cogeco Connexion's distribution network covers a large territory from Western Ontario to Eastern Québec. Breezeline's distribution network covers 13 states along the East Coast of the United States, from Maine to Florida as well as Pennsylvania and Ohio. Each of Cogeco Connexion and Breezeline's core transport networks have a broad reach and are designed to easily interconnect, at very high speed, their many local distribution systems to video content providers, other telecommunications provider networks, software application providers and the Internet.

For residential services, Cogeco Connexion and Breezeline are constantly densifying optical fibres to nodes serving small clusters of homes passed, with multiple fibres per node, to rapidly increase speed and capacity of the system when necessary. This "just in time" process, known as "node splitting", leads to further improve the quality and reliability while increasing the capacity of two-way services such as Internet, interactive video services and phone and optimizing the efficiency of capital investments. The HFC distribution infrastructure is designed with radio frequency ("RF") capacity of up to 1.8 GHz of bandwidth capacity, depending on the market served and customer needs.

This hybrid combination of fibre optic and coaxial cable is the most efficient choice when it comes to delivering the highest quality networks with efficient capital investments in the Corporation's operating footprint. Cogeco Connexion and Breezeline are also deploying FTTH technology in all new residential developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. Cogeco Connexion and Breezeline's current FTTH deployment utilizes Passive Optical Networking ("PON") technology, as it is a robust solution offering customers symmetrical speeds.

Cogeco Connexion and Breezeline use CableLabs' DOCSIS technology to deliver Internet and business services over HFC networks. DOCSIS has numerous advanced features to ensure continuous transmission and high-quality service delivery. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds and to provide other products such as symmetrical services, which are particularly well suited for commercial customer applications. Cogeco Connexion offers Internet download speeds of up to 1 Gbps in approximately 77% of its footprint and at least 120 Mbps in virtually all of its footprint and Breezeline offers up to 1 Gbps Internet download speeds to approximately 97% of its footprint of serviceable homes and businesses. Higher speed packages are available to businesses and on a bespoke basis. Cogeco Connexion and Breezeline intend to continue deploying Gbps speeds in the coming years using the DOCSIS 3.1 technology and selectively deploy DOCSIS 4.0, capable of offering 8 to 10 Gbps download speeds.

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

2.2 Media activities

Cogeco Media, one of Québec's largest radio broadcasters, owns and operates 21 radio stations, delivering varied and complementary programming to a wide range of audiences. Stations include 98.5 in Montréal, the most listened to station in Canada in the last Numeris surveys of spring 2023, as well as 106.9 in Mauricie, 107.7 in Estrie, 104.7 in Outaouais, FM93 in Québec City and KYK 95.7 in Saguenay; the Rythme network stations: 105.7 in Montréal, 102.9 in Québec City, 100.1 in Mauricie, 98.3 in Saguenay and 93.7 in Estrie; as well as the stations CIME 103.9 in Laurentides, 96.9 CKOI, The Beat 92.5, the four Planète stations in Lac-St-Jean and Radio Circulation in Montréal.

Cogeco Media's stations are leaders in their respective markets, reaching nearly 5 million listeners each week by providing to a wide audience a varied and relevant programming. Cogeco Media also owns Cogeco Nouvelles, the largest private news agency in Québec.

2.3 Corporate objectives and strategies

Our vision is to be the organization that delivers the best and most sustainable value to its stakeholders, including its customers, communities, colleagues, suppliers and shareholders. We are taking action every day to fulfill our mission of bringing people together through powerful communications and entertainment experiences.

Our industry and competitive environment are shaped by external forces such as economic conditions, laws and regulations and by new and evolving trends driven by such factors as technological advancements and customer needs and preferences.

The digitization of society is creating exciting growth opportunities for Cogeco with increasing demand for fixed and mobile bandwidth services. It is especially true for younger generations which are overwhelmingly adopting digital solutions. High-speed Internet access and digital inclusion remain societal priorities and are generating opportunities for network expansion in collaboration with governments, while audio content on digital platforms is also proliferating. We are now navigating a more difficult economic environment and market dynamics are changing, we continue to drive business performance and to leverage the advantages that come with our mid-size scale, our unique North American broadband platform, our leadership position in radio broadcasting and our people-focused culture.

Strategy for growth

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

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

Growth vectors

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



1

PURSUE NETWORK EXPANSION

to grow our footprint and reduce the digital divide by leveraging government programs

2

EVOLVE OUR WIRELINE NETWORK

to meet increasing demand using a flexible and balanced technological approach

3

MAKE ACCRETIVE & COMPLEMENTARY ACQUISITIONS

to expand our footprint geographically and broaden our capabilities and service offerings

4

EXPAND IN NEW CUSTOMER SEGMENTS

with a multi-brand approach to serve new demographics and grow our operations

5

LAUNCH AND GROW MOBILE SERVICES

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

6

TRANSFORM OUR RADIO BUSINESS

into a multi-platform audio content provider

The key achievements and areas of focus of the strategic plan are as follows:

Solidify our foundation



PROGRESS IN FISCAL 2023

- Continued to provide our customers with a distinctive experience through product enhancements and service improvements. These included expanding streaming options, enhancing the My Account app and offering new Wi-Fi 6 router for FTTH customers, enriching our audio content and continuing to hold strong positioning in Numeris rankings while growing our digital offering.
- Enhanced operational excellence and accelerated cost optimization to enable further efficiencies and savings.
- Enhanced our employee value proposition by prioritizing our human scale approach and customer centric mindset, driving performance through commitment, engagement, respect and empathy while empowering our teams to fulfill our mission. Concentrated on the engagement and enablement of our people with particular focus on increasing inclusivity, supporting effective leadership and improving change support through the organization.
- Pursued our branding activities, focused on raising awareness in the U.S. and refreshing our brand in Canada while adding a second brand in our Canadian footprint with the acquisition of digital-only Internet provider oxio.
- Continued to invest in digital tools driving increased personalized services, operational efficiencies as well as digitization of sales, marketing and promotion of our audio content offering across multiple platforms.

FOCUS IN FISCAL 2024

Solidify our brands, strengthen our marketing practices to compete in a more crowded, multi-brand space, supported by a differentiated people strategy, accelerating colleague enablement and increased digitization.

1 Pursue network expansion



PROGRESS IN FISCAL 2023

- Continued fibre-to-the-home Internet network expansion projects in both Canada and the United States by adding close to 124,000 homes passed.
- Pursued the expansion of fibre-to-the-home networks adjacent to our footprint in New Hampshire, West Virginia, and Massachusetts, and in underserved areas in conjunction with state governments through regional programs, such as the Virginia Telecommunications Initiative.
- Planned for participation in the upcoming launch of the Broadband Equity Access and Deployment funding program in the U.S.
- Delivered new fibre-to-the-home networks in Québec, and executed effective sales and marketing strategies driving high penetration rates in these newly served areas.
- Initiated the construction of several subsidized projects in Ontario to connect additional underserved and unserved communities.

FOCUS IN FISCAL 2024

Pursue ambitious organic network expansion plans and collaboration with governments to bridge the digital divide.

2 Evolve our wireline network



PROGRESS IN FISCAL 2023

- Pursued the evolution of our network through fibre and DOCSIS upgrades, leveraging technological enhancements, to improve performance, capacity, resilience and reliability thereby enhancing customer experience.
- Continued deployment of preventive network maintenance programs.
- Developed plans for multi-gigabit network evolution to meet increasing customer needs in an evolving competitive environment while aligning with plans for migration to IPTV and Wi-Fi evolution.

FOCUS IN FISCAL 2024

Continue evolving network infrastructure and progress on transition to an all-IP TV approach.

3 Make accretive & complementary acquisitions



PROGRESS IN FISCAL 2023

- Completed the integration of the Ohio broadband systems and pursued transition to a modernized product and service offering.
- Successfully completed the migration of DERYtelecom customers onto Cogeco's brand, network, and products, and delivered on financial and operational plans.
- Acquired the telecommunication operations of oxio, an attractive digital brand with high customer satisfaction operating in Québec, Ontario and western provinces.

FOCUS IN FISCAL 2024

Continue to build on our track record, making strategic acquisitions that expand our geographic footprint and broaden our capabilities.

4 Expand in new customer segments



PROGRESS IN FISCAL 2023

- Expanded service offering to include a digital-only experience for residential customers and younger generations through the acquisition of the oxio brand in Canada.
- Redefined our musical strategies to ensure alignment with new audience segments and reviewed our digital user experience to maximize our reach.
- Pursued plans to enter the mobile market that will enable us to reach the customer segment that prefers a bundled fixed/mobile offering.

FOCUS IN FISCAL 2024

Accelerate our preparation for a mobile launch and continue to grow oxio in digital/price-sensitive customer segments. Define, build, and activate our content user data strategies on our digital platforms.

5 Launch and grow mobile services



PROGRESS IN FISCAL 2023

- Initiated negotiations to secure satisfactory wholesale rates for access to incumbent wireless networks, under the CRTC's MVNO regulatory framework.
- Acquired additional spectrum licenses in the 2500 MHz and 3500 MHz bands, expanding coverage to 95% of our Canadian footprint.
- Progressed on the development of our Canadian wireless network and go-to-market plans with a dedicated team.
- Initiated plans to enter the U.S. wireless market through commercial MVNO arrangements in the states we serve.

FOCUS IN FISCAL 2024

Continue to prepare the launch of our mobile services.

6 Transform our radio business



PROGRESS IN FISCAL 2023

- Renewed our framework for agreements with our partners and strategic talents and completed the first phase of the renewal of our strategic radio infrastructures with the replacement of our news broadcasting system.
- Constructed our first multi-format broadcasting studio for our flagship talk radio station, 98.5 FM.
- Selected a solution for a complete renewal of our digital content delivery platforms.
- Aligned all our teams' mindset to modernize our processes and ensure cross-functional collaboration needed for our transformation.

FOCUS IN FISCAL 2024

Renew the broadcasting system for all our radio stations in Québec. Implement and launch our new digital platform. Completely overhaul the programming schedule of the flagship station of our talk radio network.

Looking further out into the future, we also intend to invest up to \$100 million of capital into longer-term opportunities with new growth prospects. It is anticipated that these funds will be invested over a five-year period on an exploratory basis with the objective of generating attractive long-term returns. Opportunities may include new promising technologies which could enable or accelerate our development, new products

likely to be appealing to our customers and/or new geographies that show promise for profitable customer growth in the future. The objective is to create new opportunities for growth in a fast-changing environment by building on our innovation and operational experience, while minimizing investment risk by limiting the size of each investment.

2.4 Business developments

Update on Cogeco's plan to offer mobile services in Canada

In May 2023, the CRTC released Telecom Order CRTC 2023-133, which finalized the terms and conditions for the wholesale MVNO access tariffs. In addition, the CRTC directed incumbent carriers to have their access service operational and ready for use by MVNOs by June 8, 2023. The Corporation has initiated MVNO access negotiations. Securing satisfactory wholesale rates for access to incumbent wireless networks, through commercial negotiation or through final offer arbitration process before the CRTC, will be critical to the viability and success of this undertaking. For further details, please refer to the "Uncertainties and main risk factors" section.

During the third quarter of fiscal 2023, Cogeco Connexion acquired spectrum licences in the 2500 MHz and 3500 MHz bands in Québec from another licensee, for a total purchase price of \$60 million. This acquisition increased the amount of the Corporation's network footprint covered by wireless spectrum from 91% coverage to 95% coverage and increased the total value invested in wireless spectrum to \$397 million.

3800 MHz band auction

Cogeco Communications, through its wholly-owned Elite General Partnership, is a qualified bidder for Innovation, Science and Economic Development Canada's ("ISED") 3800 MHz spectrum auction, which commenced on October 24, 2023. On July 18, 2023, it issued an unsecured letter of credit to ISED as a financial deposit, which was submitted along with its application to participate in the auction. Under the communications rules set out in ISED's policy and licensing framework for the 3800 MHz auction, the Corporation cannot disclose the amount of this letter of credit, as doing so could be interpreted as signaling its bidding intentions.

High-speed Internet network expansion in Canada and the United States

As part of its plan to extend its high-speed Internet coverage to underserved and unserved areas, the Corporation continued its fibre-to-the-home Internet network expansion projects in both Canada and the United States, a portion of which was done in collaboration with governments. The Corporation has added close to 124,000 homes passed during fiscal 2023, and a total of 196,000 over the past two fiscal years. The Corporation expects to add approximately 143,000 additional homes passed in fiscal 2024 and 2025 from ongoing projects in Canada and the United States.

In Canada, over the past years, Cogeco Connexion announced investments in several fibre-to-the-home Internet network expansion projects in Québec and Ontario, partially funded by provincial and federal government programs. In October 2023, Cogeco Connexion successfully completed its 13 high-speed Internet network expansion projects in 180 Québec municipalities. Cogeco Connexion is also carrying out six new high-speed Internet network expansion projects in several regions of Ontario, which will benefit 37 municipalities. These digital infrastructure investment projects are scheduled to be completed by the end of calendar year 2025.

In the United States, Breezeline continued its geographical fibre-to-the-home network expansion in adjacent cities with attractive demographic and economic growth, including those recently announced in multiple communities in New Hampshire and West Virginia. In the future, Breezeline seeks to further expand its network by participating in government programs such as the upcoming US\$42.5 billion Broadband Equity, Access, and Deployment (BEAD) Program.

First Lien Credit Facility refinancing

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

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

The proceeds from the newly issued Term B loans, together with US\$150 million drawn on the Senior Secured Revolving Facility and US\$200 million of cash on hand, were used to reimburse the existing Tranche 1 of the Senior Secured Term Loan B Facility. The outstanding interest rate swaps as of August 31, 2023 remain in effect.

2.5 Operating environment

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

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

2.6 Key performance indicators

The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with IFRS and should not be considered an alternative to other measures of performance in accordance with IFRS. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies. The Corporation measures its financial performance, with regard to its corporate objectives, by monitoring revenue, adjusted EBITDA, net capital expenditures and free cash flow on a constant currency basis. The Corporation also measures net capital expenditures and free cash flow excluding network expansion projects as it provides a common basis for comparing the impact of the net capital expenditures prior to the acceleration of the network expansion projects and for assessing the impact of the network expansion projects on the net capital expenditures and free cash flow.

<i>(In millions of Canadian dollars, except percentages)</i>	Fiscal 2023 performance and results				Fiscal 2023 projections (constant currency) ⁽¹⁾	Achievement of the revised projections
	Actuals	In constant currency ⁽¹⁾			January 12, 2023 Revised projections ⁽³⁾	
	% increase \$ (decrease) ⁽⁵⁾	\$	% increase \$ (decrease) ⁽⁴⁾	\$		
Financial guidelines						
Revenue	3,081	2.9	2,998	0.1	Increase of 0.5% to 2.0%	Under-achieved
Adjusted EBITDA ⁽²⁾	1,433	1.9	1,397	(0.6)	Increase of 0.5% to 2.0%	Under-achieved
Profit for the year ⁽⁵⁾	350	(23.5)	N/A	N/A	N/A	N/A
Net capital expenditures ⁽²⁾	703	1.6	676	(2.4)	\$700 to \$775	Surpassed
Net capital expenditures in connection with network expansion projects	173	9.9	166	5.7	\$180 to \$230	Surpassed
Acquisition of ⁽⁵⁾ property, plant and equipment	806	7.8	N/A	N/A	N/A	N/A
Free cash flow ⁽²⁾	421	(2.7)	424	(2.0)	Decrease of 2% to 12%	Achieved
Free cash flow, excluding network expansion projects ⁽²⁾	594	0.6	591	—	Decrease of 5% to an increase of 5%	Achieved
Cash flows from operating activities ⁽⁵⁾	968	(23.1)	N/A	N/A	N/A	N/A

(1) Actual results and projections are presented in constant currency based on fiscal 2022 average foreign exchange rate of 1.2718 USD/CDN.

(2) Adjusted EBITDA and net capital expenditures are total of segments measures. Constant currency basis, free cash flow and free cash flow, excluding network expansion projects are non-IFRS financial measures. Change in constant currency is a non-IFRS ratio. These indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, including references to the specific sections within the MD&A, as applicable, for the reconciliations to the most directly comparable IFRS financial measures, please consult the "Non-IFRS and other financial measures" section.

(3) Fiscal 2023 financial guidelines were revised at the time of issuing fiscal 2023 first-quarter results for revenue, adjusted EBITDA, net capital expenditures and capital intensity as the Corporation expected a reduction in revenue growth rates, driven by a lower customer base than expected in Ohio, and to a lesser extent, by the current economic conditions which are impacting customers' discretionary spending, especially for the Corporation's entry-level services, and by increasing competition.

(4) Percentage of changes compared to fiscal 2022.

(5) These are presented as the most directly comparable IFRS financial measures and are not presented as part of the Corporation's fiscal 2023 projections.

Although the Canadian telecommunications segment performed well this year, marked by continued organic growth in its Internet customer base and further supplemented by its oxio acquisition in March, the Corporation's revenue and adjusted EBITDA were lower than expected as the American telecommunications segment continued to face headwinds from the macroeconomic and nationwide competitive environments.

Accordingly, lower than expected revenue on a constant currency basis was primarily due to the revenue growth in the Canadian telecommunications segment being more than offset by the decline in the American telecommunications segment resulting from a lower customer base over the past year. The decrease in adjusted EBITDA on a constant currency basis compared to last year was due to growth in the adjusted EBITDA of the Canadian telecommunications segment, mostly driven by revenue growth, being offset by the decline in the American telecommunications segment, due to lower revenue.

On a constant currency basis, net capital expenditures, along with net capital expenditures in connection with network expansion projects were lower than planned, surpassing the Corporation's projections, mainly due to lower construction costs and the timing of certain initiatives. Excluding fiscal 2023 network expansion projects, the Corporation achieved its free cash flow projections. As for free cash flow on a constant currency basis, the Corporation also achieved its projections.

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

2.7 Three-year annual financial highlights

Years ended August 31	2023	2022	2021 ⁽¹⁾
<i>(In thousands of Canadian dollars, except percentages and per share data)</i>	\$	\$	\$
Operations			
Revenue	3,081,136	2,995,012	2,603,845
Adjusted EBITDA ⁽²⁾	1,432,929	1,405,588	1,225,468
Acquisition, integration, restructuring and other costs	36,245	35,029	8,744
Impairment of goodwill and intangible assets	88,000	—	—
Profit for the year	350,235	457,755	439,015
Profit for the year attributable to owners of the Corporation	70,630	149,108	141,856
Cash flow			
Cash flows from operating activities	968,214	1,258,427	1,029,767
Free cash flow ⁽²⁾	421,430	433,181	498,273
Acquisition of property, plant and equipment	806,237	747,608	539,176
Net capital expenditures ⁽²⁾	702,913	691,866	534,702
Per share data ⁽³⁾			
Earnings per share			
Basic	4.53	9.43	8.92
Diluted	4.51	9.37	8.87
Dividends per share	2.924	2.50	2.18

As at	August 31, 2023	August 31, 2022	August 31, 2021 ⁽¹⁾
Financial condition			
Cash and cash equivalents	363,854	379,001	551,968
Total assets	9,869,778	9,468,025	7,536,313
Long-term debt			
Current	43,325	340,468	261,970
Non-current	5,045,672	4,398,142	3,067,940
Net indebtedness ⁽²⁾	4,817,113	4,545,809	3,008,681
Long-term financial liabilities ⁽⁴⁾	5,046,221	4,398,868	3,110,616
Equity attributable to owners of the Corporation	925,863	919,843	816,658
Return on equity ⁽²⁾	7.7 %	17.2 %	18.0 %

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

(2) Adjusted EBITDA and net capital expenditures are total of segments measures. Free cash flow is a non-IFRS financial measure. Net indebtedness is a capital management measure. Return on equity is a supplementary financial measure. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

(3) Per multiple and subordinate voting shares.

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

3. Consolidated operating and financial results

3.1 Operating results

Years ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Revenue	3,081,136	(83,268)	2,997,868	2,995,012	2.9	0.1
Operating expenses	1,648,207	(47,115)	1,601,092	1,589,424	3.7	0.7
Adjusted EBITDA	1,432,929	(36,153)	1,396,776	1,405,588	1.9	(0.6)

(1) For fiscal 2023, the average foreign exchange rate used for translation was 1.3467 USD/CDN.

(2) Fiscal 2023 in constant currency is translated at the average foreign exchange rate of fiscal 2022, which was 1.2718 USD/CDN.

Revenue

Years ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023	2022	Change	Change in constant currency	Foreign exchange impact ⁽¹⁾
	\$	\$	%	%	\$
Canadian telecommunications	1,489,915	1,440,276	3.4	3.4	—
American telecommunications	1,494,213	1,460,378	2.3	(3.4)	(83,268)
Cogeco Communications	2,984,128	2,900,654	2.9	—	(83,268)
Other	97,008	94,358	2.8	2.8	—
Consolidated	3,081,136	2,995,012	2.9	0.1	(83,268)

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

Fiscal 2023 revenue increased by 2.9% and remained stable in constant currency, mainly as a result of:

- revenue growth in the Canadian telecommunications segment, driven by the cumulative effect of high-speed Internet service additions over the past year, higher revenue per customer and contribution from the oxio acquisition completed on March 3, 2023; and
- higher revenue in the media activities; offset by
- a lower Internet customer base over the past year in the American telecommunications segment, which saw declines more heavily weighted in the first half of the year, and an overall decline in video and phone service customers, offset in part by a higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds.

Operating expenses

Years ended August 31	2023	2022	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian telecommunications	701,717	665,732	5.4	5.0	(2,425)
American telecommunications	800,409	783,704	2.1	(3.6)	(44,690)
Corporate and eliminations	42,336	35,856	18.1	18.1	—
Cogeco Communications	1,544,462	1,485,292	4.0	0.8	(47,115)
Other	103,745	104,132	(0.4)	(0.4)	—
Consolidated	1,648,207	1,589,424	3.7	0.7	(47,115)

Fiscal 2023 operating expenses increased by 3.7% (0.7% in constant currency). The increase in constant currency is mainly attributable to:

- higher operating expenses in the Canadian telecommunications segment, mainly due to the oxio acquisition completed on March 3, 2023 and higher operating expenses to drive and support customer growth; and
- higher corporate costs, primarily due to initiatives undertaken to support the Corporation's future growth and in relation to its plan to offer mobile services in Canada; mostly offset by
- lower operating expenses in the American telecommunications segment, mostly due to reduced video service costs resulting from the decline in video service customers and cost reduction initiatives.

Adjusted EBITDA

Years ended August 31	2023	2022	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian telecommunications	788,198	774,544	1.8	2.1	2,425
American telecommunications	693,804	676,674	2.5	(3.2)	(38,578)
Corporate and eliminations	(60,936)	(58,156)	(4.8)	(4.8)	—
Cogeco Communications	1,421,066	1,393,062	2.0	(0.6)	(36,153)
Other	11,863	12,526	(5.3)	(5.3)	—
Consolidated	1,432,929	1,405,588	1.9	(0.6)	(36,153)

Fiscal 2023 adjusted EBITDA increased by 1.9% (decrease of 0.6% in constant currency). The decrease in constant currency is mainly resulting from lower adjusted EBITDA in the American telecommunications segment, as explained above, offset in part by an increase in the Canadian telecommunications segment, mainly driven by revenue growth.

3.2 Acquisition, integration, restructuring and other costs

Fiscal 2023 acquisition, integration, restructuring and other costs amounted to \$36.2 million, mostly related to:

- costs from the ongoing integration of past acquisitions, as well as acquisition and integration costs incurred in connection with the acquisition of oxio, completed on March 3, 2023;
- restructuring costs associated with organizational changes during the fourth quarter of fiscal 2023 within the Canadian and the American telecommunications segments, resulting in further cost optimization;
- following the Copyright Board preliminary conclusions of the 2016-2018 retransmission tariffs, a retroactive adjustment of \$3.3 million was recognized during the third quarter, in addition to a \$5.1 million adjustment recognized in the second quarter, related to higher royalty rates than expected for the period of 2016 to 2022; and
- configuration and customization costs related to cloud computing arrangements.

Fiscal 2022 acquisition, integration, restructuring and other costs amounted to \$35.0 million, mostly related to:

- acquisition and integration costs incurred in connection with the acquisition, completed on September 1, 2021, of the Ohio broadband systems;
- restructuring costs associated with organizational changes during the fourth quarter of fiscal 2022 within the Canadian telecommunications segment, resulting in cost optimization;
- configuration and customization costs related to cloud computing arrangements; and
- integration costs related to the DERYtelecom acquisition.

3.3 Depreciation and amortization

Fiscal 2023 depreciation and amortization expense amounted to \$625.1 million and remained stable compared to the prior year.

3.4 Impairment on goodwill and intangible assets

As the Corporation's radio operations continued to face revenue pressure due to an industry-wide reduction in radio advertising demand, assumptions on projected earnings and cash flow growth for the Radio broadcasting cash generating unit ("CGU") were revised, also factoring in a higher discount rate. As a result, the Corporation recognized non-cash pre-tax impairment charges of \$88 million during the third quarter of fiscal 2023 within its Cogeco Media subsidiary, of which \$28 million was allocated to goodwill and \$60 million was allocated to indefinite-life intangible assets for broadcasting licences, as it had concluded that the recoverable amount based on value in use was less than the carrying amount of the CGU.

3.5 Financial expense

Years ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Interest on long-term debt, excluding interest on lease liabilities	257,927	185,551	39.0
Interest on lease liabilities	2,751	2,287	20.3
Net foreign exchange loss	3,937	219	—
Amortization of deferred transaction costs related to the revolving facilities	744	730	1.9
Interest income	(11,098)	(1,545)	—
Other	749	2,672	(72.0)
	255,010	189,914	34.3

Fiscal 2023 financial expense increased by 34.3%, mainly due to:

- higher interest expense on the floating interest rate portion of the Senior Secured Term Loan B Facility, mainly resulting from rising interest rates;
- the appreciation of the US dollar against the Canadian dollar; and
- higher debt outstanding; partly offset by
- higher interest income resulting from investments of excess cash at higher interest rates.

3.6 Income taxes

Years ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Current	31,973	70,711	(54.8)
Deferred	46,406	26,576	74.6
Income taxes	78,379	97,287	(19.4)
Effective income tax rate	18.3 %	17.5 %	4.6

Fiscal 2023 income tax expense decreased by 19.4%, mainly due to:

- the decrease in profit before income taxes, mainly as a result of the non-cash impairment charges of \$88 million related to the radio operations;
- higher tax benefits related to financing costs in connection with past acquisitions; partly offset by
- last year's \$11.9 million adjustment recognized in the first quarter 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; and
- last year's \$8.5 million tax benefit recognized in the fourth quarter following a change in tax rate, signed into law on July 8, 2022, to reduce the corporate net income tax rate in the state of Pennsylvania from 9.99% to 4.99% by decreasing it by 0.5% annually until 2031, effective for the Corporation on September 1, 2023.

Current income taxes were lower in fiscal 2023 compared to the prior year mainly resulting from higher tax benefits related to financing costs in connection with past acquisitions, as mentioned above, and the variation in temporary differences.

3.7 Profit for the year

Years ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages and earnings per share)</i>	\$	\$	%
Profit for the year	350,235	457,755	(23.5)
Profit for the year attributable to owners of the Corporation	70,630	149,108	(52.6)
Profit for the year attributable to non-controlling interest ⁽¹⁾	279,605	308,647	(9.4)
Adjusted profit attributable to owners of the Corporation	149,298	156,684	(4.7)
Basic earnings per share	4.53	9.43	(52.0)
Diluted earnings per share	4.51	9.37	(51.9)
Adjusted diluted earnings per share	9.53	9.85	(3.2)

(1) At August 31, 2023, the non-controlling interest relates to a participation of approximately 64.7% in the profit for the year attributable to owners of Cogeco Communications in addition to the 21% ownership of Caisse de dépôt et placement du Québec ("CDPQ") in a U.S. subsidiary of Cogeco Communications.

Fiscal 2023 profit for the year and profit for the year attributable to owners of the Corporation decreased by 23.5% and 52.6%, respectively, mainly due to:

- non-cash impairment charges of \$88 million related to the radio operations; and
- higher financial expense; partly offset by
- the impact of the appreciation of the US dollar against the Canadian dollar.

Fiscal 2023 adjusted profit attributable to owners of the Corporation, which excludes the impact of non-cash impairment charges and acquisition, integration, restructuring and other costs, net of tax and non-controlling interest, decreased by 4.7% compared to last year.

4. Segmented operating and financial results

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

4.1 Canadian telecommunications

Operating and financial results

Years ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Revenue	1,489,915	—	1,489,915	1,440,276	3.4	3.4
Operating expenses	701,717	(2,425)	699,292	665,732	5.4	5.0
Adjusted EBITDA	788,198	2,425	790,623	774,544	1.8	2.1
Adjusted EBITDA margin ⁽³⁾	52.9 %			53.8 %		
Net capital expenditures	354,384	(9,091)	345,293	336,104	5.4	2.7
Capital intensity ⁽³⁾	23.8 %			23.3 %		

(1) For fiscal 2023, the average foreign exchange rate used for translation was 1.3467 USD/CDN.

(2) Fiscal 2023 in constant currency is translated at the average foreign exchange rate of fiscal 2022, which was 1.2718 USD/CDN.

(3) Adjusted EBITDA margin and capital intensity are supplementary financial measures. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue and capital intensity is calculated as net capital expenditures divided by revenue.

Revenue

Fiscal 2023 revenue increased by 3.4% as reported and in constant currency, mainly as a result of:

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

Operating expenses

Fiscal 2023 operating expenses increased by 5.4% (5.0% in constant currency), mainly due to:

- the oxio acquisition completed on March 3, 2023; and
- higher operating expenses to drive and support customer growth; partly offset by
- some efficiencies resulting from the organizational changes implemented in the fourth quarter of fiscal 2022.

Adjusted EBITDA

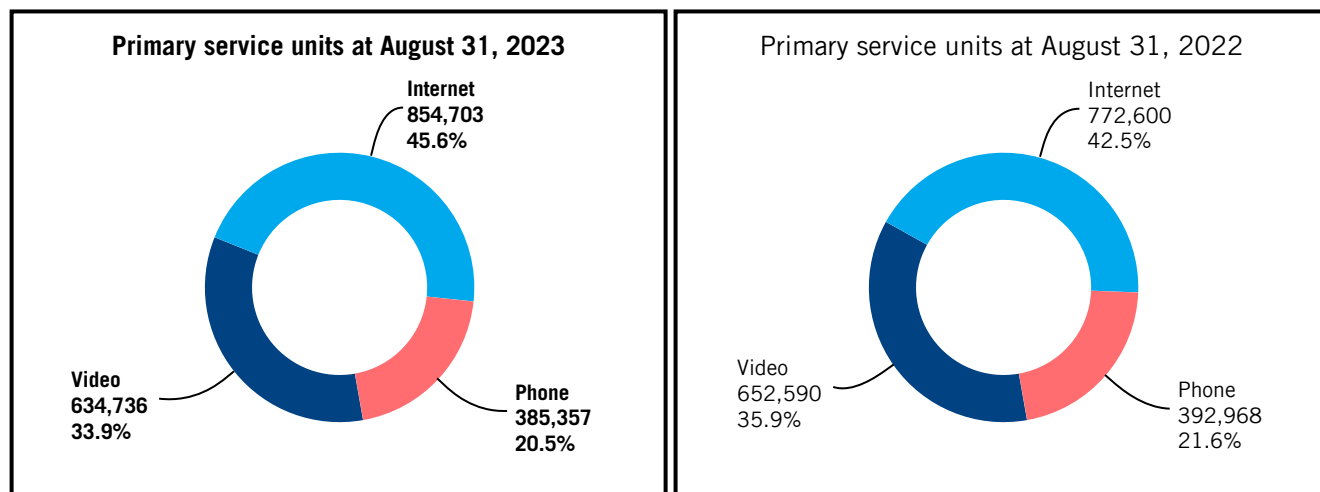
Fiscal 2023 adjusted EBITDA increased by 1.8% (2.1% in constant currency), resulting from revenue growth, partly offset by increased operating expenses to drive and support customer growth.

Net capital expenditures and capital intensity

Fiscal 2023 net capital expenditures increased by 5.4% (2.7% in constant currency), mainly due to the acceleration of construction efforts and higher purchases of customer premise equipment related to high-speed Internet network expansions in Québec, which started to wind down in the second half of fiscal 2023.

Fiscal 2023 capital intensity was 23.8% compared to 23.3% for fiscal 2022. The capital intensity increase is due to higher net capital expenditures related to network expansion projects in the first half, partly offset by revenue growth.

Primary service unit and customer statistics



Primary service units

	August 31, 2023	Net additions (losses)	
		Years ended August 31	
		2023 ⁽¹⁾	2022
Primary service units	1,874,796	4,061	(24,295)
Internet service customers	854,703	35,447	16,546
Video service customers	634,736	(21,570)	(24,604)
Phone service customers	385,357	(9,816)	(16,237)

(1) Excludes the 52,577 opening primary service units (46,656 Internet, 3,716 video and 2,205 phone) from the acquisition of oxio as at March 3, 2023.

Internet

Fiscal 2023 Internet service customers net additions of 35,447 resulted from new customers gained from our fibre-to-the-home network expansions, organic growth in our traditional markets driven by successful sales and marketing efforts as well as those added under the oxio brand since its acquisition.

Video

Fiscal 2023 video service customers net losses of 21,570 were mainly due to ongoing changes in video consumption trends, further impacted by the current inflationary environment, with an increasing proportion of customers only subscribing to Internet services, partly offset by additions in network expansion areas.

Phone

Fiscal 2023 phone service customers net losses of 9,816 were mainly due to a higher mobile phone substitution, further impacted by the current inflationary environment, partly offset by additions in network expansion areas.

Distribution of customers

At August 31, 2023, 64% of the Canadian telecommunications segment's customers subscribed to "double play" or "triple play" bundled services.

Homes passed

Fiscal 2023 homes passed additions were 57,762, representing a 3% increase on a year to date basis, consistent with our previously announced expectations.

4.2 American telecommunications

Operating and financial results

Years ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Revenue	1,494,213	(83,268)	1,410,945	1,460,378	2.3	(3.4)
Operating expenses	800,409	(44,690)	755,719	783,704	2.1	(3.6)
Adjusted EBITDA	693,804	(38,578)	655,226	676,674	2.5	(3.2)
Adjusted EBITDA margin ⁽³⁾	46.4 %			46.3 %		
Net capital expenditures	336,910	(18,254)	318,656	348,176	(3.2)	(8.5)
Capital intensity ⁽³⁾	22.5 %			23.8 %		

(1) For fiscal 2023, the average foreign exchange rate used for translation was 1.3467 USD/CDN.

(2) Fiscal 2023 in constant currency is translated at the average foreign exchange rate of fiscal 2022, which was 1.2718 USD/CDN.

(3) Adjusted EBITDA margin and capital intensity are supplementary financial measures. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue and capital intensity is calculated as net capital expenditures divided by revenue.

Revenue

Fiscal 2023 revenue increased by 2.3% (decrease of 3.4% in constant currency). The decrease in constant currency resulted mainly from:

- a lower Internet customer base over the past year, which saw declines more heavily weighted in the first half of the year, and an overall decline in video and phone service customers; partly offset by
- higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds.

In local currency, revenue amounted to US\$1,109.5 million compared to US\$1,148.3 million for fiscal 2022.

Operating expenses

Fiscal 2023 operating expenses increased by 2.1% (decrease of 3.6% in constant currency). The decrease in constant currency is mainly due to:

- reduced video service costs resulting from the decline in video service customers; and
- cost reduction initiatives; partly offset by
- higher operating expenses in the first half of the fiscal year as last year's marketing and advertising spending and staff costs were unusually low in Ohio while operating under the previous owner's brand.

Adjusted EBITDA

Fiscal 2023 adjusted EBITDA increased by 2.5% (decrease of 3.2% in constant currency). The decrease in constant currency is primarily due to lower revenue resulting from a lower customer base, as explained above, partly offset by a better product mix and reduced operating expenses.

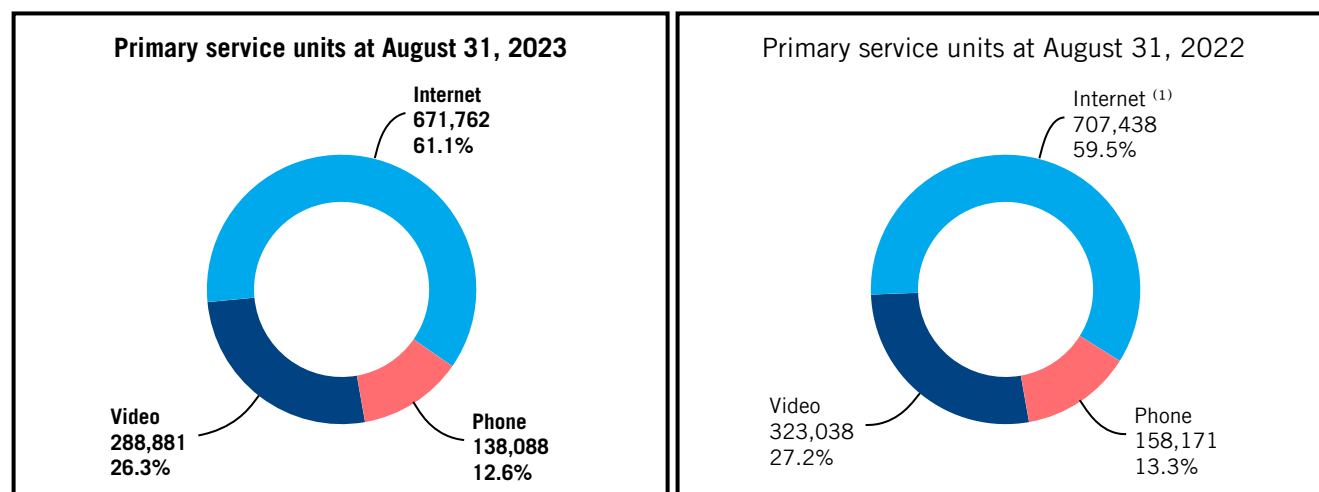
In local currency, adjusted EBITDA amounted to US\$515.2 million compared to US\$532.2 million for fiscal 2022.

Net capital expenditures and capital intensity

Fiscal 2023 net capital expenditures decreased by 3.2% (8.5% in constant currency) and capital intensity was 22.5% compared to 23.8% for fiscal 2022, mainly resulting from lower spending due to the timing of certain initiatives.

In local currency, net capital expenditures amounted to US\$250.3 million compared to US\$273.3 million for fiscal 2022.

Primary service unit and customer statistics



(1) The comparative figures have been restated. Refer to the table below for further details.

Primary service units

	August 31, 2023	Net additions (losses)	
		Years ended August 31	
		2023 ⁽¹⁾	2022 ⁽²⁾
Primary service units	1,098,731	(89,916)	(65,883)
Internet service customers	671,762	(35,676)	(9,417)
Video service customers	288,881	(34,157)	(37,074)
Phone service customers	138,088	(20,083)	(19,392)

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

(2) Excludes the opening primary service units resulting from the Ohio broadband systems acquisition as at September 1, 2021.

Internet

During fiscal 2023, Internet service customers net losses amounted to 35,676 of which 26,320 were pertaining to Ohio. The net losses in Ohio were mainly due to a more competitive market and the time required to gain brand awareness. Internet customer variations in other regions also reflect a more competitive environment.

Video

Fiscal 2023 video service customers net losses of 34,157 were mainly due to:

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

Phone

Fiscal 2023 phone service customers net losses of 20,083 were mainly due to:

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

Distribution of customers

At August 31, 2023, 33% of the American telecommunications segment's customers subscribed to "double play" or "triple play" bundled services. In recent years, the customer mix from double and triple play bundles has decreased, which is in line with the segment's Internet led strategy of focusing on higher margin Internet services.

Homes passed

Fiscal 2023 homes passed additions were 65,949, representing a 4% increase.

5. Related party transactions

Cogeco held, as of August 31, 2023, 35.3% of Cogeco Communications' equity shares, representing 84.5% of the votes attached to Cogeco Communications' voting shares.

Cogeco provides executive and administrative services to Cogeco Communications under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For fiscal 2023, management fees paid by Cogeco Communications amounted to \$18.6 million compared to \$22.3 million last year.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during fiscal 2023 and 2022, Cogeco Communications granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

Years ended August 31	2023	2022
<i>(In number of units)</i>		
Stock options	79,348	78,700
PSUs	14,283	11,000

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

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Stock options	1,202	1,178
PSUs	863	1,174
DSUs	(100)	(267)
	1,965	2,085

6. Cash flow analysis

Years ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Cash flows from operating activities	968,214	1,258,427	(23.1)
Cash flows used in investing activities	(957,876)	(2,409,442)	(60.2)
Cash flows (used in) from financing activities	(32,843)	970,896	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	7,358	7,152	2.9
Net change in cash and cash equivalents	(15,147)	(172,967)	(91.2)
Cash and cash equivalents, beginning of the year	379,001	551,968	(31.3)
Cash and cash equivalents, end of the year	363,854	379,001	(4.0)

6.1 Operating activities

Fiscal 2023 cash flows from operating activities decreased by 23.1%, mainly due to:

- changes in other non-cash operating activities, primarily due to the timing of payments of trade and other payables;
- higher interest paid; and
- higher income taxes paid; partly offset by
- the appreciation of the US dollar against the Canadian dollar.

6.2 Investing activities

Fiscal 2023 cash flows used in investing activities decreased by 60.2%, mainly due to:

- cash flows used in connection with the acquisition of Ohio broadband systems last year; and
- the \$236 million final payment made last year to acquire 38 spectrum licences in the 3500 MHz band auction; partly offset by
- cash flows used in connection with the acquisition of oxio, which was completed on March 3, 2023;
- the \$60 million payment made to acquire spectrum licenses in the 2500 MHz and 3500 MHz bands in Québec from another licensee; and
- the increase in acquisition of property, plant and equipment, following accelerated network expansion activities in the first half of fiscal 2023 in the Canadian telecommunications segment.

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

Years ended August 31	2023	2022	Change	Change in constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
Acquisition of property, plant and equipment	806,237	747,608	7.8	
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the year ⁽¹⁾	(103,324)	(55,742)	85.4	
Net capital expenditures	702,913	691,866	1.6	(2.4)
Net capital expenditures, excluding network expansion projects	530,078	534,577	(0.8)	(4.7)

(1) Relates to the \$187.5 million of government subsidies received in the third quarter of fiscal 2021 in connection with Cogeco Connexion's high-speed Internet network expansion projects, which are recognized against property, plant and equipment based on the costs incurred over the total expected costs.

Net capital expenditures and capital intensity

Years ended August 31	2023	2022	Change	Change in constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
Canadian telecommunications	354,384	336,104	5.4	2.7
Capital intensity	23.8 %	23.3 %		
American telecommunications	336,910	348,176	(3.2)	(8.5)
Capital intensity	22.5 %	23.8 %		
Corporate and eliminations	8,212	4,633	77.3	77.3
Cogeco Communications	699,506	688,913	1.5	(2.4)
Capital intensity	23.4 %	23.8 %		
Other	3,407	2,953	15.4	15.4
Consolidated	702,913	691,866	1.6	(2.4)

Net capital expenditures and capital intensity excluding network expansion projects

Years ended August 31	2023	2022	Change	Change in constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
Cogeco Communications	526,671	531,624	(0.9)	(4.8)
Capital intensity, excluding network expansion projects ⁽¹⁾	17.6 %	18.3 %		
Other	3,407	2,953	15.4	15.4
Consolidated	530,078	534,577	(0.8)	(4.7)

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

Fiscal 2023 net capital expenditures increased by 1.6% (decrease of 2.4% in constant currency). The decrease in constant currency is mainly due to:

- lower capital expenditures in the American telecommunications segment primarily resulting from lower spending due to the timing of certain initiatives; partly offset by
- higher capital expenditures in the Canadian telecommunications segment following the acceleration of construction efforts and higher purchases of customer premise equipment related to high-speed Internet network expansions in Québec, which started to wind down in the second half of fiscal 2023.

Excluding network expansion projects, fiscal 2023 net capital expenditures decreased by 0.8% (4.7% in constant currency).

Fiscal 2023 capital intensity of Cogeco Communications was 23.4% compared to 23.8% for the prior year. The capital intensity decrease is mainly due to revenue growth. Excluding network expansion projects, fiscal 2023 capital intensity of Cogeco Communications was 17.6% compared to 18.3% for the prior year.

6.3 Financing activities

Issuance and repayment of debt

Fiscal 2023 changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

Years ended August 31	2023	2022	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	
Increase in bank indebtedness	14,596	4,173	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	247,760	(113,137)	Funds used mainly to repay the \$300 million Senior Secured Debentures Series 4, which matured in May 2023, and to finance the oxio and spectrum licence acquisitions during the third quarter of fiscal 2023, partly offset by the repayment of amounts drawn under the revolving facilities using net proceeds from the issuance of the \$300 million Senior Secured Notes Series 2 during the second quarter of fiscal 2023.
Issuance of long-term debt, net of discounts and transaction costs	298,056	1,611,064	Related to the issuance of the \$300 million Senior Secured Notes Series 2 during the second quarter of fiscal 2023. Last year's debt issuance was mainly related to the Ohio broadband systems acquisition completed in the first quarter of fiscal 2022, 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.
Repayment of notes, debentures and credit facilities	(335,263)	(262,901)	Related to the repayment of the \$300 million Senior Secured Debentures Series 4 during the third quarter of fiscal 2023 and the quarterly repayments on the Senior Secured Term Loan B Facility, with quarterly repayments on Tranche 2 starting in May 2022. Last year also included the repayment of the \$200 million Senior Secured Debentures Series 3, which matured in February 2022, and of the \$35 million Unsecured Debentures, which matured in November 2021.
Repayment of lease liabilities	(7,271)	(5,591)	Comparable.
Repayment of balance due on business combinations	—	(3,162)	Related to the Ohio broadband systems acquisition, which was paid during the third quarter of fiscal 2022.
Increase in deferred transaction costs	(338)	(795)	Comparable. Related to the amendments of the revolving facilities.
	217,540	1,229,651	

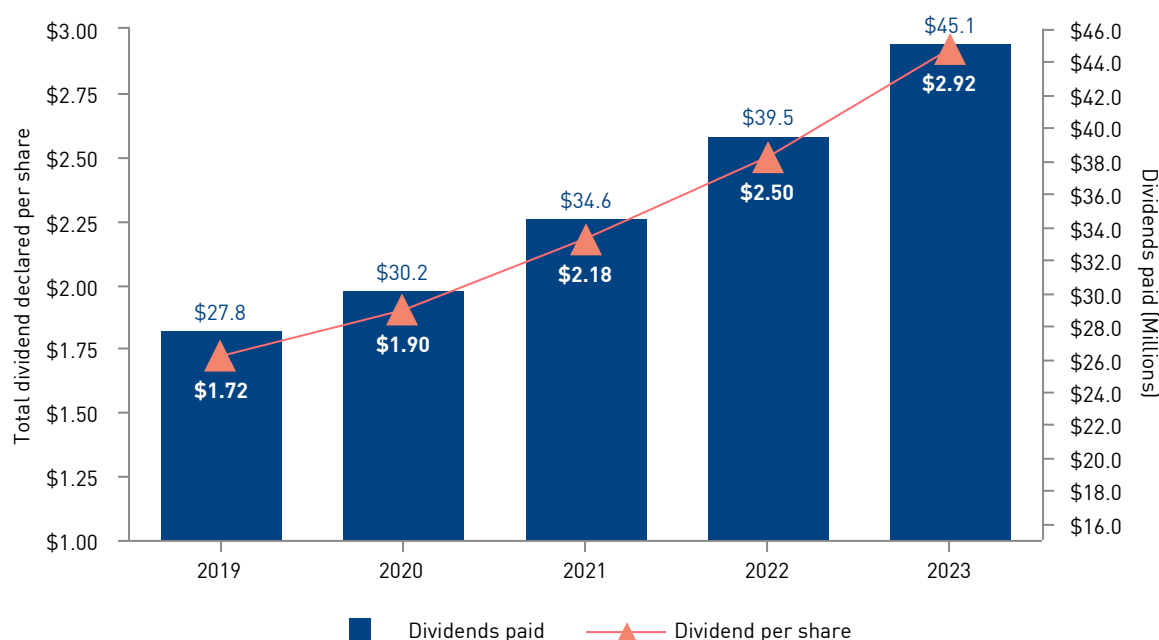
Dividends

During fiscal 2023, quarterly eligible dividends of \$0.731 per share, totalling \$2.924 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of \$45.1 million. In fiscal 2022, quarterly eligible dividends of \$0.625 per share, totalling \$2.50 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of \$39.5 million. In addition, dividends paid by a subsidiary to non-controlling interest during fiscal 2023 amounted to \$89.3 million compared to \$85.7 million for the prior year.

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

Declaration date	Record date	Payment date	Dividend per share (in dollars)	
			Cogeco	Cogeco Communications
October 27, 2022	November 10, 2022	November 24, 2022	0.731	0.776
January 12, 2023	January 26, 2023	February 9, 2023	0.731	0.776
April 13, 2023	April 27, 2023	May 11, 2023	0.731	0.776
July 13, 2023	July 27, 2023	August 10, 2023	0.731	0.776
			2.924	3.104
November 11, 2021	November 25, 2021	December 9, 2021	0.625	0.705
January 13, 2022	January 27, 2022	February 10, 2022	0.625	0.705
April 13, 2022	April 27, 2022	May 11, 2022	0.625	0.705
July 13, 2022	July 27, 2022	August 10, 2022	0.625	0.705
			2.500	2.820

During the last five years, dividends paid per share increased by 14.2% on a compounded annual basis. Total dividends and dividends per share over the last five years are as follows:



Normal course issuer bid ("NCIB")

Cogeco

On January 16, 2023, the Corporation announced that the Toronto Stock Exchange has accepted its notice of intention for a NCIB enabling it to acquire for cancellation up to 325,000 subordinate voting shares from January 18, 2023 to January 17, 2024, representing approximately 2.3% of the 14,138,636 subordinate voting shares outstanding as at January 4, 2023.

	Commencement date	Expiry	Maximum subordinate voting shares for repurchase	Number of shares repurchased at August 31, 2023
2023 NCIB	January 18, 2023	January 17, 2024	325,000	121,600
2022 NCIB	January 18, 2022	January 17, 2023	325,000	268,086

The following table provides the NCIB purchases for fiscal 2023 and 2022:

Quarters ended	2023				Total
	Nov. 30	Feb. 28	May 31	Aug. 31	
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$	\$	\$	\$
Subordinate voting shares purchased and cancelled	27,700	117,584	21,500	—	166,784
Weighted average purchase price per share	57.87	58.81	57.91	—	58.54
Purchase costs	1,603	6,915	1,245	—	9,763
	2022				
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$	\$	\$	\$
Subordinate voting shares purchased and cancelled	—	154,388	37,014	31,500	222,902
Weighted average purchase price per share	—	79.92	76.70	69.65	77.94
Purchase costs	—	12,339	2,839	2,194	17,372

Cogeco Communications

On May 1, 2023, Cogeco Communications announced that the Toronto Stock Exchange (the "TSX") accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 1,776,125 subordinate voting shares from May 4, 2023 to May 3, 2024, representing approximately 10% of the public float of the Corporation's issued and outstanding subordinate shares as of April 24, 2023.

	Commencement date	Expiry	Maximum subordinate voting shares for repurchase	Number of shares repurchased at August 31, 2023
2023 NCIB	May 4, 2023	May 3, 2024	1,776,125	—
2022 NCIB ⁽¹⁾	May 4, 2022	May 3, 2023	1,960,905	1,825,168
2021 NCIB	May 4, 2021	May 3, 2022	2,068,000	1,175,925

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

The following table provides the NCIB purchases for fiscal 2023 and 2022:

	Nov. 30	Feb. 28	May 31	Aug. 31	2023 Total
Quarters ended					
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$	\$	\$	\$
Subordinate voting shares purchased and cancelled	512,170	845,198	—	—	1,357,368
Weighted average purchase price per share	72.79	75.43	—	—	74.43
Purchase costs	37,283	63,750	—	—	101,033
					2022
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$	\$	\$	\$
Subordinate voting shares purchased and cancelled	274,000	189,425	294,800	390,800	1,149,025
Weighted average purchase price per share	107.69	101.58	103.65	88.35	99.07
Purchase costs	29,508	19,241	30,556	34,528	113,833

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

6.4 Free cash flow

Years ended August 31	2023 ⁽¹⁾	2022	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Adjusted EBITDA	1,432,929	1,405,588	1.9	(0.6)	(36,153)
Amortization of deferred transaction costs and discounts on long-term debt	12,672	11,888	6.6		
Share-based payment	8,629	9,456	(8.7)		
Loss (gain) on disposals and write-offs of property, plant and equipment and other	86	(1,378)	—		
Defined benefit plans expense, net of contributions	526	738	(28.7)		
Acquisition, integration, restructuring and other costs	(36,245)	(35,029)	3.5		
Financial expense	(255,010)	(189,914)	34.3		
Current income taxes	(31,973)	(70,711)	(54.8)		
Net capital expenditures	(702,913)	(691,866)	1.6		
Repayment of lease liabilities	(7,271)	(5,591)	30.0		
Free cash flow	421,430	433,181	(2.7)	(2.0)	2,952
Free cash flow, excluding network expansion projects	594,265	590,470	0.6	—	(3,598)

(1) For fiscal 2023, the average foreign exchange rate used for translation was 1.3467 USD/CDN.

(2) Fiscal 2023 actuals are translated at the average foreign exchange rate of fiscal 2022, which was 1.2718 USD/CDN.

Fiscal 2023 free cash flow decreased by 2.7% (2.0% in constant currency). The variation in constant currency is mainly due to:

- higher financial expense; and
- lower adjusted EBITDA; partly offset by
- lower current income taxes;
- lower net capital expenditures.

Excluding network expansion projects, fiscal 2023 free cash flow was \$594.3 million (\$590.7 million in constant currency), an increase of 0.6% (remained stable in constant currency) compared to last year.

7. Financial position

7.1 Working capital

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

The variations are as follows:

At August 31	2023	2022	Change	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	
Current assets				
Cash and cash equivalents	363,854	379,001	(15,147)	Refer to the "Cash flows analysis" section.
Trade and other receivables	139,412	123,617	15,795	Mainly related to the timing of collection of trade and other receivables, combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	28,816	7,581	21,235	Related to higher income tax instalments paid compared to the current income taxes expense, which was lower than last year.
Prepaid expenses and other	43,262	41,830	1,432	Not significant
Derivative financial instruments	5,355	3,465	1,890	Not significant.
	580,699	555,494	25,205	
Current liabilities				
Bank indebtedness	23,229	8,633	14,596	Refer to the "Cash flows analysis" section.
Trade and other payables	334,782	396,480	(61,698)	Mainly related to the timing of payments made to suppliers, partly offset by the appreciation of the US dollar against the Canadian dollar.
Provisions	33,019	28,942	4,077	Mainly related to the retroactive adjustments recognized during the second and third quarters of fiscal 2023 following the Copyright Board preliminary conclusions of the 2016-2018 retransmission tariffs, partly offset by the payment of restructuring costs previously recognized.
Income tax liabilities	413	39,251	(38,838)	Related to the final payment of income tax balances for fiscal 2022.
Contract liabilities and other liabilities	62,061	64,221	(2,160)	Not significant
Government subsidies received in advance	29,262	127,851	(98,589)	Mainly related to the network construction progress in Québec.
Derivative financial instruments	3,487	2,273	1,214	Not significant.
Current portion of long-term debt	43,325	340,468	(297,143)	Mainly related to the repayment of the \$300 million Senior Secured Debentures Series 4, which matured in May 2023.
	529,578	1,008,119	(478,541)	
Working capital surplus (deficiency)	51,121	(452,625)	503,746	

7.2 Other significant changes

At August 31 (In thousands of Canadian dollars)	2023 \$	2022 \$	Change \$	Explanations
Non-current assets				
Property, plant and equipment	3,264,303	3,061,177	203,126	Mainly related to capital investments made during fiscal 2023 and the appreciation of the US dollar against the Canadian dollar, partly offset by the depreciation expense for the year.
Intangible assets	3,687,486	3,656,790	30,696	Mainly related to the appreciation of the US dollar against the Canadian dollar, the spectrum licences acquired for a total purchase price of \$60 million and the acquisition of oxio, partly offset by the non-cash impairment charges related to the radio operations, of which \$60 million were allocated to indefinite-life intangible assets for broadcasting licenses, and the amortization expense for the year.
Goodwill	2,117,756	2,010,510	107,246	Related to the acquisition of oxio and the appreciation of the US dollar against the Canadian dollar, partly offset by the non-cash impairment charges related to the radio operations, of which \$28 million were allocated to goodwill.
Non-current liabilities				
Long-term debt	5,045,672	4,398,142	647,530	Mainly related to the issuance of the \$300 million Senior Secured Notes Series 2, amounts drawn under the Term Revolving Facility and the appreciation of the US dollar against the Canadian dollar, partly offset by the quarterly repayments on the Senior Secured Term B Facility.
Deferred tax liabilities	833,434	773,036	60,398	Mainly related to the timing of temporary differences, the tax impact in connection with the \$88 million non-cash impairment charges related to the radio operations and the appreciation of the US dollar against the Canadian dollar.

8. Capital resources and liquidity

8.1 Capital structure

The table below summarizes the Corporation's available liquidity:

At August 31 (In thousands of Canadian dollars)	2023 \$	2022 \$
Cash and cash equivalents	363,854	379,001
Cash with restrictions on use ⁽¹⁾	(29,262)	(127,851)
Amounts available under revolving credit facilities ⁽²⁾	629,581	888,276
Available liquidity ⁽³⁾	964,173	1,139,426

(1) In connection with government subsidies received in advance, pertaining mainly to Cogeco Connexion's high-speed Internet network expansion projects (see Note 21 D) of the Corporation's consolidated financial statements).

(2) Total amount available under the \$750 million and \$100 million term revolving facilities and the US\$150 million Senior Secured Revolving Facility (see Note 23 A) of the Corporation's consolidated financial statements).

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

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

Cogeco Communications

The table below summarizes certain of Cogeco Communications' key ratios over the last two fiscal years and the fiscal 2024 guidelines:

Years ended August 31	2024 Guidelines ⁽¹⁾	2023	2022
Weighted average cost of indebtedness ⁽²⁾	5.5 %	5.2 %	4.0 %
Fixed-rate indebtedness ⁽³⁾⁽⁴⁾	71 %	63 %	72 %
Weighted average term: long-term debt (in years)	5.0	3.7	4.0
Net indebtedness / adjusted EBITDA ratio ⁽⁴⁾	3.4	3.3	3.2
Adjusted EBITDA / financial expense ratio ⁽⁴⁾	N/A ⁽⁵⁾	5.6	7.4

(1) Based on mid-range guidelines.

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

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

(4) Fixed-rate indebtedness, net indebtedness to adjusted EBITDA ratio, and adjusted EBITDA to financial expense ratio are Cogeco Communications' capital management measures. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, including references to the specific sections within the MD&A, as applicable, for the reconciliations to the most directly comparable IFRS financial measures, please consult the "Non-IFRS and other financial measures" section.

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

In fiscal 2023, the financial leverage ratio relating to net indebtedness over adjusted EBITDA has increased as a result of the increase in net indebtedness in relation to the Ohio broadband systems acquisition.

8.2 Outstanding share data

A description of Cogeco's share data at September 30, 2023 is presented in the table below. Additional details are provided in Note 19 of the consolidated financial statements.

<i>(In thousands of Canadian dollars, except number of shares)</i>	Number of shares	Amount \$
Common shares		
Multiple voting shares	1,602,217	10
Subordinate voting shares	14,009,952	112,118

8.3 Financing

At August 31, 2023, an amount of \$44.6 million was used from the Corporation's Term Revolving Facility of \$100.0 million and \$375.2 million was used from Cogeco Communications' Term Revolving Facility of \$750 million, for remaining availabilities of \$55.4 million and \$374.8 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of \$203.0 million (US\$150 million), of which \$3.6 million (US\$2.6 million) was used at August 31, 2023, for a remaining availability of \$199.4 million (US\$147.4 million). An unsecured letter of credit facility was put in place by Cogeco Communications to issue the letter of credit in connection with the 3800 MHz band auction (refer to the "Business developments" section for further details).

Upon maturity on May 26, 2023, Cogeco Communications reimbursed its Senior Secured Debentures Series 4. On May 25, 2023, Cogeco Communications' First Lien Credit Facilities were amended in order to replace the benchmark interest rate from US LIBOR to the Secured Overnight Financing Rate ("SOFR"). The interest derivatives associated with Tranche 1 and 2 of the Senior Secured Term Loan B Facility were also transitioned to substantially similar interest derivatives referencing the SOFR.

On May 19, 2023, Cogeco amended its \$100 million Term Revolving Facility, replacing US LIBOR with the SOFR as the benchmark interest rate. The amendment also introduced fallback provisions with regard to the transition of the benchmark interest rate from Canadian Dollar Offered Rate ("CDOR") to Canadian Overnight Repo Rate Average ("CORRA") when CDOR will be discontinued.

On February 16, 2023, Cogeco Communications completed, pursuant to a private placement, the issuance of \$300 million senior secured notes, bearing interest at 5.299% and maturing in February 2033. Cogeco Communications used the net proceeds of the offering to repay existing indebtedness and for other general corporate purposes.

On December 21, 2022, Cogeco Communications amended its \$750 million Term Revolving Facility to extend the maturity by one additional year to January 24, 2028. The amendment also replaced US LIBOR with SOFR as the benchmark interest rate. Furthermore, in December 2022, Cogeco Communications entered into a 20-year senior unsecured non-revolving facility, having an aggregate principal amount of up to \$38.1 million, with the Canada Infrastructure Bank. The credit facility can only be drawn to finance the network expansion projects undertaken in connection with Ontario's Accelerated High Speed Internet Program. At August 31, 2023, the facility was undrawn.

8.4 Cogeco Communications' credit ratings

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

At August 31, 2023	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes	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, companies with "BBB" ratings generally have greater access to funding than those with "BB/B" ratings.

8.5 Financial risk management

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

Credit risk

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

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a high credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2023, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P"). Management continues to monitor its exposure to financial institutions which is primarily in the form of deposits, derivatives and revolver commitments.

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

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) are examined. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and the United States, there is no significant concentration of credit risk.

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

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Trade accounts receivable	116,490	115,875
Allowance for doubtful accounts	(8,929)	(13,758)
	107,561	102,117
Other accounts receivable	31,851	21,500
	139,412	123,617

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

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

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Less than 30 days past due	21,040	23,112
30 to 60 days past due	4,773	3,295
60 to 90 days past due	1,805	1,272
More than 90 days past due	1,890	352
	29,508	28,031

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

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	13,758	6,907
Provision for impaired receivables	20,482	32,296
Net use	(25,595)	(25,744)
Foreign currency translation adjustments	284	299
Balance, end of the year	8,929	13,758

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due.

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2023:

	Contractual cash flows						
	2024	2025	2026	2027	2028	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	23,229	—	—	—	—	—	23,229
Trade and other payables ⁽¹⁾	319,066	—	—	—	—	—	319,066
Notes, debentures and credit facilities ^{(2) (3)}	35,181	2,446,066	12,178	259,310	368,105	1,938,634	5,059,474
Lease liabilities	7,679	7,277	7,122	6,751	5,395	34,778	69,002
Other liabilities	176	176	176	7	7	7	549
	385,331	2,453,519	19,476	266,068	373,507	1,973,419	5,471,320

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

(2) An amount of \$927.8 million of these loan agreements contain debt covenants. Covenant calculations are performed quarterly at each reporting date, as well as on a pro-forma basis when a business combination or disposal takes place. The covenants relate to the maintenance of certain financial ratios primarily linked to adjusted EBITDA, financial expense and total indebtedness. A future breach of covenants implies that the impacted loan agreements become payable on demand, and therefore are required to be repaid earlier than indicated in the above table. The covenants are monitored on a regular basis by the treasury department to ensure compliance with the loan agreements.

(3) Tranche 1 of the First Lien Credit Facility, maturing in fiscal 2025, was refinanced on September 29, 2023 (see "Business developments" section).

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

	2024	2025	2026	2027	2028	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Interest payments on notes, debentures and credit facilities ⁽¹⁾	335,920	228,626	162,207	155,201	134,954	123,880	1,140,788
Interest payments on lease liabilities	2,771	2,372	2,074	1,773	1,507	7,266	17,763
Interest receipts on derivative financial instruments ⁽¹⁾	(83,616)	(62,216)	(33,663)	(15,629)	—	—	(195,124)
Interest payments on derivative financial instruments ⁽¹⁾	23,746	15,504	8,501	4,153	—	—	51,904
	278,821	184,286	139,119	145,498	136,461	131,146	1,015,331

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2023 and their respective maturities.

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2023, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, Cogeco Communications' U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2023:

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

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

(2) Two tranches amounting to US\$230 million have matured on January 31, 2023.

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately \$19.2 million based on the outstanding debt and swap agreements at August 31, 2023.

In May 2023, the interest derivatives associated with Tranche 1 and 2 of the Senior Secured Term Loan B Facility were transitioned to substantially similar interest derivatives referencing SOFR. The Corporation applied the practical expedients of the interest rate benchmark reform allowing the continuation of the hedge relationships.

Foreign exchange risk

A large portion of the Corporation's consolidated revenue and expenses are received or denominated in the functional currency of the business units operating in the markets in which it does business. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited. The Corporation's main source of foreign exchange risk resides in the Canadian operations' business transactions denominated in US dollars. The Corporation's objective in managing its foreign exchange risk is to minimize its exposure to foreign currency cash flows and operations, by transacting with third parties in the functional currency of the business units to the maximum extent possible and practical and through the use of derivative financial instruments.

The Corporation's current financial assets and liabilities subject to foreign exchange risk are as follows:

At August 31	2023	2022
	US	US
	\$	\$
<i>(In thousands of Canadian dollars)</i>		
Financial assets (liabilities)		
Cash and cash equivalents	7,535	18,303
Trade and other payables	(8,552)	(22,488)
	(1,017)	(4,185)

The impact of a 10% increase in the exchange rate of the US dollar to the Canadian dollar would affect the measurement of the above financial instruments denominated in US dollars, which would therefore increase financial expense by approximately \$0.1 million.

The Corporation is also exposed to foreign exchange risk with respect to the interest, amounting to \$208.7 million, associated with its notes and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar to the Canadian dollar would increase financial expense by approximately \$20.9 million based on the outstanding debt and swap agreements at August 31, 2023.

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

The following table shows the aggregate investment in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge this investment at August 31, 2023:

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US\$390 million	US\$1,335 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency to the Canadian dollar for the consolidated statement of financial position accounts at August 31, 2023 was \$1.3531 (\$1.3111 at August 31, 2022) per US dollar. A 10% decrease in the exchange rate of the US dollar to the Canadian dollar would decrease other comprehensive income by approximately \$127.8 million.

Market risk

The Corporation and its subsidiary, Cogeco Communications, use derivative instruments to manage the cash flow exposure to the risk of changes in the price of their subordinate voting shares under the DSU plans. As such, the Corporation and Cogeco Communications use equity swap agreements to economically hedge the market price appreciation risk of their subordinate voting shares.

The following table shows the Corporation's equity derivative contracts outstanding at August 31, 2023:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	79,100 units	January 2024	\$61.62	Equity price exposure

The following table shows Cogeco Communications' equity derivative contracts outstanding at August 31, 2023:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	89,200 units	January 2024	\$75.02	Equity price exposure

As at August 31, 2023, the fair value of the equity swaps was \$1.9 million and recognized as a liability. As a result of the equity swaps, a 10% increase in the market price of the subordinate voting shares would not have a material financial impact on the Corporation's results.

8.6 Foreign currency

For the years ended August 31, 2023 and 2022, the average rates prevailing used to convert the operating results of the American telecommunications segment were as follows:

Years ended August 31	2023	2022
	\$	\$
US dollar vs Canadian dollar	1.3467	1.2718

8.7 Contractual obligations, contingencies and guarantees

A) Contractual obligations

The following table presents the Corporation's contractual obligations at August 31, 2023, which are due in each of the next five years and thereafter:

Years ended August 31	2024	2025	2026	2027	2028	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Acquisition of property, plant and equipment ⁽¹⁾	147,517	1,800	1,800	—	—	—	151,117
Other long-term contracts ⁽²⁾	101,687	70,985	53,439	27,459	26,333	43,409	323,312
Lease commitments ⁽³⁾	7,959	72	43	38	35	145	8,292
Financial liabilities and lease liabilities, and related capital amounts	385,331	2,453,519	19,476	266,068	373,507	1,973,419	5,471,320
Interest payable on long-term debt	278,821	184,286	139,119	145,498	136,461	131,146	1,015,331
	921,315	2,710,662	213,877	439,063	536,336	2,148,119	6,969,372

(1) Includes contractual obligations in connection with the Corporation's high-speed Internet expansion projects, with purchases of equipment and minimum spend commitments for acquisition of customer premise equipment.

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

(3) Includes leases committed not yet commenced and leases of low value items.

As at August 31, 2023, the Corporation had \$157.9 million of performance and payment bonds outstanding, issued in accordance with the rules established by Infrastructure Ontario in connection with Ontario's Accelerated High Speed Internet Program (AHSIP).

B) Contingencies

Final rates for aggregated wholesale Internet access services

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

Since then, two independent Internet service providers ("Wholesalers") and a trade association representing the Wholesalers petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision (the "Petitions"). On June 4, 2022, the Governor in Council dismissed the Petitions. On July 28, 2021, a Wholesaler sought leave to appeal Telecom Decision 2021-181 to the Federal Court of Appeal, which was granted on September 15, 2021. The Wholesaler is seeking an order from the Federal Court of Appeal that sets aside Telecom Order 2021-181 and reinstates Telecom Order 2019-288 or, in the alternative, that refers back Telecom Order 2021-181 to the CRTC for redetermination. The Corporation, along with several other cable carriers, is opposing the appeal.

Due to the significant uncertainty surrounding the outcome of this appeal and its financial implications, the Corporation has not recorded any financial impact as at August 31, 2023.

Royalties payable for retransmission of distant television signals

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

On February 6, 2023, the Copyright Board issued its preliminary conclusions in its redetermination of the 2016 to 2018 rates, which would result in an increase from the rate set in its original decision. In light of these preliminary determinations, a retroactive adjustment of \$5.1 million was recognized in the second quarter of fiscal 2023. Upon further evaluation, an additional charge of \$3.3 million was recognized during the third quarter of fiscal 2023. Both retroactive adjustments were recognized within *Acquisition, integration, restructuring and other costs*, and cover the estimated retroactive costs for the period of 2016 to 2022. The final outcome of this proceeding is still unknown and the Copyright Board's final determinations regarding royalty rates may vary from its preliminary determinations.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to the consolidated financial statements. At August 31, 2023 and 2022, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those included in Note 16 of the consolidated financial statements.

C) Guarantees

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2023 and 2022, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16 of the consolidated financial statements.

3800 MHz band auction

On July 18, 2023, Cogeco Communications issued an unsecured letter of credit to ISED as a financial deposit, which was submitted along with its application to participate in the 3800 MHz spectrum auction (refer to the "Business developments" section for further details).

Sale of a business

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

Long-term debt

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

Employees and contractual indemnification agreements

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

Sale of services

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

Purchase and development of assets

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

9. Quarterly operating results

9.1 Quarterly financial highlights

Three months ended	Fiscal 2023				Fiscal 2022			
	Nov. 30	Feb. 28	May 31	Aug. 31	Nov. 30 ⁽¹⁾	Feb. 28 ⁽¹⁾	May 31	Aug. 31
<i>(In thousands of Canadian dollars, except per share data)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Operations								
Revenue	789,690	757,191	767,603	766,652	745,258	748,066	754,777	746,911
Adjusted EBITDA	373,882	351,663	355,459	351,925	354,394	349,211	353,473	348,510
Acquisition, integration, restructuring and other costs	2,677	6,952	11,377	15,239	18,635	1,451	2,286	12,657
Impairment of goodwill and intangible assets	—	—	88,000	—	—	—	—	—
Profit for the period	123,808	102,592	33,314	90,521	119,139	118,781	108,456	111,379
Profit (loss) for the period attributable to owners of the Corporation	42,081	33,788	(34,473)	29,234	38,523	36,659	37,493	36,433
Adjusted profit attributable to owners of the Corporation	42,762	35,609	37,921	33,006	42,226	36,990	38,009	39,459
Cash flow								
Cash flows from operating activities	193,821	206,843	283,180	284,370	297,342	278,768	355,681	326,636
Free cash flow	109,483	118,331	107,379	86,237	135,820	153,703	108,954	34,704
Acquisition of property, plant and equipment	235,008	173,674	190,121	207,434	146,329	158,153	198,271	244,855
Net capital expenditures	197,342	156,832	170,258	178,481	141,509	142,475	183,107	224,775
Per share data ⁽²⁾								
Earnings (loss) per share								
Basic	2.68	2.17	(2.22)	1.89	2.42	2.30	2.38	2.32
Diluted	2.67	2.15	(2.22)	1.87	2.41	2.29	2.37	2.31
Adjusted diluted ⁽³⁾	2.71	2.27	2.43	2.12	2.64	2.31	2.40	2.50
Dividends per share	0.731	0.731	0.731	0.731	0.625	0.625	0.625	0.625

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

(2) Per multiple and subordinate voting share.

(3) For the three-month period ended May 31, 2023, the weighted average number of diluted voting shares used for the calculation of the adjusted diluted earnings per share included 49,305 incentive shares units and 48,415 performance share units. As for the calculation of the diluted loss per share, these share-based compensation units were deemed to be anti-dilutive due to the loss incurred during the period and therefore were excluded from the calculation.

9.2 Seasonal variations

Cogeco's operating results are not generally subject to material seasonal fluctuations. Although, the media business faces certain seasonal variation.

9.3 Fourth-quarter operating and financial results

Consolidated

Operating and financial results

Three months ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Revenue	766,652	(12,037)	754,615	746,911	2.6	1.0
Operating expenses	414,727	(6,686)	408,041	398,401	4.1	2.4
Adjusted EBITDA	351,925	(5,351)	346,574	348,510	1.0	(0.6)

(1) For the three-month period ended August 31, 2023, the average foreign exchange rate used for translation was 1.3329 USD/CDN.

(2) Fiscal 2023 in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2022 which was 1.2893 USD/CDN.

Revenue

Three months ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023	2022	Change	Change in constant currency	Foreign exchange impact
	\$	\$	%	%	\$
Canadian telecommunications	375,754	360,834	4.1	4.1	—
American telecommunications	367,643	364,612	0.8	(2.5)	(12,037)
Cogeco Communications	743,397	725,446	2.5	0.8	(12,037)
Other	23,255	21,465	8.3	8.3	—
Consolidated	766,652	746,911	2.6	1.0	(12,037)

Fiscal 2023 fourth-quarter revenue increased by 2.6% (1.0% in constant currency), mainly resulting from:

- revenue growth in the Canadian telecommunications segment, driven by the cumulative effect of high-speed Internet service additions over the past year, higher revenue per customer and contribution from the oxio acquisition completed on March 3, 2023; and
- higher revenue in the media activities; partly offset by
- a lower Internet customer base over the past year and an overall decline in video and phone service customers in the American telecommunications segment, offset in part by a higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds.

Operating expenses

Three months ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023	2022	Change	Change in constant currency	Foreign exchange impact
	\$	\$	%	%	\$
Canadian telecommunications	180,183	163,157	10.4	10.2	(367)
American telecommunications	193,172	199,561	(3.2)	(6.4)	(6,319)
Corporate and eliminations	15,026	10,079	49.1	49.1	—
Cogeco Communications	388,381	372,797	4.2	2.4	(6,686)
Other	26,346	25,604	2.9	2.9	—
Consolidated	414,727	398,401	4.1	2.4	(6,686)

Fiscal 2023 fourth-quarter operating expenses increased by 4.1% (2.4% in constant currency), mainly due to:

- higher operating expenses in the Canadian telecommunications segment, mainly due to the oxio acquisition completed on March 3, 2023 and higher operating expenses to drive and support customer growth, while last year's operating expenses were also lower due to certain year-end adjustments recorded during the fourth quarter; and
- higher corporate costs, primarily due to initiatives undertaken to support the Corporation's future growth and in relation to its plan to offer mobile services in Canada; partly offset by
- reduced operating expenses in the American telecommunications segment, mostly due to reduced video service costs resulting from the decline in video service customers and cost reduction initiatives.

Adjusted EBITDA

Three months ended August 31	2023	2022	Change	Change in constant currency	Foreign exchange impact
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Canadian telecommunications	195,571	197,677	(1.1)	(0.9)	367
American telecommunications	174,471	165,051	5.7	2.2	(5,718)
Corporate and eliminations	(18,742)	(15,654)	(19.7)	(19.7)	—
Cogeco Communications	351,300	347,074	1.2	(0.3)	(5,351)
Other	625	1,436	(56.5)	(56.5)	—
Consolidated	351,925	348,510	1.0	(0.6)	(5,351)

Fiscal 2023 fourth-quarter adjusted EBITDA increased by 1.0% and remained stable in constant currency, mainly as a result of higher adjusted EBITDA in the American telecommunications segment resulting from cost reduction initiatives, which was offset by higher corporate costs and lower adjusted EBITDA in the Canadian telecommunications segment due to increased operating expenses, as explained above.

Acquisition, integration, restructuring and other costs

Fiscal 2023 fourth-quarter acquisition, integration, restructuring and other costs amounted to \$15.2 million, mostly related to:

- restructuring costs associated with organizational changes during the fourth quarter of fiscal 2023 within the Canadian and the American telecommunications segments, resulting in further cost optimization;
- configuration and customization costs related to cloud computing arrangements; and
- costs from the ongoing integration of past acquisitions, as well as acquisition and integration costs incurred in connection with the acquisition of oxio, completed on March 3, 2023.

Fiscal 2022 fourth-quarter acquisition, integration, restructuring and other costs amounted to \$12.7 million, mostly related to:

- costs from the ongoing integration of the Ohio broadband systems;
- restructuring costs associated with organizational changes during the fourth quarter of fiscal 2022 within the Canadian telecommunications segment, resulting in cost optimization; and
- configuration and customization costs related to cloud computing arrangements.

Depreciation and amortization

Fiscal 2023 fourth-quarter depreciation and amortization expense amounted to \$157.1 million and remained stable compared to the prior year.

Financial expense

Three months ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Interest on long-term debt, excluding interest on lease liabilities	70,949	52,225	35.9
Interest on lease liabilities	714	660	8.2
Net foreign exchange loss	2,467	121	—
Amortization of deferred transaction costs related to the revolving facilities	186	177	5.1
Interest income	(3,450)	(733)	—
Other	332	560	(40.7)
	71,198	53,010	34.3

Fiscal 2023 fourth-quarter financial expense increased by 34.3%, mainly due to:

- higher interest expense on the floating interest rate portion of the Senior Secured Term Loan B Facility, mainly resulting from rising interest rates;
- higher debt outstanding; and
- the appreciation of the US dollar against the Canadian dollar; partly offset by
- higher interest income resulting from investments of excess cash at higher interest rates.

Income taxes

Three months ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Current	5,523	27,362	(79.8)
Deferred	12,304	(10,009)	—
Income taxes	17,827	17,353	2.7
Effective income tax rate	16.5 %	13.5 %	22.2

Fiscal 2023 fourth-quarter income tax expense increased by 2.7%, mainly due to:

- last year's \$8.5 million tax benefit recognized in the fourth quarter following a change in tax rate, signed into law on July 8, 2022, to reduce the corporate net income tax rate in the state of Pennsylvania from 9.99% to 4.99% by decreasing it by 0.5% annually until 2031, effective for the Corporation on September 1, 2023; partly offset by
- the decrease in profit before income taxes; and
- higher tax benefits related to financing costs in connection with past acquisitions.

Current income taxes were lower in the fourth quarter of fiscal 2023 compared to the prior year mainly resulting from the variation in temporary differences and higher tax benefits related to financing costs in connection with past acquisitions, as mentioned above.

Profit for the period

Three months ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages and earnings per share)</i>	\$	\$	%
Profit for the period	90,521	111,379	(18.7)
Profit for the period attributable to owners of the Corporation	29,234	36,433	(19.8)
Profit for the period attributable to non-controlling interest ⁽¹⁾	61,287	74,946	(18.2)
Adjusted profit attributable to owners of the Corporation	33,006	39,459	(16.4)
Basic earnings per share	1.89	2.32	(18.5)
Diluted earnings per share	1.87	2.31	(19.0)
Adjusted diluted earnings per share	2.12	2.50	(15.2)

(1) At August 31, 2023, the non-controlling interest relates to a participation of approximately 64.7% in the profit for the period attributable to owners of Cogeco Communications in addition to the 21% ownership of CDPQ in a U.S. subsidiary of Cogeco Communications.

Fiscal 2023 fourth-quarter profit for the period and profit for the period attributable to owners of the Corporation decreased by 18.7% and 19.8%, respectively, mainly as a result of:

- higher financial expense;
- higher depreciation and amortization expense; and
- higher acquisition, integration, restructuring and other costs; partly offset by
- the impact of the appreciation of the US dollar against the Canadian dollar.

Fiscal 2023 fourth-quarter adjusted profit attributable to owners of the Corporation, which excludes the impact of acquisition, integration, restructuring and other costs, net of tax and non-controlling interest, decreased by 16.4% compared to the same period of the prior year.

Canadian telecommunications

Operating and financial results

Three months ended August 31	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Change	
					Actual	In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Revenue	375,754	—	375,754	360,834	4.1	4.1
Operating expenses	180,183	(367)	179,816	163,157	10.4	10.2
Adjusted EBITDA	195,571	367	195,938	197,677	(1.1)	(0.9)
Adjusted EBITDA margin	52.0 %			54.8 %		
Net capital expenditures	73,348	(614)	72,734	100,140	(26.8)	(27.4)
Capital intensity	19.5 %			27.8 %		

(1) For the three-month period ended August 31, 2023, the average foreign exchange rate used for translation was 1.3329 USD/CDN.

(2) Fiscal 2023 in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2022 which was 1.2893 USD/CDN.

Revenue

Fiscal 2023 fourth-quarter revenue increased by 4.1% as reported and in constant currency, mainly as a result of:

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

Operating expenses

Fiscal 2023 fourth-quarter operating expenses increased by 10.4% (10.2% in constant currency), mainly due to:

- the oxio acquisition completed on March 3, 2023;
- higher operating expenses to drive and support customer growth; and
- certain year-end adjustments last year.

Adjusted EBITDA

Fiscal 2023 fourth-quarter adjusted EBITDA decreased by 1.1% (0.9% in constant currency), mainly due to revenue growth being more than offset by higher operating expenses to drive and support customer growth and the impact of certain year-end adjustments recorded last year.

Net capital expenditures and capital intensity

Fiscal 2023 fourth-quarter net capital expenditures decreased by 26.8% (27.4% in constant currency) and capital intensity reached 19.5% compared to 27.8% for the same period of the prior year, mostly due to reduced spending resulting from the completion of several rural network expansion projects, mainly in Québec.

Primary service unit

	August 31, 2023	Net additions (losses)	
		Three months ended August 31	
		2023	2022
Primary service units	1,874,796	7,479	(10,718)
Internet service customers	854,703	14,041	3,252
Video service customers	634,736	(5,184)	(8,682)
Phone service customers	385,357	(1,378)	(5,288)

Internet

Fiscal 2023 fourth-quarter Internet service customers net additions of 14,041 resulted from organic growth in our traditional markets driven by successful sales and marketing efforts, new customers gained from our fibre-to-the-home network expansions as well as those added under the oxio brand.

Video

Fiscal 2023 fourth-quarter video service customers net losses of 5,184 were mainly due to ongoing changes in video consumption trends, further impacted by the current inflationary environment, with an increasing proportion of customers only subscribing to Internet services, partly offset by additions in network expansion areas.

Phone

Fiscal 2023 fourth-quarter phone service customers net losses of 1,378 were mainly due to a higher mobile phone substitution, further impacted by the current inflationary environment, partly offset by additions in network expansion areas.

Homes passed

For the fourth quarter of fiscal 2023, homes passed additions were 7,308.

American telecommunications

Operating and financial results

Three months ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023 ⁽¹⁾	Foreign exchange impact	2023 in constant currency ⁽²⁾	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Revenue	367,643	(12,037)	355,606	364,612	0.8	(2.5)
Operating expenses	193,172	(6,319)	186,853	199,561	(3.2)	(6.4)
Adjusted EBITDA	174,471	(5,718)	168,753	165,051	5.7	2.2
Adjusted EBITDA margin	47.5 %			45.3 %		
Net capital expenditures	100,488	(3,292)	97,196	120,347	(16.5)	(19.2)
Capital intensity	27.3 %			33.0 %		

(1) For the three-month period ended August 31, 2023, the average foreign exchange rate used for translation was 1.3329 USD/CDN.

(2) Fiscal 2023 in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2022 which was 1.2893 USD/CDN.

Revenue

Fiscal 2023 fourth-quarter revenue increased by 0.8% (decrease of 2.5% in constant currency). The decrease in constant currency is mainly the result of:

- a lower Internet customer base over the past year and an overall decline in video and phone service customers; partly offset by
- higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds.

In local currency, revenue amounted to US\$275.8 million compared to US\$282.8 million for the same period of fiscal 2022.

Operating expenses

Fiscal 2023 fourth-quarter operating expenses decreased by 3.2% (6.4% in constant currency), mainly due to:

- reduced video service costs resulting from the decline in video service customers; and
- cost reduction initiatives; partly offset by
- higher marketing and advertising expenses to drive customer growth.

Adjusted EBITDA

Fiscal 2023 fourth-quarter adjusted EBITDA increased by 5.7% (2.2% in constant currency) primarily due to a better product mix and cost reduction initiatives, partly offset by lower revenue resulting from a lower customer base, as explained above.

In local currency, adjusted EBITDA amounted to US\$130.9 million compared to US\$128.0 million for the same period of fiscal 2022.

Net capital expenditures and capital intensity

Fiscal 2023 fourth-quarter net capital expenditures decreased by 16.5% (19.2% in constant currency) and capital intensity was 27.3% compared to 33.0% for the same period of the prior year, mainly resulting from lower spending due to the timing of certain initiatives.

In local currency, net capital expenditures amounted to US\$75.4 million compared to US\$93.3 million for the same period of fiscal 2022.

Primary service unit

	August 31, 2023	Net additions (losses)	
		Three months ended August 31	
		2023	2022 ⁽¹⁾
Primary service units	1,098,731	(22,200)	(25,903)
Internet service customers	671,762	(9,023)	(10,070)
Video service customers	288,881	(8,071)	(9,274)
Phone service customers	138,088	(5,106)	(6,559)

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

Internet

Fiscal 2023 fourth-quarter Internet service customers net losses amounted to 9,023 of which 6,425 were pertaining to Ohio. The net losses in Ohio were mainly due to a more competitive market and the time required to gain brand awareness. Internet customer variations in other regions also reflect a more competitive environment.

Video

Fiscal 2023 fourth-quarter video service customers net losses of 8,071 were due to:

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

Phone

Fiscal 2023 fourth-quarter phone service customers net losses of 5,106 were mainly due to:

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

Homes passed

For the fourth quarter of fiscal 2023, homes passed additions were 15,723.

Cash flow analysis

Three months ended August 31	2023	2022	Change
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%
Cash flows from operating activities	284,370	326,636	(12.9)
Cash flows used in investing activities	(206,100)	(243,884)	(15.5)
Cash flows used in financing activities	(79,241)	(90,341)	(12.3)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(840)	7,358	—
Net change in cash and cash equivalents	(1,811)	(231)	—
Cash and cash equivalents, beginning of the period	365,665	379,232	(3.6)
Cash and cash equivalents, end of the period	363,854	379,001	(4.0)

Operating activities

Fiscal 2023 fourth-quarter cash flows from operating activities decreased by 12.9%, mainly from:

- higher interest paid; and
- changes in other non-cash operating activities, primarily due to the timing of payments of trade and other payables; partly offset by
- the appreciation of the US dollar against the Canadian dollar; and
- lower income taxes paid.

Investing activities

Fiscal 2023 fourth-quarter cash flows used in investing activities decreased by 15.5%, primarily due to the decrease in acquisition of property, plant and equipment, which was mostly due to reduced spending resulting from the completion of several rural network expansion projects, mainly in Québec, and the timing of certain initiatives.

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

Three months ended August 31	2023	2022	Change	Change in constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
Acquisition of property, plant and equipment	207,434	244,855	(15.3)	
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the period ⁽¹⁾	(28,953)	(20,080)	44.2	
Net capital expenditures	178,481	224,775	(20.6)	(22.3)
Net capital expenditures, excluding network expansion projects	145,553	163,143	(10.8)	(12.6)

(1) Relates to the \$187.5 million of government subsidies received in the third quarter of fiscal 2021 in connection with Cogeco Connexion's high-speed Internet network expansion projects, which are recognized against property, plant and equipment based on the costs incurred over the total expected costs.

Net capital expenditures and capital intensity

Three months ended August 31	2023	2022	Change	Change in constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
Canadian telecommunications	73,348	100,140	(26.8)	(27.4)
Capital intensity	19.5 %	27.8 %		
American telecommunications	100,488	120,347	(16.5)	(19.2)
Capital intensity	27.3 %	33.0 %		
Corporate and eliminations	2,781	3,022	(8.0)	(8.0)
Cogeco Communications	176,617	223,509	(21.0)	(22.7)
Capital intensity	23.8 %	30.8 %		
Other	1,864	1,266	47.2	47.2
Consolidated	178,481	224,775	(20.6)	(22.3)

Net capital expenditures and capital intensity excluding network expansion projects

Three months ended August 31	2023	2022	Change	Change in constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%
Cogeco Communications	143,689	161,877	(11.2)	(13.1)
Capital intensity, excluding network expansion projects ⁽¹⁾	19.3 %	22.3 %		
Other	1,864	1,266	47.2	47.2
Consolidated	145,553	163,143	(10.8)	(12.6)

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

Fiscal 2023 fourth-quarter net capital expenditures decreased by 20.6% (22.3% in constant currency), mainly due to reduced spending in both the Canadian and American telecommunications segments, as explained above.

Excluding network expansion projects, fiscal 2023 fourth-quarter net capital expenditures decreased by 10.8% (12.6% in constant currency).

Fiscal 2023 fourth-quarter capital intensity of Cogeco Communications was 23.8% compared to 30.8% for the same period of the prior year. The capital intensity decrease is mainly explained by lower net capital expenditures, partly offset by the revenue growth. Excluding network expansion projects, fiscal 2023 fourth-quarter capital intensity of Cogeco Communications was 19.3% compared to 22.3% for the same period of the prior year.

Financing activities

Issuance and repayment of debt

Fiscal 2023 fourth-quarter changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

Three months ended August 31	2023	2022	Explanations
<i>(In thousands of Canadian dollars)</i>	\$	\$	
Decrease in bank indebtedness	(1,688)	(6,197)	Related to the timing of payments made to suppliers.
Net decrease under the revolving facilities	(33,431)	(6,739)	Repayment of amounts drawn under the revolving facilities.
Issuance of long-term debt, net of discounts and transaction costs	—	(239)	Comparable.
Repayment of notes, debentures and credit facilities	(8,815)	(8,522)	Comparable.
Repayment of lease liabilities	(1,907)	(1,373)	Comparable.
	(45,841)	(23,070)	

Dividends

During the fourth quarter of fiscal 2023, a quarterly eligible dividend of \$0.731 per share was paid to the holders of subordinate and multiple voting shares, totalling \$11.3 million, compared to a quarterly eligible dividend paid of \$0.625 per share, or \$9.8 million, in the fourth quarter of fiscal 2022.

Normal course issuer bid

Cogeco

No shares were repurchased during the fourth quarter of fiscal 2023. During the fourth quarter of fiscal 2022, Cogeco purchased and cancelled 31,500 subordinate voting shares with a weighted average price per share purchased of \$69.65 for a total consideration of \$2.2 million.

Cogeco Communications

No shares were repurchased during the fourth quarter of fiscal 2023. During the fourth quarter of fiscal 2022, Cogeco Communications purchased and cancelled 390,800 subordinate voting shares with a weighted average price per share purchased of \$88.35 for a total consideration of \$34.5 million.

Free cash flow

Three months ended August 31	2023 ⁽¹⁾	2022	Change	Change in constant currency ⁽²⁾	Foreign exchange impact ⁽²⁾
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	%	%	\$
Adjusted EBITDA	351,925	348,510	1.0	(0.6)	(5,351)
Amortization of deferred transaction costs and discounts on long-term debt	3,212	2,992	7.4		
Share-based payment	2,611	1,663	57.0		
Loss on disposals and write-offs of property, plant and equipment and other	514	98	—		
Defined benefit plans expense, net of contributions	323	618	(47.7)		
Acquisition, integration, restructuring and other costs	(15,239)	(12,657)	20.4		
Financial expense	(71,198)	(53,010)	34.3		
Current income taxes	(5,523)	(27,362)	(79.8)		
Net capital expenditures	(178,481)	(224,775)	(20.6)		
Repayment of lease liabilities	(1,907)	(1,373)	38.9		
Free cash flow	86,237	34,704	—	—	599
Free cash flow, excluding network expansion projects	119,165	96,336	23.7	23.4	(291)

(1) For the three-month period ended August 31, 2023, the average foreign exchange rate used for translation was 1.3329 USD/CDN.

(2) Fiscal 2023 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2022 which was 1.2893 USD/CDN.

Fiscal 2023 fourth-quarter free cash flow amounted to \$86.2 million (\$86.8 million in constant currency) compared to \$34.7 million last year. The increase in constant currency is mainly due to:

- lower net capital expenditures in both the Canadian and American telecommunications segments; and
- lower current income taxes; partly offset by
- higher financial expense.

Excluding network expansion projects, fiscal 2023 fourth-quarter free cash flow amounted to \$119.2 million (\$118.9 million in constant currency), an increase of 23.7% (23.4% in constant currency) compared to the same period of the prior year.

10. Fiscal 2024 financial guidelines

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

The Corporation presents its fiscal 2024 financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign currency rates. Measures on a constant currency basis are considered non-IFRS financial measures and ratios, and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. The financial guidelines exclude the impact from other possible business acquisitions and do not take into consideration unusual adjustments that could result from regulatory environment changes or unforeseeable non-recurring items

Cogeco

The Corporation's fiscal 2024 financial guidelines are mainly driven by those of Cogeco Communications, which are described below.

The following table outlines the Corporation's fiscal 2024 financial guidelines ranges compared to fiscal 2023 actual results, on a constant currency and consolidated basis:

	November 1, 2023 Projections ⁽¹⁾	Actual
	Fiscal 2024 (constant currency) ⁽²⁾	Fiscal 2023
	\$	\$
<i>(In millions of Canadian dollars, except percentages)</i>		
Financial guidelines		
Revenue	Stable	3,081
Adjusted EBITDA	Stable	1,433
Net capital expenditures	\$700 to \$775	703
Net capital expenditures in connection with network expansion projects	\$140 to \$190	530
Free cash flow	(5)% to (15)% ⁽³⁾	421
Free cash flow, excluding network expansion projects	(5)% to (15)% ⁽³⁾	594

(1) Percentage of changes compared to fiscal 2023.

(2) Fiscal 2024 financial guidelines are based on a USD/CDN constant exchange rate of 1.3467 USD/CDN.

(3) The assumed current income tax effective rate is approximately 7%.

Cogeco Communications

On a constant currency basis, Cogeco Communications expects fiscal 2024 revenue to remain stable. The Corporation anticipates revenue growth in the Canadian telecommunications segment being offset by lower revenue in the American telecommunications segment as it continues to face competition in its markets, in part from fixed wireless competitors, and video services cord cutting.

On a constant currency basis, fiscal 2024 adjusted EBITDA is anticipated to remain stable, mainly as a result of stable revenue and an improved product mix contributing to adjusted EBITDA margin, combined with several cost optimization initiatives. The financial guidelines reflect a negative estimated (1)% impact on adjusted EBITDA compared to the prior year related to additional preparation costs to offer mobility services in both countries.

Net capital expenditures are anticipated to be between \$700 and \$775 million, including net investments of approximately \$140 to \$190 million in growth-oriented network expansions, which will increase the Corporation's footprint in Canada and the United States, resulting in a capital intensity range between 24% to 26%, or 18% to 20% excluding network expansion projects.

As a result of these growth initiatives and an anticipated increase in financial expense, free cash flow and free cash flow, excluding network expansion projects, are expected to decrease between (5)% and (15)%, which reflects an estimated (10)% impact from additional mobility investments.

The following table outlines Cogeco Communications' fiscal 2024 financial guidelines ranges compared to fiscal 2023 actual results, on a constant currency and consolidated basis:

	November 1, 2023	
	Projections ⁽¹⁾	Actual
	Fiscal 2024	Fiscal 2023
	(constant currency) ⁽²⁾	
<i>(In millions of Canadian dollars, except percentages)</i>	\$	\$
Financial guidelines		
Revenue	Stable	2,984
Adjusted EBITDA	Stable	1,421
Net capital expenditures	\$700 to \$775	700
Net capital expenditures in connection with network expansion projects	\$140 to \$190	173
Capital intensity	24% to 26%	23.4 %
Capital intensity, excluding network expansion projects	18% to 20%	17.6 %
Free cash flow	(5)% to (15)% ⁽³⁾	415
Free cash flow, excluding network expansion projects	(5)% to (15)% ⁽³⁾	588

(1) Percentage of changes compared to fiscal 2023.

(2) Fiscal 2024 financial guidelines are based on a USD/CDN constant exchange rate of 1.3467 USD/CDN.

(3) The assumed current income tax effective rate is approximately 7%.

11. Sustainability strategy

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

We have defined our sustainability strategy, guided by both our core organizational values and the results of our recent double materiality assessment, which takes into account sustainability topics that are material to the corporation and to the society or the planet. Our commitments are centered on the key ESG levers of reducing our environmental footprint, implementing strong governance practices and supporting our key stakeholders. We monitor our sustainability related progress based on a set of key performance indicators that are reviewed as needed to ensure continued relevance.

Our social purpose

Enrich people's lives through human connection and vibrant communities.

How we deliver on our social purpose

We drive sustainable and inclusive growth through our long-standing tradition of social engagement and community involvement, our leading operating practices as well as our strong commitment to responsible and ethical management.

Our ESG objectives

Environmental



Reduce our environmental footprint

Social

CUSTOMERS



Be a trusted and reliable partner for our customers

COLLEAGUES



Drive engagement and investment in our colleagues

COMMUNITIES



Generate socio-economic benefits in the communities we work and live in

SUPPLIERS



Build a resilient and sustainable supply chain

Governance



Implement strong governance practices

GENERATE STRONG AND CONTINUOUS SHAREHOLDER RETURNS ON INVESTMENT

Our values



SOCIAL ENGAGEMENT
Have a positive impact on our communities and the environment



INNOVATION
Seek and embrace innovation



CUSTOMER COMMITMENT
Put customers at the heart of all our actions



TEAMWORK
Collaborate with our colleagues and partners to drive synergies and a culture of excellence



RESPECT
Foster a respectful workplace where integrity, trust and inclusion are the norm

Key sustainability initiatives

Below are relevant details pertaining to our key sustainability initiatives as well as information on the related key performance indicators that support the achievement of our goals.

Environment

Climate change adaptation and mitigation

Cogeco recognizes the importance of assessing and acting on climate-related risks and opportunities to ensure long-term corporate sustainability and resilience. As a result of a qualitative climate scenario analysis conducted in 2022, Cogeco has identified its material climate-related risks (both physical and transitional) and opportunities over the short and long term.

As part of our climate action strategy, we have set near-term emissions reduction targets that have been approved by the Science Based Targets initiative (SBTi) as consistent with levels required to meet the goals of the Paris Agreement. To further underscore our commitment, we have linked a portion of our executives' and other leaders' variable compensation to the achievement of our emissions reduction targets. Our near-term targets cover emissions from our operations as well as emissions from our value chain and are as follows:

- Reduce absolute Scope 1 & 2 emissions by 65% by 2030 from a 2019 baseline.
- Have 50% of our suppliers by spend covering purchased goods & services and capital goods setting science-based scope 1 & 2 emissions reduction targets by 2025.
- Reduce emissions from downstream leased assets (i.e. customer equipment) and employee commuting by 30% by 2030 from a 2019 baseline.
- Have 100% of energy consumed from electricity use be from renewable sources by 2030.

We have further committed to achieving a longer term target of net-zero emissions by 2050 and will submit our net-zero plan and target for approval by SBTi in fiscal 2024.

Our strategy to reduce emissions from our operations focuses on the following key levers: fleet fuel efficiency, fleet electrification, energy efficiency in our buildings and across our broadband network, and investments in renewable energy. With regards to reducing emissions from our value chain, our strategy relies on engaging with our suppliers to set ambitious emissions reduction targets and to identify opportunities to collaborate in reducing emissions. Our strategy also focuses on improving the energy efficiency of the equipment used by our customers to reduce downstream emissions as well as increasing employee engagement around emission reduction activities.

For more detailed information about our actions related to climate change mitigation and adaptation, please refer to our Climate Action Plan and TCFD Report (corpo.cogeco.com), which was published in January 2023.

Social

Our employees

Diversity, equity and inclusion (DEI)

DEI is considered a key sustainability topic for Cogeco as we recognize that diverse, equitable and inclusive environments enable collaboration, drive innovation, improve organizational performance, and help us better support communities and customers. We also believe that diverse backgrounds, perspectives, skills, and experiences translate into a significant competitive advantage. We strive to offer an inclusive workplace for all, where everyone feels a sense of belonging, has a safe environment in which to work and develop, and shares equal opportunities for career advancement.

In fiscal 2023, we continued to put a comprehensive Diversity, Equity and Inclusion strategy into action with the implementation of a formal DEI council, the establishment of 3 new employee-led Employee Resource Groups (in addition to the already existing Connect Women group), and focusing on enhancements to processes and policies as well as employee education and engagement. Notably, in fiscal 2023, we had 50% of our people leaders trained on inclusive leadership and we will continue to roll out the program in fiscal 2024.

A workforce demographic self-identification survey was launched in fiscal 2023 in Canada with the objective of obtaining a more comprehensive overview of the composition of our workforce. We pursued our efforts to promote gender diversity. In fiscal 2023, 34% of managerial positions and above were held by women. We also expanded our aspirations to increase representation of our BIPOC (Black, Indigenous and People of Colour) communities, particularly at the leadership levels, and of people with disabilities throughout our workforce.

Employee health, safety & well-being

Our workforce is a key driver of our success which is why providing a superior employee experience is one of Cogeco's top strategic priorities. This includes our commitment to providing a safe and healthy workplace for all employees, volunteers and business partners. It goes beyond our duty of care, and is an important business and risk mitigation practice as it lowers injury/illness costs, reduces absenteeism and turnover, increases productivity and quality, and raises employee morale. To further underscore our commitment to health, safety and well-being, we have linked a portion of our executives' and other leaders' variable compensation to the achievement of associated targets.

Year over year, we continue to evolve health & safety and wellness practices and processes to ensure the well-being of our employees. Initiatives deployed include providing in-depth training on health & safety, ensuring systems and processes are in place to guide and track health & safety efforts, providing all employees and their families with access to confidential consultations and information services from external professionals to address and find solutions for a wide range of life's challenges through our Employee Assistance Program, and providing employees with a subscription to a meditation and mindfulness application to support employees' overall well-being and mental health.

Employee engagement

Employee engagement matters to Cogeco as it is our firm belief that engaged employees care about what they do and are thus motivated to contribute to organizational success, which in turn positively correlates to our financial performance. Engaged employees are also more attuned to the needs of customers and can therefore make a real difference in terms of providing the best customer experience. It is recognized that high employee engagement increases profitability, work quality and productivity of employees, and is also an important enabler of employee retention. In the current highly competitive market for top talent, the ability for any organization to provide a highly engaging work environment can represent a key differentiator and competitive advantage. As a reflection of the importance we give to employee engagement, we have linked a portion of our executives' and other leaders' variable compensation to the achievement of associated targets. Elements offered by Cogeco to drive employee engagement include regular pulse surveys to enable the collection of employee feedback on key engagement metrics, hybrid working principles called FlexWork as well as a teleworking policy to support greater work life balance, comprehensive compensation packages with competitive salaries, group benefits and reward programs, training and development opportunities, a stock purchase plan with an employer match component, and user-friendly digital tools to enhance collaboration. Cogeco uses an employee Net Promoter Score (eNPS) to track employee engagement and we are pleased to report that our eNPS increased in fiscal 2023 compared to fiscal 2022.

Our communities

Community investment & digital inclusion

Social engagement is one of Cogeco's core values. We are a company that is deeply rooted in the communities we serve through the operation of local offices where our team members and customers live. We aim to make our communities thrive by supporting local economies, building partnerships and fostering community cohesion. In fiscal 2023, we supported over 580 non-profit organizations in Canada and the U.S. and our total donations amounted to 3.8% of our pre-tax profits.

Connectivity is essential to ensuring digital inclusion in our society and is a powerful driving force for the economic and social development of our communities. In line with our desire to be a good corporate citizen, we believe that our industry has an essential role to play in closing the digital divide and we view this as a key priority as well as a key vector of our growth strategy in terms of expanding our total addressable market. We actively seek to participate in government programs in both Canada and the U.S. to accelerate access to high-speed Internet in underserved and unserved regions. We have committed to passing a minimum of 75,000 homes over 3 years to these regions and had passed 64,520 homes by the end of fiscal 2023.

Our customers

Data security and data privacy

As cybersecurity threats and breaches in the public and private sectors have grown in frequency and complexity over recent years, data security has become a top priority for all corporations, including Cogeco. According to the World Economic Forum, cyber risk is undeniably the most immediate and financially material sustainability risk that organizations face today. To mitigate this risk, Cogeco has put in place governance structures, teams, technological tools and programs to ensure the security of Cogeco's ecosystem. We strive to proactively manage our cybersecurity risks and thus enable business resiliency while also capitalizing on the opportunities associated with better managing these risks, such as increased customer and partner trust and brand value.

As part of our operations, we collect personal information and our customers and employees entrust us with their data. We have mechanisms in place to ensure that personal information is kept confidential and secure, and used only for the purposes for which it was collected as that is what our customers and employees expect from us.

In fiscal 2023, we continued to progress on the deployment of a comprehensive multi-year cybersecurity program that is aligned with globally recognized frameworks and standards. Cogeco has implemented an information security governance structure which incorporates advisory and oversight committees to ensure enhanced visibility and accountability related to oversight on the information security program and related activities. Much focus has been placed on increasing security awareness of our workforce so as to enable a strong first line of defense with 96% of our employees trained in fiscal 2023 on Cogeco's Cybersecurity and Privacy policies. As part of our information security initiatives, regularly scheduled phishing tests are also deployed to train our workforce on email security. We track phishing simulation reporting and click rates to measure the effectiveness of these tests with the objective of improving year over year. Fiscal 2023 saw a decrease in phishing click rate with an increase in the rate of properly identified phishing attempts, which demonstrates improved employee awareness and the adoption of the right reflexes. Lastly, cybersecurity incident response simulations were held in fiscal 2023 with both the senior leadership team as well as Cogeco Board members. We also continue to collaborate with government entities as well as our peers in the industry to share knowledge and enable a more secure infrastructure overall.

Network investment

Providing customers with a robust and state-of-the-art network is critical to ensure that our customers can depend on reliable connectivity and quality services. Ongoing investments in digital infrastructure are critical to connect families and businesses, to enable economic activity, education and other critical services as well as to reduce the digital divide between urban centres and rural areas. It is also key to ensuring the long term resilience and sustainability of our business and operations.

In fiscal 2023, we continued to invest to maintain, upgrade, or replace our network and infrastructure to maximize system reliability and resiliency. In addition, we invested \$173 million to expand our network geographically. We also have strong business continuity and disaster recovery plans, policies and procedures to limit network downtime in the event of any emergency. In fiscal 2023, our network was available more than 99.96% of the time.

Governance

Ethical business practices

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

Our Code of Ethics is the core foundation that sets out the principles related to expected ethical behavior. It is supported by mandatory ethics training for all employees, various ethics awareness initiatives deployed throughout the year, an anonymous and confidential Ethics Line that allows employees and other individuals to report any perceived or actual instances of Code of Ethics violations, a formal conflict of interest declaration process and an Ethics Steering Committee composed of members of the Executive Management Team. In fiscal 2023, the biennial training on our Code of Ethics was deployed with 99% of our employees having completed said training. Furthermore, to ensure that we partner with businesses that are also committed to sustainable and ethical behavior, we require suppliers to acknowledge our Supplier Code of Conduct. In fiscal 2023, 100% of our top suppliers acknowledged Cogeco's Supplier Code of Conduct or we approved the supplier's own ESG related standards.

ESG reporting and disclosures

Cogeco continues to adopt best practices and recognized frameworks to report progress on its sustainability commitments in a transparent manner. ESG-related reporting for public enterprises is also evolving and expected to increase future disclosure requirements. For example, Proposed National Instrument 51-107, *respecting Disclosure of Climate-related Matters*, from the Canadian Securities Administrators, would mandate, if adopted, reporting issuers to disclose climate-related information in alignment with the four core disclosure elements of the Task Force on Climate-related Financial Disclosures. Furthermore, the International Sustainability Standards Board (ISSB), established by the IFRS Foundation, issued IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2, *Climate-related Disclosures*, in June 2023, which aims to provide sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, in preparation for Bill S-211, *An act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains*, and as the ISSB consider human rights as a potential priority for the upcoming years, we can expect more emphasis on these elements from a reporting standpoint. The Corporation will continue to monitor the developments of the ESG-reporting requirements to ensure compliance and continued transparency in its disclosure.

Oversight of sustainability strategy

The Board of Directors oversees the Corporation's Sustainability strategy, goals, performance and related initiatives on a quarterly basis. In addition, ESG-related risks and opportunities are reviewed and discussed at the Audit Committee of the Board of Directors on a quarterly basis. At the Corporation level, oversight of the sustainability strategy and related ESG issues lies within the Sustainability function which is under the purview of the Sustainability Steering Committee. This committee is composed of the President & CEO and his direct reports as well as some other executive members.

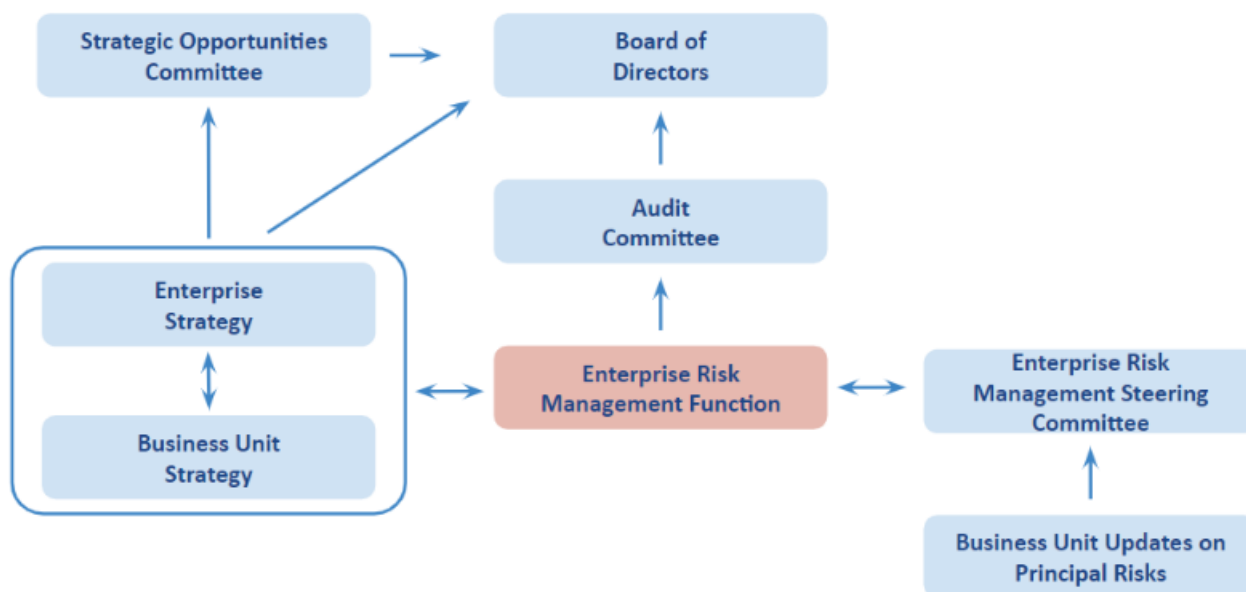
For more information on our initiatives and our performance, please refer to Cogeco's latest ESG and Sustainability Report, which was published in March 2023 and is available directly on the Corporation's website at corpo.cogeco.com. Our new report will be released in March 2024. In addition, detailed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

12. Uncertainties and main risk factors

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

Enterprise risk management

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



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

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

12.1 Competitive risks

The environment in which the Corporation operates is highly competitive. The Corporation expects competition to remain intense as traditional and non-traditional competitors seek increased market share and competitive trends evolve in response to customer demands, regulatory developments and emerging technologies. Those trends can lead competitors to adopt new and, in some cases, more aggressive strategies to protect and grow market share, revenue and profit.

Competition stems from various sources. Large traditional phone companies and mobile service operators are upgrading their offerings with products such as exclusive, direct-to-consumer video content, investing in fibre-to-the-home ("FTTH") and in fixed-wireless access ("FWA"), expanding their 5G networks, offering mobile substitutes for fixed home Internet and expanding outside their footprint. Competition also comes from other sources, such as Internet wholesalers in Canada, companies and municipalities overbuilding the Corporation's facilities, communities in the U.S. building open access broadband networks, and new entrants offering Internet access services by leveraging satellite technology. The Corporation also faces competition in the merger and acquisitions space in the United States from financial players, such as private equity firms and infrastructure funds, competing for the same opportunities in the telecommunications sector.

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

To mitigate the Corporation's competitive risks, focus is placed on providing customers with a distinctive experience with state-of-the-art Internet services and solid in-home Wi-Fi, a modern IP television service and high-quality customer service.

The Corporation's principal competitive risks can be broken down as follows.

Intensifying competition in the Canadian and American telecommunications segments.

Both the Canadian and American markets are experiencing heightened competition. For Internet connectivity services, the Corporation competes against incumbent phone companies, wireless providers, municipal broadband networks and satellite broadband providers. For video services, the Corporation's main source of competition comes from incumbent phone companies and satellite service providers. The Corporation's phone services face competition from the incumbent phone companies, as well as other providers such as mobile and VoIP providers.

Over the years, Internet wholesalers have gained significant market share in the Canadian territories where the Corporation offers its services, particularly in Ontario. A favourable regulated wholesale regime that does not require wholesalers to invest in network construction and sets low mandated wholesale rates has enabled wholesalers to offer a range of service plans at competitive prices. While wholesalers are primarily focused on Internet services, some are also providing video and phone services and growing their offering.

In the U.S., the Corporation is also facing intensified competition from competitors such as Comcast, Verizon and AT&T which are overbuilding the Corporation's facilities on its operating footprint in the states of Florida, Connecticut, New Hampshire and Ohio. The United States market is also seeing an increase in the number of providers that offer fixed wireless broadband and Internet delivered via satellite, some of which have been awarded federal funding to expand their service territories to unserved areas.

Faced with increasing competition and evolving customer demands, providers are enhancing the value they offer customers. Some are looking to disrupt the cable bundle by offering more choice to subscribers through personalized and tailored services that would eliminate contracts and bundling, while others are expanding their service offering to include mobility services, cybersecurity and home security.

Competition in both the Canadian and American telecommunications segments from streaming services.

Cogeco Connexion and Breezeline face increasing competition from streaming services offered not only from over-the-top ("OTT") video content providers such as Netflix, Apple TV+ and YouTube but also from content owners launching or acquiring a streaming service of their own (e.g. Disney+, Peacock, HBO Max). A majority of households already subscribe to streaming services as a complement to traditional video services and have resulted in a surge in subscriptions in recent years. Some OTT video content providers now offer live-feed channels traditionally offered only by broadcasting distribution undertakings. The streaming trend is expected to continue to increase and the Corporation could be materially adversely affected if, as a result, a significant number of video customers disconnect their services or reduce their video spending.

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

Increased number of consumers switching from landline phone to mobile and IP based phone services.

As mobile phone and smartphone adoption grows, an increasing number of fixed phone customers are disconnecting fixed lines. Because the Corporation does not offer mobile services on most of its operating footprint, further erosion of fixed phone customers could have a material adverse effect on the Corporation's business, financial condition, prospects and results of operations.

The Corporation does not currently offer mobile communication services on most of its operating footprint.

Although the Corporation provides "double play" and "triple play" bundled services in Canada and the United States, with various combinations of Internet, video and landline phone services being offered at bundled prices, the Corporation does not offer mobile services to bundle with its other services.

The Corporation remains interested, as part of its growth strategy, in offering mobile services throughout its operating footprint in order to offer a wider range of services and gain a greater share of its customers' telecommunications services. The Corporation intends to do so in Canada by making use of the MVNO access regime established by the CRTC in Telecom Regulatory Policy 2021-130, which allows regional operators investing in telecommunications infrastructure and spectrum to access the mobile networks of Canada's incumbent wireless carriers. Should the Corporation enter into a Canadian MVNO agreement, it would expect to make investments over time, in addition to making use of the MVNO regime. Launching a mobile operation in Canada includes significant risks as investments include the acquisition of spectrum licenses, network

infrastructure and systems devices, as well as start-up costs. While incumbents' wholesale MVNO access tariffs establishing the terms and conditions of the MVNO access service have been approved by the CRTC, the Corporation must commercially negotiate MVNO rates with incumbent wireless carriers, with final arbitration by the CRTC as a recourse if negotiations fail. The Corporation has not yet entered into any such agreement. A mobile operation in Canada may result in downward pressure on adjusted EBITDA margins, profits and free cash flow and may not, in the long term, meet profitability expectations. Should the Corporation launch mobile services in the United States, it is expecting to do so through a commercially negotiated MVNO arrangement, which would expose the Corporation to some of the same operating risks as in Canada.

The Corporation's business services face competition from a variety of service providers.

Cogeco Connexion and Breezeline offer Internet, video and phone services to businesses across their served areas, mainly to small to medium-sized businesses. The Corporation's business services in Canada and the United States face competition from a variety of service providers that often have a wider product offering. The Corporation's results of operations could be materially adversely affected to the extent that it is unable to retain its existing customers and grow its business customer base.

12.2 Business risks

Economic conditions

The Corporation is influenced by general economic conditions, consumer confidence and spending, and the demand for its products and services. Adverse general economic conditions, such as heightened inflation, economic downturns or recessions, leading to a declining level of retail and commercial activity, could have a negative impact on the demand for the Corporation's products and services.

More specifically, adverse general economic conditions could result in customers delaying or reducing purchases of the Corporation's products and services or discontinuing using them, and a decline in the creditworthiness of its customers could increase its bad debt expense. In addition, geopolitical conditions could lead to instability in financial markets, sustained high energy prices and supply chain issues, leading to increased costs and supply chain delays.

Strategic plan and business strategies

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

Access to programming and programming costs

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

In Canada, the market for video content services is characterized by high levels of supplier concentration and vertical integration. Some of the large integrated communications service providers with whom the Corporation competes in Canada own broadcast television content assets. This vertical integration could result in content being withheld from the Corporation or being made available at inflated prices or unattractive terms. In order to limit the power of vertically integrated entities on the public's access to diverse and quality programming services, the CRTC adopted in 2015 a Wholesale Code which applies to all broadcasting distribution undertakings ("BDU") and licensed programming undertakings. The Code prohibits a number of commercially unreasonable practices and sets out a dispute resolution mechanism for the renewal of affiliation agreements in situations where both the BDU and the programming undertaking intend to renew the agreement but are unable to agree on terms. The Corporation's largest programming supplier is Bell Media, which represents a significant proportion of the Corporation's overall programming costs. Bell is vertically integrated and is also the Corporation's largest

competitor in Canada. While the Corporation has generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, it may not be able to maintain its current arrangements, or conclude new arrangements that are economically viable; therefore the number of video channels may change from year to year.

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

In the United States, the Corporation's ability to access content at reasonable rates, terms and conditions for "must have" content including live sports and retransmission consent is continuously challenged. Continued consolidation, cost increases and division of U.S. sports rights among traditional television and streaming platforms impact the Corporation's ability to procure content at reasonable rates and terms. This ongoing consolidation activity may enable combined companies to leverage popular content and negotiate better terms with the Corporation in the future or require that the Corporation carry their less popular video entertainment offers, thus further increasing costs. In addition to the increase in programming costs, most of the Corporation's programming agreements require it to meet certain penetration thresholds, which limit its ability to offer smaller tiers and packages. Many of these same programmers are simultaneously launching their own direct-to-consumer products to effectively compete with programming distributors.

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

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

Access to support structures and municipal rights of ways for the Corporation's broadband operations

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

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

Government subsidy programs to provide high-speed Internet in underserved or unserved regions

Cogeco Connexion and Breezeline are participating in government programs to provide high-speed Internet to underserved or unserved regions and have been awarded funding for broadband projects in Ontario, Québec, Maryland and Virginia. These digital infrastructure investment projects can generally be subject to some penalties for late delivery, except if due to events out of our control.

Customer experience

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

With increased demand for digital capabilities and an increasingly competitive market, a failure to keep pace with customer demands could result in a loss of the customer base and difficulty in attracting potential new customers. The Corporation continues to invest in digital transformation and consumer analytics to better meet increasing and evolving customer demands. Failure by the Corporation to evolve its customer experience in line with customer demands could adversely affect its business, financial results, reputation and brand value.

Meeting customer expectations

To meet rising customer expectations and increasing needs for digital connectivity, the Corporation is putting broadband connectivity at the centre of the customer experience in the United States and offering an advanced managed Wi-Fi solution. In Canada, the Corporation continues to expand its fibre offering with symmetrical speeds and an advanced managed Wi-Fi solution while also expanding its offering outside urban areas as part of its mandate to offer broadband high speed Internet to remote areas.

Rising OTT fragmentation is also triggering a consumer call for aggregation of OTT offerings on a common platform. The Corporation's IPTV service in Canada and in the United States with a supporting mobile app, enable more source-agnostic integrated content navigation and consumption, and improved options for self-service provide customers with a contact free alternative. The Corporation has various ongoing initiatives in place to evolve its products and service offerings, in the digital space, in line with customer expectations. Failure to anticipate and respond in a timely manner to changing customer expectations, changes in consumer behavior, technology trends and new market conditions may result in an outdated product/services portfolio, thus impairing the Corporation's ability to retain current customers and attract new ones.

Marketing and sales

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

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

Global supply chain and reliance on third parties

The Corporation currently offers high-speed Internet, video and phone services to its customers on its Canadian and American footprint through a combination of equipment and services from various suppliers, and depends on long-term agreements with suppliers for the provision of such services to its residential and business customers. All these suppliers may experience business difficulties, restructure their operations, discontinue products or sell their operations to other suppliers, which could affect the availability and future development of the Corporation's products and services. The inability to meet product or service delivery objectives or having to incur increased costs as a result of a failure in supply from third-

party suppliers (chipsets, fibre and other network components shortage) or change in suppliers could have a material adverse effect on the Corporation's business, financial condition and results of operations. Risk mitigation approaches vary depending on suppliers and circumstances and can include strategies such as enhanced governance, alternative sourcing, advance purchasing and increased inventory levels.

The Corporation relies on its supply chain to deliver its services. Given the inter-dependencies with other telecommunication and utility providers, disturbances in the global supply chain, increasing lead times and sustained skilled labour shortages could have serious adverse effects on the Corporation's business operations, innovation and evolution of its network and services including government subsidized programs, financial results and reputation.

Mergers/acquisitions, divestitures and reorganizations

The Corporation has grown through acquisitions and will continue to seek attractive acquisition opportunities in the future. Achieving the expected benefits of acquisitions depends in part on successfully consolidating functions, integrating operations, procedures and personnel in a timely and efficient manner and realizing revenue, synergies and other growth opportunities from combining acquired businesses with the Corporation's. There is no assurance that the integration of acquisitions will be successful and will deliver the anticipated benefits and results. It is possible however that the integration process could result in the disruption of the respective ongoing businesses or inconsistencies in standards, information technology, security and financial reporting systems, controls, procedures and policies that adversely affect the ability of management to achieve the anticipated benefits of the acquisition. The integration process may lead to greater than expected operating expenses, financial leverage, capital costs, customer losses, asset write-offs, business disruption of the Corporation's other businesses and management's diversion of time and resources. The Corporation may also be required to make capital expenditures or other investments, which may affect its ability to prioritize other business strategies to the extent the Corporation is unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. In addition, an acquired business could have liabilities that the Corporation fails or is unable to uncover and for which it may be responsible. Depending on the circumstances, pursuing acquisitions may also require that the Corporation raise additional capital, through debt or equity, and establish relationships with new financing partners, or use cash that would otherwise have been available to support its existing business operations. Also, the Corporation generally faces competition in acquisition processes from strategic players and private equity funds, which can result in having to pay high acquisition prices or not be the ultimate buyers of the companies being sold. Any failure by the Corporation to successfully integrate or address the risks associated with acquisitions or to take advantage of future strategic opportunities could materially adversely affect its financial position, financial performance, cash flows, business or reputation. To mitigate its risk, the Corporation follows a proactive and agile mergers and acquisitions process and evolves and enhances its integration procedures, as needed.

Foreign operations

The Corporation's American telecommunications activities are carried out by Breezeline in 13 states along the East Coast and the Midwest and represent 48.5% of the consolidated revenue of the Corporation. There are significant complexities and risks involved with carrying foreign operations, such as geographical specificities and differences in political, legal, regulatory and taxation regimes. Furthermore, these activities expose the Corporation to currency risk as most of them are carried out in US dollars. These factors could have a material adverse effect on the Corporation's operating and financial results.

Talent management and succession planning

The fast pace of technological advancements and the digitization within the industry and the workplace have created a highly competitive market for digitally skilled employees as industry players compete for the same resources. In a tight supply labour market, employees' expectations continue to evolve and make a compelling employee value proposition critical to attracting and retaining strong talent. For this reason, the Corporation is focused on creating an engaging employee experience and culture through continued focus on talent and total rewards programs and an ongoing commitment to ensuring a healthy and safe work environment. Additionally, the Corporation is actively adapting its practices around equity, inclusion and belonging to support the needs of its diverse employee base.

The Corporation's success is substantially dependent on its capacity to attract new talent and its ability to retain existing talent and foster continued performance of its employees and executive officers. Many of the Corporation's employees and executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. Retaining key employees and executive officers is especially important to the Corporation's business in order to keep pace with technological change and to avoid losing critical knowledge in the context of its continued expansion. The loss of the services of key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and

retain productive and engaged employees could impact the Corporation's ability to deliver on organizational goals and have a material adverse effect on its growth, business and profitability.

Labour relations

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

12.3 Regulatory risks

Regulatory risks- Canadian and American telecommunications

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

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

Canada

Review of the wholesale high-speed access framework

On March 8, 2023, the CRTC launched a consultation to review its existing framework for wholesale high-speed access ("HSA") services. The CRTC is seeking comments on several issues, including its preliminary views that (i) the provision of aggregated wholesale HSA services should be mandated; (ii) access to fibre-to-the-premises ("FTTP") facilities should be provided over these services; and (iii) the provision of FTTP facilities over aggregated wholesale high-speed access services should be mandated on a temporary and expedited basis. The CRTC is also seeking comments on whether retail regulation should be considered to address concerns regarding market concentration and the potential exercise of market power. Concurrently with the launch of the consultation, the CRTC determined that the current rates for aggregated wholesale HSA services would be made interim, and directed incumbents to file tariff applications with new proposed rates for these services. The CRTC also applied an immediate interim reduction to existing rates that reflects a 10% decrease in the capacity rates incumbents can charge to wholesale-based competitors, until revised final rates are established. A decision by the CRTC that would result in greater regulation of wholesale HSA services, the implementation of final aggregated wholesale HSA rates that are significantly below the final rates established in Telecom Decision 2021-181, or the introduction of regulatory measures at the retail level, could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Appeals of CRTC's 2021 Internet Wholesale Rate Decision

On May 27, 2021, the CRTC released Telecom Decision 2021-181, which ruled on applications by cable carriers (including Cogeco Communications) and telecommunications carriers to review and vary Telecom Order 2019-288. In Telecom Order 2019-288, the CRTC had set final rates for Cogeco Connexion's aggregated wholesale high-speed Internet access service

that were significantly lower than the interim rates set in October 2016, and had made them retroactive to March 31, 2016. In Telecom Decision 2021-181, the CRTC overturned the 2019 rate reductions and made the interim rates it had previously established in 2016, with certain adjustments, final.

Since then, two independent Internet service providers ("Wholesalers") and a trade association representing Wholesalers petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision (the "Petitions"). On May 26, 2022, the Governor in Council denied the Petitions. On July 28, 2021, a Reseller sought leave to appeal Telecom Decision 2021-181 to the Federal Court of Appeal, which was granted on September 15, 2021. The Corporation, along with several other cable carriers, has intervened before the Federal Court of Appeal. An adverse decision by the Federal Court of Appeal that would result in the implementation of final wholesale rates that are significantly below the 2021 final rates and/or the requirement to refund monies to Wholesalers could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Review of Rate-Setting Methodology for Wholesale Telecommunications Services

On July 7, 2023, the CRTC released Telecom Decision 2023-196, *Review of the approach to rate setting for wholesale telecommunications services*. In this decision, the CRTC decided to continue using its existing long-term incremental costing methodology, also referred to as "Phase II" methodology, although it is mandating certain changes to it, including a requirement that carriers provide "market-level" pricing information when filing rate-setting applications. Should the implementation of these changes result in the setting of wholesale rates that favour wholesalers at the expense of facilities-based carriers, it could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Royalties Payable for Retransmission of Distant Television Signals

On July 22, 2021, the Federal Court of Appeal issued a decision in response to two applications for judicial review filed by six broadcasting distribution undertakings ("BDUs") (including Cogeco Communications) and nine collective societies challenging a decision by the Copyright Board setting the quantum of royalties payable for the retransmission of distant Canadian and U.S. television over-the-air signals in Canada, for the 2014-2018 period. The Federal Court of Appeal determined that the 2014 and 2015 rates would be final but agreed with the collective societies that the Copyright Board had made errors in determining the 2016 to 2018 rates. The Federal Court of Appeal has sent the matter back to the Copyright Board, which has initiated a new proceeding to determine the rates from 2016 onwards, which could increase as a result of this decision. The establishment of revised royalty rates for 2016-2018 that are significantly above those initially approved by the Commission could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Implementation of CRTC's MVNO Framework for Mobile Services

On April 15, 2021, the CRTC issued Telecom Regulatory Policy 2021-130, *Review of mobile wireless services*, which aims to provide Canadians with greater mobile choice, better services and affordable prices. Telecom Regulatory Policy 2021-130 mandates the provision of wholesale MVNO access, including seamless roaming, by national mobile carriers (Bell, TELUS, Rogers) and SaskTel, in Saskatchewan, to regional carriers that invest in infrastructure and spectrum. Terms and conditions for the MVNO service are to be approved by the CRTC, while rates are to be commercially negotiated between parties, with final offer arbitration by the CRTC as a last resort.

On October 19, 2022, the CRTC issued Telecom Decision 2022-288, *Facilities-based wholesale mobile virtual network operator (MVNO) access tariffs – Commission determinations on proposed terms and conditions*, a follow-up decision establishing the terms and conditions of the service that will support the deployment of MVNOs, and directed the national mobile carriers to make changes to the wholesale MVNO access tariffs they had proposed. In this decision, the CRTC determined that, in order to be eligible for the MVNO access service, regional carriers must not only satisfy the previously established criteria of owning spectrum at the Tier 4 level or higher in a given Tier 4 license area, but must also be actively offering mobile wireless services commercially to retail customers somewhere in Canada. The Corporation is eligible to make use of the MVNO access service, as it launched a mobile wireless service limited to the city of Sept-Îles in April 2023, and owns spectrum covering 95% of its Canadian footprint. Final MVNO tariffs were approved in Telecom Order 2023-171, issued on May 9, 2023. Failure by the Corporation to negotiate reasonable rates with one of the national mobile carriers or to secure reasonable rates through the final offer arbitration process could impact the Corporation's decision to offer mobile services at a larger scale on its operating footprint.

On July 24, 2023, the CRTC issued its decision in a final offer arbitration between Rogers Communications Canada Inc. and Quebecor with respect to MVNO rates, in which the CRTC selected Quebecor's offer. Rogers has since sought leave to appeal the CRTC's decision before the Federal Court of Appeal. Should leave be granted and the appeal upheld, the Corporation's

ability to negotiate reasonable MVNO rates with one of the national mobile carriers or secure reasonable rates through the CRTC's final offer arbitration process could be negatively impacted.

Limitations on the Distribution of Distant Signals

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

Privacy and Data Protection

In June 2022, the Canadian government introduced Bill C-27, the *Digital Charter Implementation Act, 2022*, which aims to replace Canada's federal private sector privacy legislation, to create a new tribunal and to propose new rules for artificial intelligence systems. If enacted in its current form, Bill C-27 could result in additional compliance costs for the Corporation and expose the Corporation to significant monetary penalties in the event of non-compliance.

United States

Cable Franchises and Competitive Overbuilds

The Corporation operates its cable systems under non-exclusive franchises, permits and similar authorizations granted by state or local governmental authorities. Many of these franchises include comprehensive requirements for facilities and services and the payment of fees to the franchising authorities. It is possible that one or more of the Corporation franchising authorities could grant a franchise to another cable operator under terms and conditions that are more favorable than those required by the Corporation's franchise. In some cases, local municipalities may also legally compete with the Corporation. Certain federal legislative proposals have sought to give municipalities the ability to construct and deploy broadband facilities that could compete with the Corporation, including through the provision of government subsidies. Additionally, certain telephone companies and competitive broadband providers have obtained or are seeking authority to operate in communities through other rights-of-way agreements, which are less onerous than cable franchise agreements. Accordingly, other service providers may enter the Corporation's markets and build networks to offer services in competition with the Corporation.

Regulation of Internet

Currently, Internet service providers must publicly disclose detailed information regarding their service offerings and Internet traffic management practices, but are not otherwise subject to "net neutrality" laws or rate regulation. In November 2022, the FCC issued a ruling requiring broadband service providers to display, at the point of sale, labels that disclose certain information about broadband prices, introductory rates, data allowances, broadband speeds and latency. These rules are not yet in effect. Some federal and state legislators and regulators have advocated for increased regulation of broadband services, including the potential reclassification of broadband Internet services as telecommunications services under Title II of the *Communications Act*. Such regulation would prohibit blocking, throttling and paid prioritization of Internet content, increase oversight of broadband service providers and create the potential for rate regulation of broadband services. Any such rate regulation of broadband Internet services could have an adverse impact on the Corporation's business and results of operations.

Intellectual Property Rights

The Corporation relies on patent, copyright, trademark and trade secret laws and licenses and other agreements with its suppliers and other third parties to use certain technologies and provide the products and services used in its operations. Any of the Corporation's intellectual property rights, or the rights of its suppliers, could be challenged or invalidated. Accordingly, the Corporation may not be able to obtain or maintain licenses from these suppliers on reasonable terms, or at all. Additionally, any intellectual property infringement claims could require significant time and expense to defend and require the Corporation to incur significant monetary liability or be prohibited from further use of such technology. Alternatively, the Corporation could be required to enter into royalty or licensing agreements on unfavorable terms or incur significant costs to change its product offerings.

Privacy and Data Protection

The Corporation is subject to numerous privacy and data protection laws at the federal and state level, and these laws are constantly evolving. The Corporation collects certain information about its customers and their use of the Corporation's services. The Corporation's collection of personally identifiable information about its customers is subject to a variety of federal and state privacy requirements, including those imposed specifically on cable operators by Section 631 of the *Communications Act*. Non-compliance with laws and privacy requirements could expose the Corporation to significant monetary penalties.

12.4 Technology risks

Network failure

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

A failure in the Corporation's headends could prevent the Corporation from delivering some of its services through a portion of its network until it has implemented backup solutions or resolved the failure and result in significant customer dissatisfaction and loss of revenue, depending on the severity of the outage condition.

Network, infrastructure and IT systems

The Corporation continuously maintains, upgrades or replaces its network, infrastructure and IT systems in order to optimize its networks and systems performance and reliability, increase the speed of its Internet service and improve and provide new or enhanced services that meet the needs and expectations of its customers. If the Corporation is unable to do so because of capital or other constraints, this may materially adversely affect its ability to compete and negatively impact its business and financial performance.

Dependence on technology systems

The Corporation's daily operations are highly dependent on information technology systems and software, including those provided by certain third-party suppliers, and cloud-based services. The Corporation's business is dependent on its payroll, customer billing, service provisioning, financial, accounting, and other data processing systems. The Corporation relies on these systems to process, on a daily basis, a large number of transactions. An inability to maintain, enhance, update or replace its existing information technology systems or obtain new systems to support additional customer growth or new products and services could have a material adverse effect on the Corporation's ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, or comply with regulatory requirements, all of which could materially adversely affect the Corporation's brand and reputation as well as operational results and financial position.

Cyber threats

Cybersecurity threats have grown in frequency and complexity over recent years in the public and private sectors. Security measures are in place to protect the Corporation and its subsidiaries against such threats. The Corporation continues to enhance its cyber resilience posture, the overall governance over information security and the security awareness of its employees through continuous training and continuous improvement efforts surrounding the security of its IT systems, the controls within its IT systems and its business processes. During fiscal 2023, the Corporation did not experience any major cybersecurity breach.

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

Data protection

The Corporation uses a wide variety of data in the course of its business, including financial, technological, strategic, personal and commercial information. The Corporation's data ranks among its most valuable assets and must therefore be protected according to its sensitivity and criticality, taking into account, among other things, risks as well as legal requirements, governance standards and best practices, which are many and constantly evolving.

The Corporation strives to protect information based on high standards and, in the case of personal information more specifically, does not deliberately disclose that information without the individual's consent, unless otherwise required or authorized by law, or in accordance with the Privacy Policy of each subsidiary. The Corporation does not sell, trade or exchange that information either. In the course of the Corporation's business, it collects, uses and manages various data, including personal information, and it aims for its policies, standards, procedures, guidelines, business rules and safeguards that are in place, to ensure that this information is protected and treated appropriately under applicable laws. Each subsidiary within the Corporation has implemented customary security measures that are reasonably designed to safeguard information against unauthorized access or disclosure, which includes continuous improvement processes for reviewing and monitoring appropriate authorized access and reporting on such. The Corporation is committed to providing transparency with respect to the Corporation's practices in handling personal information, and has a legal obligation to provide access thereto to individuals to whom this information belongs.

Each year, the Corporation's employees must agree to abide by the rules of the Corporation's Code of Ethics, the Information Security Policy and the Acceptable Use Policy. Every employee must certify in writing that they will comply with them. Privacy training is provided on a regular basis. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada and the United States, may impose limits or requirements on the Corporation's collection, use, storage, access, disclosure and transfer of certain kinds of information.

Security incident risks evolve with increased sophistication of threat actors, thus the Corporation implements reasonable IT security measures and attempts to prioritize its efforts on high risk areas. Any malfunction of the Corporation's systems or security breaches resulting in unauthorized access to, loss, use or disclosure of, data, including personal information, could result in the potential loss of business, damage to the Corporation's reputation and brand value, litigation, regulatory scrutiny and expose the Corporation to the payment of damages and penalties.

12.5 Financial risks

Capital commitments, liquidity and debt

The Corporation relies on its cash flow generated from operating activities and on capital markets to fund its capital expenditures program including network expansion and its innovation initiatives, to grow its business through acquisitions and to refinance its indebtedness. Capital markets are volatile and the Corporation may not be able to access them at reasonable conditions if its credit profile and general economic conditions deteriorate. Such conditions could lead to higher cost of funding, deteriorating financial position and liquidity.

The Corporation may be unable to generate sufficient cash flows or obtain financing to maintain an adequate liquidity position to ensure and preserve its financial stability, and fund strategic initiatives as well as its operational and financial obligations.

The Corporation's debt instruments contain covenants that limit, among other things, the ability of the Corporation to incur debt, grant liens and make distributions. A failure by the Corporation to comply with contractual obligations or pay amounts due under debt agreements could result in an acceleration of the debt.

CDPQ's 21% investment in a U.S. subsidiary is subject to purchase rights by Cogeco Communications and exit rights by CDPQ for portions of its participation over time, which may ultimately impact the Corporation's financial position and liquidity.

Currency and interest rates

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

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

Credit ratings

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

Taxation matters

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

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

Canadian Tax

On August 4, 2023, the federal Department of Finance released significant new draft legislative proposals on a variety of topics. These proposals include (a) the 2% share buyback tax; and (b) changes to the general anti-avoidance rule (the "GAAR") that are both to come into force as of January 1, 2024. The proposals also include (c) the new 15% global minimum tax (implementing the OECD Pillar Two initiative); and (d) the new interest deduction limitation based on a percentage of the EBIT (also referred to as the EIFEL rules) which should both apply to the Corporation starting September 1, 2024. The Department of Finance also indicated that it is still working on the draft legislations released on February 4 and April 29, 2022 relating to the Organization for Economic Co-operation and Development's ("OECD") Base Erosion and Profit Shifting ("BEPS") project on hybrid transactions. The Corporation will continue to monitor the release and progress of these draft rules for potential impact.

The draft legislation on interest deductibility limitations and the first portion of the anti-hybrid rules, referred to above, should not affect the Corporation. The new interest limitation rules, combined with the global 15% minimum, will most likely adversely impact the Corporation starting September 1, 2024.

The Department of Finance also indicated that it is still working on the second part of the draft legislation on hybrid transactions. The Corporation will continue to monitor the release and progress of these draft rules and expects these new rules to impact income tax costs in the future.

United States Tax

U.S. tax rules limit the deductibility of interest expenses to 30% of the EBIT as of fiscal 2023. With the recent increases in interest rates, Breezeline's forecasted interest expense is expected to exceed the deductibility limitations in fiscal 2023. Tax losses carried forward from previous years should offset any impact on the total and current tax. Interest expenses that are not deducted in a given year can be carried over in future years for an indefinite period. Breezeline forecasts to start using the carried forward interests by 2030. The situation as forecasted should not have any adverse consequences but will be monitored in future years as well as considered for future investments requiring financing in the U.S.

12.6 Human-caused and natural threats to the Corporation's network, infrastructure and systems

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

Climate change

The effects of global climate change are increasing the severity and frequency of natural threats on the Corporation's business, such as weather-related events, and may result in increased operational and capital costs. Certain of the Corporation's facilities are located in areas more prone to weather-related events such as Breezeline's operations in Florida, though none of our facilities and infrastructure are completely immune to damage due to the increasing occurrence of climate-related weather events across the continent. On a worldwide basis, 2023 was deemed the worst ever wildfire season on record and intense heat waves continued to grip large swaths of the globe. Proactively, the Corporation conducted a qualitative climate-scenario analysis in fiscal 2022 to identify material weather related risks to its network and infrastructure. Some of the more significant climate-related risks that the Corporation has identified include: 1) increased operational and capital costs as a result of damage to facilities and/or equipment because of extreme weather events or increased variability in weather patterns; 2) increased operational and capital costs due to longer term shifts in climate patterns such as chronic heat waves or wildfires; and 3) increased operational costs due to increase in fuel and energy prices coming from policies related to carbon pricing. For example, increased temperatures could impact the Corporation's network equipment which could entail the need for additional cooling devices and could reduce equipment lifespan. Ice storms or extreme precipitation could have a negative impact on the physical network infrastructure which could affect the delivery of service to the Corporation's customers. Extreme weather events could impact or destroy the facilities or portions of the network and could also impact the Corporation's insurance-related expenses. Impacts to the Corporation's supply chain would adversely affect the ability of suppliers to supply required products and services and increased capital expenditures could result from the substitution of existing products and services with lower emissions options.

Measures taken to mitigate climate-related risks include business continuity and disaster recovery plans and strategies as well as a rigorous focus on executing the Corporation's emissions reduction plan. The Corporation has established both near-term (2030) and net zero (2050) targets and plans which are aligned to climate science and progress is monitored on a regular basis (for further details on the Corporation's measures to mitigate climate-related risks, please refer to the Corporation's Climate Action Plan and TCFD Report which was issued in January 2023). The magnitude of the effects of climate change could be unpredictable and therefore, the Corporation's plans may not successfully mitigate the consequences of a natural disaster. This could have a material adverse effect on the Corporation's business, prospects, financial condition and results of operations.

12.7 Community acceptance risks

The Corporation is committed to taking part in developing communities. The Corporation's markets cover many small urban centres, suburban areas and rural areas. By investing in digital infrastructure to bring high-speed Internet services to underserved regions, the Corporation makes an important contribution to their economic and social development. The availability of high quality broadband services at competitive prices fosters regional economic development by supporting local businesses in becoming more competitive. Moreover, the Corporation's network investments help companies establish operations, expand and diversify. While call centres are often outsourced offshore in the Corporation's industry, the majority of its call centres have local customer service agents from the communities where the Corporation operates. In addition, the Corporation has developed community-focused initiatives, reflecting the particular needs of its communities. In 2023, the Corporation contributed \$16.3 million in cash and in-kind through donations and sponsorships, mostly promoting education and entrepreneurship, diversity & inclusion, environmental protection, connectivity initiatives enabling digital inclusion as well as health and well-being. Lastly, YourTV/NousTV, the Corporation's unique community television channels in Canada, are a powerful complement to its donations and sponsorship activities by providing broad visibility to local community activities and interests. YourTV/NousTV stations are dedicated to in-depth coverage of local people, places, events and issues of interest to the communities the Corporation serves and are funded by a regulated percentage of the Corporation's gross video revenue. In addition, the Corporation's radio stations contribute air time to local non-profit organizations across its network.

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

12.8 Ethical behavior risks

Maintaining high ethical practices throughout the Corporation is particularly important in the context of the Corporation's continued expansion. The Corporation's Ethics Steering Committee, composed of representatives from Human Resources, Legal, Finance and Internal Audit functions, provides executive oversight of its overall Ethics program, including the review of its Code of Ethics and related policies. Besides having a comprehensive Code of Ethics and an Information Code of Conduct for its radio activities, the Corporation has an anonymous and confidential Ethics Line which allows employees and other individuals to report any perceived or actual instances of violations to the Corporation's Code of Ethics and employees

are also encouraged to use this tool to seek advice about ethical and lawful behavior. In order to increase employee's awareness on ethics, a formal online training on the Code of Ethics is mandatory for all new employees and Board members and must be completed by employees every two years subsequently. Furthermore, articles on various topics related to ethics are published throughout the year to all employees. Despite these efforts, the Corporation may experience ethics breaches which could not only adversely affect its reputation, but may also cause the Corporation to incur extraordinary expenses related to penalties and fines.

12.9 Ownership risks

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

It is possible that situations could arise where the respective interests of the Audet Family and shareholders or other stakeholders of Cogeco Inc. and of the shareholders or other stakeholders of Cogeco Communications could differ and that the interests of these shareholders or stakeholders be adversely affected by such situations.

12.10 Litigation risks

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

12.11 Public health and safety

As the COVID-19 pandemic illustrated, a public health crisis can quickly emerge and constitute a risk to the Corporation's business. Potential threats posed by such a crisis can include changes in demand for the Corporation's services, supply chain disruption, and employee and customer health and safety concerns negatively affecting the Corporation's financial condition and ability to deliver its services and meet its obligations. While COVID-19 has become endemic and no longer represents an international or national concern, new variants continue to emerge and future epidemics, pandemics and health crises could still pose similar risks to the Corporation.

13. Controls and procedures

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

The CEO and CFO, supported by management, evaluated the overall design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2023, and concluded that they were effective.

14. Accounting policies

14.1 Critical accounting policies and estimates

Preparation of the consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Corporation's material accounting policies is presented in Note 3 of the consolidated financial statements. The following accounting policies were identified as critical to Cogeco's business operations.

Revenue recognition

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

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

Residential	<ul style="list-style-type: none">• Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and phone services and rental of equipment is recognized on a monthly basis, as the services are provided;• Revenue from data services, long-distance and other pay-per-use services is recognized on a monthly basis, as the services are provided; and• Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts delivery of the equipment.
Commercial	<ul style="list-style-type: none">• Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and phone services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement; and• Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts delivery of the equipment.
Other	<ul style="list-style-type: none">• Revenue mainly from Internet wholesalers and advertising, which is recognized as the services are provided.

Business combinations

The fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the identifiable assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, and estimated future revenue and margins growth. Key assumptions include discount rates and revenue growth rates specific to the acquired assets or liabilities assumed.

Capitalization of property, plant and equipment

Upon acquisition or construction of new assets, expenditures that are directly attributable to the acquisition or construction of the asset, including the cost of materials and direct labour are capitalized until the time it is in the condition necessary to be operated in the manner intended by management.

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

Contingencies

Contingencies, such as from claims, regulatory decisions and legal proceedings, are estimated based on applying significant judgment in determining whether a loss is probable (in which case a provision would be recognized) and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation.

Measurement of long-lived assets

The measurement of long-lived assets requires the use of significant judgment to identifying the existence of impairment indicators and identifying the appropriate asset, group of assets, cash-generating unit (CGU) or groups of CGUs. Furthermore, the Corporation uses significant estimates and judgment such as determining the appropriate discount rate for assessing the recoverable amount and making assumptions about cash flows forecasts, market conditions and terminal growth rates over the long-term life of the assets or CGUs. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of long-financial assets.

Deferred taxes

As tax laws are complex, they may be subject to different interpretations by the Corporation and by the different tax authorities. Current and deferred income taxes represent the Corporation's interpretation of the tax laws and estimates of current and future tax consequences of transactions and events during the year. Deferred tax assets and liabilities require significant estimates and judgment, such as interpreting tax rules and regulations, estimating the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences and evaluating whether the Corporation can recover a deferred tax asset based on management's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

14.2 Initial application of amendments to accounting standards

Disclosure of Accounting Policies - Amendments to IAS 1

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 were made to explain how an entity can identify a material accounting policy. The amendments were effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. On June 1, 2023, the Corporation early adopted these amendments, which had no impact on the Corporation's consolidated financial statements, except in terms of the accounting policy disclosure presented in Note 3 of the consolidated financial statements.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to 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. In October 2022, the IASB issued *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also require an entity to disclose additional information in the notes to the financial statements to enable stakeholders to understand the risk that non-current liabilities could become repayable within twelve months after the reporting date. The amendments were effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. On June 1, 2023, the Corporation early adopted these amendments, which had no material impact on the Corporation's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules - Amendments to IAS 12

In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12, *Income Taxes*, to introduce a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and targeted disclosure requirements for affected entities. The relief is effective immediately upon issuance of the amendments and should be applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, while the targeted disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation applied the temporary exception retrospectively, upon the amendments' release during its third quarter of fiscal 2023. The Corporation is currently assessing the impact of the remaining disclosure requirements on its consolidated financial statements.

14.3 Future changes to accounting standards

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

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

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

15. Non-IFRS and other financial measures

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

Financial measures presented on a constant currency basis for the three-month period and year ended August 31, 2023 are translated at the average foreign exchange rate of the comparable periods of the prior year, which were 1.2893 USD/CDN and 1.2718 USD/CDN, respectively.

Non-IFRS financial measures

A "non-IFRS financial measure" is a financial measure that depicts its historical or expected future financial performance, financial position or cash flow, and with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the Corporation's primary consolidated financial statements, is not disclosed in the Corporation's consolidated financial statements, and is not a ratio, fraction, percentage or similar representation.

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

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

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

Adjusted profit attributable to owners of the Corporation

	Nov. 30	Feb. 28	May 31	Aug. 31	Fiscal 2023	Nov. 30	Feb. 28	May 31	Aug. 31	Fiscal 2022	Fiscal 2021
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Profit (loss) for the period attributable to owners of the Corporation	42,081	33,788	(34,473)	29,234	70,630	38,523	36,659	37,493	36,433	149,108	141,856
Acquisition, integration, restructuring and other costs	2,677	6,952	11,377	15,239	36,245	18,635	1,451	2,286	12,657	35,029	8,744
Impairment of goodwill and intangible assets	—	—	88,000	—	88,000	—	—	—	—	—	—
Tax impact for the above items	(710)	(1,842)	(21,386)	(3,832)	(27,770)	(4,780)	(376)	(594)	(3,312)	(9,062)	(2,343)
Non-controlling interest impact for the above items	(1,286)	(3,289)	(5,597)	(7,635)	(17,807)	(10,152)	(744)	(1,176)	(6,319)	(18,391)	(4,441)
Adjusted profit attributable to owners of the Corporation	42,762	35,609	37,921	33,006	149,298	42,226	36,990	38,009	39,459	156,684	143,816

Constant currency basis and foreign exchange impact reconciliation

Consolidated

For the reconciliations of consolidated revenue, operating expenses and adjusted EBITDA in constant currency to the most directly comparable IFRS financial measures, refer to the sub-section 3.1 "Operating results" and the sub-section 9.3 "Fourth-quarter operating and financial results".

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

Three months ended August 31	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Free cash flow	86,237	599	86,836	34,704	—	—
Net capital expenditures	178,481	(3,906)	174,575	224,775	(20.6)	(22.3)

Years ended August 31	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Free cash flow	421,430	2,952	424,382	433,181	(2.7)	(2.0)
Net capital expenditures	702,913	(27,345)	675,568	691,866	1.6	(2.4)

Segmented

For the reconciliations of segmented revenue, operating expenses, adjusted EBITDA and net capital expenditures in constant currency to the most directly comparable IFRS financial measures, refer to the section 4 "Segmented operating and financial results" and the sub-section 9.3 "Fourth-quarter operating and financial results".

Free cash flow reconciliation

	Three months ended August 31		Years ended August 31	
	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$
Cash flows from operating activities	284,370	326,636	968,214	1,258,427
Amortization of deferred transaction costs and discounts on long-term debt ⁽¹⁾	3,212	2,992	12,672	11,888
Changes in other non-cash operating activities	(12,970)	(36,411)	102,422	(81,883)
Income taxes paid	2,190	7,404	91,968	39,168
Current income taxes	(5,523)	(27,362)	(31,973)	(70,711)
Interest paid	66,544	40,603	243,321	163,663
Financial expense	(71,198)	(53,010)	(255,010)	(189,914)
Net capital expenditures	(178,481)	(224,775)	(702,913)	(691,866)
Repayment of lease liabilities	(1,907)	(1,373)	(7,271)	(5,591)
Free cash flow	86,237	34,704	421,430	433,181

(1) Included within financial expense.

Available liquidity reconciliation

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

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

Net capital expenditures

Three months ended August 31	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$	\$	\$	%	%
Net capital expenditures	178,481	(3,906)	174,575	224,775	(20.6)	(22.3)
Net capital expenditures in connection with network expansion projects	32,928	(890)	32,038	61,632	(46.6)	(48.0)
Net capital expenditures, excluding network expansion projects	145,553	(3,016)	142,537	163,143	(10.8)	(12.6)

Years ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Net capital expenditures	702,913	(27,345)	675,568	691,866	1.6	(2.4)
Net capital expenditures in connection with network expansion projects	172,835	(6,550)	166,285	157,289	9.9	5.7
Net capital expenditures, excluding network expansion projects	530,078	(20,795)	509,283	534,577	(0.8)	(4.7)

Free cash flow

Three months ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Free cash flow	86,237	599	86,836	34,704	—	—
Net capital expenditures in connection with network expansion projects	32,928	(890)	32,038	61,632	(46.6)	(48.0)
Free cash flow, excluding network expansion projects	119,165	(291)	118,874	96,336	23.7	23.4

Years ended August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	2023	Foreign exchange impact	2023 in constant currency	2022	Change	
					Actual	In constant currency
	\$	\$	\$	\$	%	%
Free cash flow	421,430	2,952	424,382	433,181	(2.7)	(2.0)
Net capital expenditures in connection with network expansion projects	172,835	(6,550)	166,285	157,289	9.9	5.7
Free cash flow, excluding network expansion projects	594,265	(3,598)	590,667	590,470	0.6	—

Non-IFRS ratios

A "non-IFRS ratio" is a financial measure that is in the form of a ratio, fraction, percentage or similar representation, has a non-IFRS financial measure as one or more of its components, and is not disclosed in the Corporation's consolidated financial statements.

The following financial measures used by the Corporation do not have standardized definitions prescribed by IFRS and therefore, may not be comparable to similar measures disclosed by other companies. This MD&A refers to the capital intensity, excluding network expansion projects of Cogeco Communications as it is used by Cogeco Communications to assess the impact of the network expansion projects on its capital intensity.

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

Specified financial measures	Usefulness	Calculation
Capital intensity, excluding network expansion projects	Capital intensity, excluding network expansion projects is used by Cogeco Communications' management to assess Cogeco Communications' investment in capital expenditures and to make certain decisions, without taking into consideration capitalized investments in network expansion projects, in order to support a certain level of revenue. Cogeco Communications measures capital intensity, excluding network expansion projects, as it provides a common basis for comparing the impact of the net capital expenditures to the impact of the historical net capital expenditures prior to the acceleration of the network expansion projects. In addition, management believes this helps certain investors and analysts to assess the impact of the network expansion projects on Cogeco Communications' capital intensity ratio. Excluding the impact of net capital expenditures in connection with network expansion projects does not imply it is non-recurring.	Net capital expenditures, excluding network expansion projects divided by revenue. Net capital expenditures, excluding network expansion projects is a non-IFRS financial measure. For more details on net capital expenditures, excluding network expansion projects, please refer to the "Non-IFRS financial measures" sub-section.
Capital intensity in constant currency and capital intensity, excluding network expansion projects in constant currency	The Corporation presents certain financial measures of Cogeco Communications on a constant currency basis, including capital intensity in constant currency and capital intensity, excluding network expansion projects in constant currency, to facilitate period-to-period comparisons, undistorted by the effects of changes in foreign exchange rate.	Capital intensity in constant currency is calculated as net capital expenditures in constant currency divided by revenue in constant currency. Capital intensity, excluding network expansion projects in constant currency is calculated as net capital expenditures, excluding network expansion projects in constant currency divided by revenue in constant currency. Constant currency basis, including net capital expenditures in constant currency, net capital expenditures, excluding network expansion projects in constant currency and revenue in constant currency are non-IFRS financial measures. For more details on these non-IFRS financial measures, please refer to the "Non-IFRS financial measures" sub-section.

Total of segments measures

A "total of segments measure" is a financial measure that is a subtotal or total of 2 or more reportable segments, is not a component of a line item disclosed in the Corporation's primary consolidated financial statements, is disclosed in the notes to the Corporation's consolidated financial statements, and is not disclosed in the Corporation's primary consolidated financial statements.

The following financial measures used by Cogeco are total of segments measures as reported in Note 6 of the consolidated financial statements. Reconciliations between these specified financial measures to the most directly comparable IFRS financial measures are provided below.

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

Adjusted EBITDA reconciliation

	Three months ended August 31		Years ended August 31	
	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$
Profit for the period	90,521	111,379	350,235	457,755
Income taxes	17,827	17,353	78,379	97,287
Financial expense	71,198	53,010	255,010	189,914
Impairment of goodwill and intangible assets	—	—	88,000	—
Depreciation and amortization	157,140	154,111	625,060	625,603
Acquisition, integration, restructuring and other costs	15,239	12,657	36,245	35,029
Adjusted EBITDA	351,925	348,510	1,432,929	1,405,588

Net capital expenditures reconciliation

For the reconciliations of net capital expenditures to the most directly comparable IFRS financial measure, refer to the sub-sections 6.2 "Investing activities" and 9.3 "Fourth-quarter operating and financial results".

Capital management measures

A "capital management measure" is a financial measure disclosed by the Corporation that is intended to enable an individual to evaluate Cogeco's objectives, policies and processes for managing its capital, is not a component of a line item disclosed in the Corporation's primary consolidated financial statements, and is disclosed in the notes to the Corporation's consolidated financial statements but not in the primary consolidated financial statements.

The following financial measures used by Cogeco and/or Cogeco Communications are capital management measures as reported in Note 23 C) of the consolidated financial statements.

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

Supplementary financial measures

A "supplementary financial measure" is a financial measure disclosed by the Corporation that is, or is intended to be, disclosed on a periodic basis to depict the Corporation's historical or expected future financial performance, financial position or cash flow, is not disclosed in the Corporation's consolidated financial statements and is not a non-IFRS financial measure or ratio. This MD&A refers to the capital intensity of Cogeco Communications, as well as of the Canadian telecommunications and the American telecommunications segments, and the adjusted EBITDA margin of both segments, key performance indicators used by Cogeco Communications' management and investors to value Cogeco Communications' performance and to assess its investment in capital expenditures in order to support a certain level of revenue.

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

Consolidated financial statements

Consolidated Financial Statements

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Management's responsibility

Related to the consolidated financial statements

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

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

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

(signed) Philippe Jetté
President and Chief Executive Officer

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

Montréal, November 1, 2023

Independent Auditor's Report

To the Shareholders of Cogeco Inc.

Opinion

We have audited the consolidated financial statements of Cogeco Inc. (the "Corporation"), which comprise the consolidated statements of financial position as at August 31, 2023 and 2022, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended August 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue — Refer to Notes 3 and 5 to the consolidated financial statements

Key Audit Matter Description

The Corporation derives the majority of its revenue from providing telecommunications services to residential and commercial customers. Revenue comprises a significant volume of low-dollar monthly recurring transactions, sourced from multiple systems and databases that are specific to the Corporation. The initiation, processing and recording of revenue is highly automated through the Corporation's information technology ("IT") systems. The Corporation relies on the output of these systems to process and record its revenue transactions.

Revenue is a key audit matter due to the highly automated IT environment and the significant audit effort required in performing audit procedures related to the Corporation's revenue.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to revenue included the following, among others:

- Evaluated the effectiveness of the Corporation's relevant revenue business controls;
- With the assistance of IT specialists, tested the effectiveness of general IT controls over relevant IT systems, including user access controls and change management controls, when applicable;
- To test revenue:
 - Developed an independent expectation of revenue based on the average price per telecommunication package and number of residential and commercial customers and compared to the revenue recorded; or
 - For a sample of the revenue transactions, agreed to source documents such as invoices, customer orders, billing and provisioning systems, approved price lists and cash receipts.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ Deloitte LLP ¹

¹ CPA auditor, public accountancy permit No. A144765

Montréal, Québec
November 1, 2023

Consolidated statements of profit or loss

Years ended August 31	Notes	2023	2022
<i>(In thousands of Canadian dollars, except per share data)</i>			
		\$	\$
Revenue	5	3,081,136	2,995,012
Operating expenses	8	1,648,207	1,589,424
Acquisition, integration, restructuring and other costs	9	36,245	35,029
Depreciation and amortization	14,15	625,060	625,603
Impairment of goodwill and intangible assets	15 C)	88,000	—
Financial expense	10	255,010	189,914
Profit before income taxes		428,614	555,042
Income taxes	11	78,379	97,287
Profit for the year		350,235	457,755
Profit for the year attributable to:			
Owners of the Corporation		70,630	149,108
Non-controlling interest		279,605	308,647
		350,235	457,755
Earnings per share			
Basic	12	4.53	9.43
Diluted	12	4.51	9.37

Consolidated statements of comprehensive income

Years ended August 31	Note	2023	2022
(In thousands of Canadian dollars)		\$	\$
Profit for the year		350,235	457,755
Other comprehensive income (loss)			
Items to be subsequently reclassified to profit or loss			
<i>Cash flow hedging adjustments</i>			
Net change in fair value of hedging derivative financial instruments		9,119	139,028
Related income taxes		(2,416)	(36,843)
		6,703	102,185
<i>Foreign currency translation adjustments</i>			
Net foreign currency translation differences on a net investment in foreign operations		70,257	81,207
Net changes on translation of long-term debt designated as a hedge of a net investment in foreign operations		(16,381)	(19,265)
Related income taxes		(49)	(116)
		53,827	61,826
		60,530	164,011
Items not to be subsequently reclassified to profit or loss			
<i>Defined benefit plans actuarial adjustments</i>			
Remeasurement of net defined benefit liability or asset	22 B)	5,684	6,493
Related income taxes		(1,507)	(1,720)
		4,177	4,773
		64,707	168,784
Comprehensive income for the year		414,942	626,539
Comprehensive income for the year attributable to:			
Owners of the Corporation		88,989	203,026
Non-controlling interest		325,953	423,513
		414,942	626,539

Consolidated statements of changes in shareholders' equity

Years ended August 31, 2023 and 2022 <i>(In thousands of Canadian dollars)</i>	Equity attributable to owners of the Corporation				Equity attributable to non-controlling interest	Total shareholders' equity
	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings		
	\$	\$	\$	\$	\$	\$
	<i>(Note 19)</i>		<i>(Note 20)</i>			
Balance at August 31, 2021	107,194	9,940	(5,875)	705,399	2,074,679	2,891,337
Profit for the year	—	—	—	149,108	308,647	457,755
Other comprehensive income for the year	—	—	50,272	3,646	114,866	168,784
Comprehensive income for the year	—	—	50,272	152,754	423,513	626,539
Share-based payment (Note 19 C))	—	5,378	—	—	5,014	10,392
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(253)	—	—	4,665	4,412
Dividends (Note 19 B))	—	—	—	(39,526)	(85,690)	(125,216)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(16,951)	16,951	—
Purchase and cancellation of subordinate voting shares	(1,784)	—	—	(15,588)	—	(17,372)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(1,881)	—	—	—	—	(1,881)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	3,239	(2,767)	—	(472)	—	—
Purchase and cancellation of subordinate voting shares by a subsidiary	—	—	—	(27,632)	(86,201)	(113,833)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(4,865)	(4,865)
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,267)	—	(337)	1,604	—
Total (distributions to) contributions by shareholders	(426)	1,091	—	(100,506)	(148,522)	(248,363)
Balance at August 31, 2022	106,768	11,031	44,397	757,647	2,349,670	3,269,513
Profit for the year	—	—	—	70,630	279,605	350,235
Other comprehensive income for the year	—	—	15,800	2,559	46,348	64,707
Comprehensive income for the year	—	—	15,800	73,189	325,953	414,942
Share-based payment (Note 19 C))	—	4,602	—	—	4,475	9,077
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(253)	—	—	3,910	3,657
Dividends (Note 19 B))	—	—	—	(45,149)	(89,265)	(134,414)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(5,727)	5,727	—
Purchase and cancellation of subordinate voting shares	(1,335)	—	—	(8,428)	—	(9,763)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,941)	—	—	—	—	(2,941)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	2,390	(2,833)	—	443	—	—
Purchase and cancellation of subordinate voting shares by a subsidiary	—	—	—	(21,915)	(79,118)	(101,033)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(5,889)	(5,889)
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(2,167)	—	344	1,823	—
Total distributions to shareholders	(1,886)	(651)	—	(80,432)	(158,337)	(241,306)
Balance at August 31, 2023	104,882	10,380	60,197	750,404	2,517,286	3,443,149

Consolidated statements of financial position

At August 31 (In thousands of Canadian dollars)	Notes	2023 \$	2022 \$
Assets			
Current			
Cash and cash equivalents	21 D)	363,854	379,001
Trade and other receivables	23 A)	139,412	123,617
Income taxes receivable		28,816	7,581
Prepaid expenses and other		43,262	41,830
Derivative financial instruments		5,355	3,465
		580,699	555,494
Non-current			
Other assets	13	105,499	72,934
Property, plant and equipment	14	3,264,303	3,061,177
Intangible assets	15 A)	3,687,486	3,656,790
Goodwill	15 B)	2,117,756	2,010,510
Derivative financial instruments		100,792	95,537
Deferred tax assets	11	13,243	15,583
		9,869,778	9,468,025
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		23,229	8,633
Trade and other payables		334,782	396,480
Provisions	16	33,019	28,942
Income tax liabilities		413	39,251
Contract liabilities and other liabilities	17	62,061	64,221
Government subsidies received in advance		29,262	127,851
Derivative financial instruments		3,487	2,273
Current portion of long-term debt	18	43,325	340,468
		529,578	1,008,119
Non-current			
Long-term debt	18	5,045,672	4,398,142
Contract liabilities and other liabilities	17	8,687	9,510
Accrued employee benefits		9,258	9,705
Deferred tax liabilities	11	833,434	773,036
		6,426,629	6,198,512
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	19 A)	104,882	106,768
Share-based payment reserve		10,380	11,031
Accumulated other comprehensive income	20	60,197	44,397
Retained earnings		750,404	757,647
		925,863	919,843
Equity attributable to non-controlling interest		2,517,286	2,349,670
		3,443,149	3,269,513
		9,869,778	9,468,025

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

On behalf of the Board of Directors,

(signed) Louis Audet
Director

(signed) James C. Cherry
Director

Consolidated statements of cash flows

Years ended August 31	Notes	2023	2022
(In thousands of Canadian dollars)		\$	\$
Cash flows from operating activities			
Profit for the year		350,235	457,755
Adjustments for:			
Depreciation and amortization	14,15	625,060	625,603
Impairment of goodwill and intangible assets	15 C)	88,000	—
Financial expense	10	255,010	189,914
Income taxes	11	78,379	97,287
Share-based payment		8,629	9,456
Loss (gain) on disposals and write-offs of property, plant and equipment and other		86	(1,378)
Defined benefit plans expense, net of contributions		526	738
		1,405,925	1,379,375
Changes in other non-cash operating activities	21 A)	(102,422)	81,883
Interest paid		(243,321)	(163,663)
Income taxes paid		(91,968)	(39,168)
		968,214	1,258,427
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	(806,237)	(747,608)
Acquisition of spectrum licences	15 A)	(60,000)	(236,073)
Business combinations, net of cash and cash equivalents acquired	7	(99,025)	(1,430,349)
Subsidies received in advance		4,733	59
Proceeds on disposals of property, plant and equipment		2,653	4,529
		(957,876)	(2,409,442)
Cash flows from financing activities			
Increase in bank indebtedness		14,596	4,173
Net increase (decrease) under the revolving facilities		247,760	(113,137)
Issuance of long-term debt, net of discounts and transaction costs		298,056	1,611,064
Repayment of notes, debentures and credit facilities		(335,263)	(262,901)
Repayment of lease liabilities		(7,271)	(5,591)
Repayment of balance due on business combinations		—	(3,162)
Increase in deferred transaction costs		(338)	(795)
Purchase and cancellation of subordinate voting shares	19 A)	(9,763)	(17,372)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	19 A)	(2,941)	(1,881)
Dividends paid on multiple and subordinate voting shares	19 B)	(45,149)	(39,526)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		3,657	4,412
Purchase and cancellation of subordinate voting shares by a subsidiary		(101,033)	(113,833)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		(5,889)	(4,865)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		(89,265)	(85,690)
		(32,843)	970,896
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		7,358	7,152
Net change in cash and cash equivalents		(15,147)	(172,967)
Cash and cash equivalents, beginning of the year		379,001	551,968
Cash and cash equivalents, end of the year	21 D)	363,854	379,001

Notes to the consolidated financial statements

Years ended August 31, 2023 and 2022

1. Nature of operations

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

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

Its Cogeco Media subsidiary owns and operates 21 radio stations primarily in the province of Québec as well as a news agency.

Cogeco is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CGO". The subordinate voting shares of Cogeco Communications are also listed on the TSX under the trading symbol "CCA". The Corporation's registered office is located at 1 Place Ville Marie, Suite 3301, Montréal, Québec, H3B 3N2.

2. Basis of presentation

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

Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the fiscal 2023 consolidated financial statements presentation. Financial information is presented in Canadian dollars, which is the functional currency of Cogeco. The consolidated financial statements were approved by the Board of Directors of Cogeco at its meeting held on November 1, 2023.

A) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and entities under its control.

Principal operating subsidiaries	Location	Percentage of equity interest %	Voting rights %
Cogeco Connexion	Canada	100	100
Breezeline	United States	79	79
Cogeco Media ⁽¹⁾	Canada	100	100

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

Non-controlling interest relates to a participation of approximately 64.7% attributable to owners of Cogeco Communications in addition to the 21% ownership of Caisse de dépôt et placement du Québec in a U.S. subsidiary of Cogeco Communications.

B) Segment reporting

The Corporation's results are reported in two operating segments: Canadian telecommunications and American telecommunications. The Canadian and American telecommunications segments provide a wide range of Internet, video and phone services primarily to residential customers as well as business services across their coverage areas.

- The Canadian telecommunications activities are primarily carried out by Cogeco Connexion in the provinces of Québec and Ontario.
- The American telecommunications activities are carried out by Breezeline in 13 states: Connecticut, Delaware, Florida, Maine, Maryland, Massachusetts, New Hampshire, New York, Ohio, Pennsylvania, South Carolina, Virginia and West Virginia.

C) Foreign currency translation

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

	Closing rates as of August 31		Average rates for fiscal years	
	2023	2022	2023	2022
US dollar vs Canadian dollar	1.3531	1.3111	1.3467	1.2718

3. Material accounting policies, estimates, judgements and assumptions

The following discusses the material accounting policies, estimates, judgments and assumptions that the Corporation has adopted and applied and how they affect the amounts reported in the consolidated financial statements. Estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

A) Revenue recognition

The Corporation's revenue is derived principally from providing telecommunications services. Products and services may be sold separately or bundled in promotional packages. For bundled packages that include multiple elements sold, the Corporation accounts for individual products or services separately if they are distinct performance obligations and applies the corresponding revenue recognition policy to each one. Total package revenue is allocated among the identified performance obligations based on their respective stand-alone selling prices.

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

Significant estimates and judgment involved:

- identifying the performance obligations within a contract and the timing of satisfaction of those performance obligations;
- determining the transaction price for a contract by estimating the revenue expected for delivering the performance obligations;
- determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations; and
- determining the costs that are incremental to obtaining and fulfilling a contract.

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

Residential	<ul style="list-style-type: none">• Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and phone services and rental of equipment is recognized on a monthly basis, as the services are provided;• Revenue from data services, long-distance and other pay-per-use services is recognized on a monthly basis, as the services are provided; and• Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts delivery of the equipment.
Commercial	<ul style="list-style-type: none">• Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and phone services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement; and• Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts delivery of the equipment.
Other	<ul style="list-style-type: none">• Revenue mainly from Internet wholesalers and advertising, which is recognized as the services are provided.

Contract liabilities

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

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

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

Contract costs

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

B) Business combinations

Purchase price allocation involves significant judgment in identifying the assets acquired and liabilities assumed and estimating their fair values. The fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the identifiable assets acquired and liabilities assumed on acquisition.

Among other things, the determination of these fair values involves the use of discounted cash flow analyses, and estimated future revenue and margins growth. Key assumptions include discount rates and revenue growth rates specific to the acquired assets or liabilities assumed. The Corporation performs a thorough review of all internal and external sources of information available based on circumstances that existed at the acquisition date. The Corporation also engages independent valuation experts on certain acquisitions to assist in determining the fair value of certain assets acquired, liabilities assumed and related deferred income tax impacts.

To determine fair values, the Corporation generally use the following techniques:

	Valuation technique and judgments applied
Property, plant and equipment	<p>Cost approach - Replacement cost method: used for cable television plant and associated ancillary equipment (including fibre and coaxial cable, subscriber service cables, customer premise equipment, rolling stock and other). Under this approach, assets are valued by estimating the costs to acquire or construct comparable assets and adjusted for age and condition of the asset. Significant judgments are required in estimating the replacement cost, physical deterioration and functional or economic obsolescence.</p> <p>Market approach - Sales comparison: used for the valuation of real property and certain other tangible assets. Under this approach, assets are valued based upon an analysis of prices paid in actual market transactions for comparable assets. This approach involves gathering data on recently sold assets that are similar to the subject, analyzing the value characteristics of these comparable assets, comparing these characteristics to those of the subject and making appropriate adjustments for differences.</p>
Intangible assets	<p>Income approach – Greenfield method: used for the valuation of franchise rights. Under this method, assets are valued based on the present value of hypothetical cash flows while assuming that the asset is the only asset the Corporation has. The investments required to establish a normalized business are taken into consideration, including capital investments and operating losses. Significant judgments are required in estimating the build out period and related capital investments required.</p> <p>Income approach – Multi-period excess earnings method: used for valuation of customer relationships. Under this method, assets are valued based on the present value of the incremental after-tax cash flows attributable to the asset after deducting contributory asset charges ("CACs" or individually, "CAC"). Several factors are considered in determining the fair value of customer relationships, including customers' relationships with the acquired company and its employees, the segmentation of customers, historical customer attrition rates and revenue growth. Significant judgments are also required in estimating the impact of CACs.</p>

Transactions costs related to completed or potential business combinations and costs of integrating newly acquired businesses following the date of acquisition are recognized in profit or loss as incurred, within *Acquisition, integration, restructuring and other costs*.

C) Property, plant and equipment - owned assets

Property, plant and equipment, which are mainly comprised of networks and infrastructure, are measured at cost, net of any related government grants received or receivable, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset, including the cost of materials and direct labour, until the time it is in the condition necessary to be operated in the manner intended by management.

D) Intangible assets

Finite-life intangible assets

Finite-life intangible assets are recorded at cost less accumulated amortization and impairment losses, if any.

- Customer relationships and trade name assets are acquired through business combinations and are recorded at fair value at the date of acquisition.

Indefinite-life intangible assets

Indefinite-life intangible assets are not amortized and are recorded at cost less impairment losses, if any.

- Distribution Licences are comprised of broadcast authorities' licences and exemptions from licensing in Canada that allow access to homes and customers in a specific area.
- Franchise Rights consist of agreements with state and local authorities in the United States allowing access to homes and businesses in a specific area and permitting to place the fixed asset infrastructure along public thoroughfare to connect to commercial and residential locations, in order to provide Internet, video and phone services.
- Spectrum Licences are issued by broadcast authorities and allow the utilization of specified radio frequencies within a defined geographic area.
- Radio Broadcasting Licences are comprised of broadcast authorities' licences required for the operation of radio stations in Canada.

The Corporation considers Distribution Licences, Franchise Rights, Spectrum Licences and Radio Broadcasting Licences to have indefinite useful lives as it expects they are likely to be renewed, it intends to renew them and has the financial and operational ability to do so and there are no current competitive, legal and regulatory factors that limit their useful lives.

Significant estimates and judgment involved in reviewing whether events and circumstances continue to support the indefinite useful life assessment, include:

- determining whether the Distribution Licences, Franchise Rights, Spectrum Licences and Radio Broadcasting Licences are likely to be renewed; and
- evaluating whether the Corporation has the financial and operating ability to renew them.

E) Goodwill

Goodwill is carried at cost, is not amortized and arises from business acquisitions. It is mainly attributable to the expected growth in both telecommunications residential and business services and the expertise of the workforce. A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

F) Depreciation and amortization

Depreciation of property, plant and equipment and amortization of finite-life intangible assets are recognized on a straight-line basis over their expected useful life, from the date the asset is ready for its intended use, except for leasehold improvements, which are amortized over the shorter of the term of the lease and economic life. Land and assets under construction are carried at cost and not depreciated.

Property, plant and equipment

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

Finite-life intangible assets

Customer relationships	Up to 8 years
Trade name	20 years

(1) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, subscriber service cables and network equipment.

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

G) Impairment of long-lived assets

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (CGUs or individually, "CGU") that are expected to benefit from the synergies of the related business combination. Intangible assets with indefinite useful lives who do not generate independent cash inflows from those of other assets or group of assets, are allocated and tested for impairment as part of the CGU to which they belong.

Management assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Goodwill and indefinite-life intangible assets are tested for impairment at least annually as of June 30. Previously recognized impairment losses, other than those attributable to goodwill, are reviewed for possible reversal at each reporting date and, if the asset's recoverable amount has increased, all or a portion of the previously recognized impairment loss is reversed.

Any potential impairment is identified by comparing the carrying value of a CGU or a group of CGUs to its recoverable amount, which is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Cash flows are projected from internal financial projections based on past experience, actual operating results and business plans, including any impact from rising interest rates and inflation. A period of five to eight years is used, depending on the CGU, as the payback period of the Corporation's capital investments often exceeds five years. They reflect management's expectations of revenue growth and net capital expenditures for each CGU based on past experience and expected growth for the CGU. Cash flows beyond that period are extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGU's participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profiles of the individual CGUs.

Significant estimates and judgment involved:

- identifying the existence of impairment indicators;
- identifying the appropriate asset, group of assets, CGU or groups of CGUs;
- determining the appropriate discount rate for assessing the recoverable amount; and
- making assumptions about cash flows forecasts, market conditions and terminal growth rates over the long-term life of the assets or CGUs.

H) Income taxes

Current and deferred income tax expenses are recognized in profit or loss, except to the extent that the expense relates to items that are recognized in other comprehensive income or directly in equity. The Corporation is subject to income tax laws in both Canada and the United States.

- Current tax expense is tax the Corporation expects to pay or receive based on its taxable income or loss during the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively

enacted at the end of the reporting period, including any adjustments to taxes payable or receivable related to previous years.

- Deferred tax assets and liabilities arise from temporary differences between the carrying amounts of the assets and liabilities recognized in the statements of financial position and their corresponding tax bases. Deferred tax assets and liabilities are calculated using enacted or substantively enacted tax rates that will apply in the period in which the asset is realized or the liability is settled. A deferred tax asset is recognized for unused losses, tax credits, and deductible temporary differences to the extent it is probable that future taxable income will be available to use the asset.

As tax laws are complex, they may be subject to different interpretations by the Corporation and by the different tax authorities. Current and deferred income taxes represent the Corporation's interpretation of the tax laws and estimates of current and future tax consequences of transactions and events during the year.

Significant estimates and judgment involved:

- interpreting tax rules and regulations;
- estimating the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences; and
- evaluating whether the Corporation can recover a deferred tax asset based on management's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

I) Financial instruments other than derivatives

The Corporation's financial instruments are classified and measured as follows:

- Cash and cash equivalents and trade and other receivables are classified and measured at amortized cost using the effective interest method, less any impairment loss; and
- Bank indebtedness, trade and other payables, long-term debt excluding lease liabilities and other liabilities, are classified and measured at amortized cost using the effective interest method.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to profit or loss using the effective interest rate method, except for those incurred with respect to the revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

J) Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. When the Corporation determines that hedge accounting is appropriate and the criteria to do so are met, a hedging relationship is designated, documented from inception and classified according to the type of hedging relationship. The Corporation assesses the effectiveness of its hedging relationships at inception and on an ongoing basis. Any derivative instrument that does not qualify for hedge accounting is measured at fair value at each reporting date and the changes in fair value are included in profit or loss.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. These are designated as cash flow hedges.
- The Corporation uses equity swap agreements, which are not designated as hedging relationships, in order to manage cash flow exposures related to settling DSUs.
- The Corporation designated a portion of the US dollar denominated debt as a hedging item in a net investment hedge in the U.S. subsidiary. The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and its functional currency.

Cash flow hedge

The effective portion of changes in the fair value of derivative financial instruments designated as the hedging instrument in a cash flow hedge is recognized in accumulated other comprehensive income and presented in the cash flow hedge reserve in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period and line item when the hedged item affects profit or loss. Any ineffective portion of changes in the fair value of the derivative financial instrument is recognized immediately in profit or loss.

The Corporation has established a hedge ratio of one-for-one for all its hedging relationships as the underlying risks of its hedging derivatives are identical to the hedged item risks.

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

Net investment hedges

Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. Hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiary becomes lower than the amount of the related hedging instruments. To the extent that the hedge is ineffective, such differences are recognized in profit or loss.

K) Contingencies

Contingent liabilities are liabilities of uncertain timing or amount and are not recognized until the Corporation has a present obligation as a result of a past event, it is probable that it will experience an outflow of resources embodying economic benefits to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The Corporation discloses its contingent liabilities unless the possibility of an outflow of resources in settlement is remote.

Significant judgment is required in determining whether a loss is probable (in which case a provision would be recognized) from claims, regulatory decisions and legal proceedings, and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation.

L) Acquisition, integration, restructuring and other costs

Acquisition, integration, restructuring and other costs include, among others, the following costs, if and when incurred:

- Transaction costs related to completed or potential business combinations;
- Costs of integrating newly acquired businesses following the date of acquisition;
- Restructuring costs;
- Configuration and customization costs related to cloud computing arrangements;
- Gains or losses on disposals of non-core assets, when significant; and
- Costs related to litigation and regulatory decisions, when significant.

The above list may be adjusted, from time to time, when it is deemed appropriate to highlight other items under this caption to assist users in understanding the financial performance of the Corporation.

4. Accounting policy developments

A) Initial application of amendments to accounting standards

Disclosure of Accounting Policies - Amendments to IAS 1

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 were made to explain how an entity can identify a material accounting policy. The amendments were effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. On June 1, 2023, the Corporation early adopted these amendments, which had no impact on the Corporation's consolidated financial statements, except in terms of the accounting policy disclosure presented in Note 3.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to 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. In October 2022, the IASB issued *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also require an entity to disclose additional information in the notes to the financial statements to enable stakeholders to understand the risk that non-current liabilities could become repayable within twelve months after the reporting date. The amendments were effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. On June 1, 2023, the Corporation early adopted these amendments, which had no material impact on the Corporation's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules - Amendments to IAS 12

In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12, *Income Taxes*, to introduce a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and targeted disclosure requirements for affected entities. The relief is effective immediately upon issuance of the amendments and should be applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, while the targeted disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation applied the temporary exception retrospectively, upon the amendments' release during its third quarter of fiscal 2023. The Corporation is currently assessing the impact of the remaining disclosure requirements on its consolidated financial statements.

B) Future changes to accounting standards

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

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

Years ended August 31 <i>(In thousands of Canadian dollars)</i>	Cogeco Communications									
	Canadian telecommunications		American telecommunications		Sub-total		Other		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residential ^{(1) (2)}	1,247,604	1,202,400	1,295,313	1,277,781	2,542,917	2,480,181	—	—	2,542,917	2,480,181
Commercial ⁽²⁾	175,128	174,442	177,687	163,947	352,815	338,389	—	—	352,815	338,389
Other	67,183	63,434	21,213	18,650	88,396	82,084	97,008	94,358	185,404	176,442
	1,489,915	1,440,276	1,494,213	1,460,378	2,984,128	2,900,654	97,008	94,358	3,081,136	2,995,012

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

(2) During the first quarter of fiscal 2023, the Corporation changed the presentation of the revenue related to certain bulk accounts, from residential to commercial. This change has been applied retrospectively to the comparative figures, and consequently revenue reclassification of \$15.7 million was reflected for fiscal 2022.

6. Segment information

Information related to each reportable segment is set out below. Adjusted EBITDA, which equals to *Revenue* less *Operating expenses*, is used to measure the performance of each segment as management believes it to be the most relevant in evaluating their results and making decisions about resources to be allocated to them. Transactions between operating segments are measured at the amounts agreed to between the parties.

The column in the tables below entitled "Other" is comprised of the results of Cogeco Media and the corporate activities of Cogeco, as well as consolidation elimination entries.

Year ended August 31, 2023 <i>(In thousands of Canadian dollars)</i>	Cogeco Communications					Other	Consolidated
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Sub-total			
	\$	\$	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	1,489,915	1,494,213	—	2,984,128	97,008	3,081,136	
Operating expenses	701,717	800,409	42,336	1,544,462	103,745	1,648,207	
Management fees – Cogeco Inc.	—	—	18,600	18,600	(18,600)	—	
Adjusted EBITDA	788,198	693,804	(60,936)	1,421,066	11,863	1,432,929	
Acquisition, integration, restructuring and other costs				36,225	20	36,245	
Depreciation and amortization				620,466	4,594	625,060	
Impairment of goodwill and intangible assets				—	88,000	88,000	
Financial expense				251,642	3,368	255,010	
Profit (loss) before income taxes				512,733	(84,119)	428,614	
Income taxes				94,761	(16,382)	78,379	
Profit (loss) for the year				417,972	(67,737)	350,235	
Net capital expenditures ⁽²⁾	354,384	336,910	8,212	699,506	3,407	702,913	
Acquisition of spectrum licences	60,000	—	—	60,000	—	60,000	

Year ended August 31, 2022 <i>(In thousands of Canadian dollars)</i>	Cogeco Communications					
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Sub-total	Other	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	1,440,276	1,460,378	—	2,900,654	94,358	2,995,012
Operating expenses	665,732	783,704	35,856	1,485,292	104,132	1,589,424
Management fees – Cogeco Inc.	—	—	22,300	22,300	(22,300)	—
Adjusted EBITDA	774,544	676,674	(58,156)	1,393,062	12,526	1,405,588
Acquisition, integration, restructuring and other costs				34,942	87	35,029
Depreciation and amortization				621,084	4,519	625,603
Financial expense				187,617	2,297	189,914
Profit before income taxes				549,419	5,623	555,042
Income taxes				95,663	1,624	97,287
Profit for the year				453,756	3,999	457,755
Net capital expenditures ⁽²⁾	336,104	348,176	4,633	688,913	2,953	691,866
Acquisition of spectrum licences	236,073	—	—	236,073	—	236,073

(1) For fiscal 2023, revenue by geographic market included \$1,586.9 million in Canada and \$1,494.2 million in the United States, respectively. For the prior year, revenue included \$1,534.6 million in Canada and \$1,460.4 million in the United States.

(2) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including subsidies received in advance recognized as a reduction of the cost of property, plant and equipment. Refer to Note 21 B) for a reconciliation of net capital expenditures to cash payments for acquisition of property, plant and equipment as reported in the consolidated statements of cash flows.

The following tables set out certain segmented and geographic market information at August 31, 2023 and 2022:

Segmented information

<i>(In thousands of Canadian dollars)</i>	Cogeco Communications					
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Sub-total	Other	Total
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	1,493,552	1,710,965	24,998	3,229,515	34,788	3,264,303
Intangible assets	1,400,944	2,260,962	—	3,661,906	25,580	3,687,486
Goodwill	226,648	1,891,108	—	2,117,756	—	2,117,756

<i>(In thousands of Canadian dollars)</i>	Cogeco Communications					
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Sub-total	Other	Total
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	1,410,030	1,599,589	18,021	3,027,640	33,537	3,061,177
Intangible assets	1,332,051	2,239,170	—	3,571,221	85,569	3,656,790
Goodwill	150,089	1,832,409	—	1,982,498	28,012	2,010,510

Geographic market information

	At August 31, 2023		
	Canada	United States	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$
Property, plant and equipment	1,553,338	1,710,965	3,264,303
Intangible assets	1,426,524	2,260,962	3,687,486
Goodwill	226,648	1,891,108	2,117,756

	At August 31, 2022		
	Canada	United States	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$
Property, plant and equipment	1,461,588	1,599,589	3,061,177
Intangible assets	1,417,620	2,239,170	3,656,790
Goodwill	178,101	1,832,409	2,010,510

7. Business combinations

Fiscal 2023

Acquisition of the telecommunications operations of oxio

On March 3, 2023, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of the telecommunications operations of oxio, serving customers in Québec, Ontario and the western provinces, for a purchase price of \$100 million, subject to customary post-closing adjustments. With this acquisition, Cogeco Connexion now has a second brand to serve the telecommunication needs of Canadians.

During the fourth quarter of fiscal 2023, the Corporation finalized the purchase price allocation and, as a result, adjustments were made to *Intangible assets* and *Goodwill*.

The final 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 August 31, 2023	At May 31, 2023
	Final	Preliminary
<i>(In thousands of Canadian dollars)</i>	\$	\$
Purchase price		
Base purchase price	100,000	100,000
Working capital adjustments	(975)	(859)
	99,025	99,141
Net assets acquired		
Current assets	752	752
Property, plant and equipment	9,616	9,616
Intangible assets	16,000	16,400
Goodwill	76,559	76,275
Current liabilities	(3,902)	(3,902)
	99,025	99,141

The amount of goodwill, which is expected to be deductible for tax purposes, is mainly attributable to the expected growth in residential services and the expertise of the workforce. As the transaction was executed through an asset purchase, the goodwill is also attributable to the realization of expected tax benefits.

Fiscal 2022

Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Breezeline completed the acquisition of the broadband systems of WideOpenWest, Inc. 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. The purchase price and transaction costs were financed through the issuance of a US\$900 million senior secured Term B loan maturing in September 2028 and excess cash on hand. During the fourth quarter of fiscal 2022, the Corporation finalized the purchase price allocation.

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

	At August 31, 2022
	Final
<i>(In thousands of Canadian dollars)</i>	\$
Purchase price	
Base purchase price	1,418,288
Closing adjustment	9,370
Consideration paid at closing	1,427,658
Balance due on a business combination	3,152
Working capital adjustment	2,093
	1,432,903
Net assets acquired	
Current assets	17,342
Other non-current assets	10,548
Property, plant and equipment	487,054
Intangible assets	497,977
Goodwill	435,520
Current liabilities	(14,220)
Non-current liabilities	(1,318)
	1,432,903

8. Operating expenses

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Salaries, employee benefits and outsourced services	570,662	516,427
Service delivery costs ⁽¹⁾	797,951	797,946
Customer related costs ⁽²⁾	120,999	117,154
Other external purchases ⁽³⁾	158,595	157,897
	1,648,207	1,589,424

(1) Includes content and programming costs, payments to other carriers, franchise fees and network costs.

(2) Includes advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.

(3) Includes office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals and write-offs of property, plant and equipment and other administrative expenses.

9. Acquisition, integration, restructuring and other costs

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Acquisition and integration costs	10,715	27,733
Restructuring costs	9,342	4,443
Configuration and customization costs related to cloud computing arrangements	7,728	2,853
Costs related to litigation and regulatory decisions	8,460	—
	36,245	35,029

10. Financial expense

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Interest on long-term debt, excluding interest on lease liabilities	257,927	185,551
Interest on lease liabilities	2,751	2,287
Net foreign exchange loss	3,937	219
Amortization of deferred transaction costs related to the revolving facilities	744	730
Interest income	(11,098)	(1,545)
Other	749	2,672
	255,010	189,914

11. Income taxes

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Current	31,973	70,711
Deferred	46,406	26,576
	78,379	97,287

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:

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars, except percentages)</i>	\$	\$
Profit before income taxes	428,614	555,042
Combined Canadian income tax rate	26.5 %	26.5 %
Income taxes at combined Canadian income tax rate	113,583	147,086
Difference in operations' statutory income tax rates	60	476
Impact on deferred taxes as a result of changes in substantively enacted tax rates ⁽¹⁾	—	(8,472)
Impact on income taxes arising from non-deductible expenses and non-taxable profit ⁽²⁾	7,590	355
Tax impacts related to foreign operations	(45,400)	(29,596)
Other ⁽³⁾	2,546	(12,562)
Income taxes at effective income tax rate	78,379	97,287
Effective income tax rate	18.3 %	17.5 %

(1) In fiscal 2022, related to the reduction of the blended state income tax rate applied to the U.S. temporary tax differences, following the tax reform enacted by the state of Pennsylvania reducing the state's corporate net income tax rate from 9.99% to 4.99%, through a 0.5% annual rate decrease until 2031, effective on September 1, 2023 for the Corporation.

(2) Including \$4.9 million of tax impact related to the non-deductible impairment of goodwill, in fiscal 2023.

(3) In fiscal 2022, 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.

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax losses carryforwards:

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Property, plant and equipment	(391,084)	(405,856)
Intangible assets and goodwill	(642,900)	(611,871)
Contract liabilities and other liabilities	9,037	12,329
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	195,905	244,036
Other	8,851	3,909
Net deferred tax liabilities	(820,191)	(757,453)
Consolidated financial statements presentation:		
Deferred tax assets	13,243	15,583
Deferred tax liabilities	(833,434)	(773,036)
Net deferred tax liabilities	(820,191)	(757,453)

The movements in deferred tax asset and liability balances during fiscal 2023 and 2022 were as follows:

Year ended August 31, 2023	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Foreign currency translation adjustments	Balance end of the year
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
Property, plant and equipment	(405,856)	24,197	—	(9,425)	(391,084)
Intangible assets and goodwill	(611,871)	(20,196)	—	(10,833)	(642,900)
Contract liabilities and other liabilities	12,329	(3,344)	—	52	9,037
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	244,036	(55,566)	—	7,435	195,905
Other	3,909	8,503	(3,972)	411	8,851
	(757,453)	(46,406)	(3,972)	(12,360)	(820,191)

Year ended August 31, 2022	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Foreign currency translation adjustments	Balance end of the year
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
Property, plant and equipment	(293,322)	(101,881)	—	(10,653)	(405,856)
Intangible assets and goodwill	(583,377)	(15,935)	—	(12,559)	(611,871)
Contract liabilities and other liabilities	11,088	1,178	—	63	12,329
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	157,562	78,032	—	8,442	244,036
Other	30,030	12,030	(38,679)	528	3,909
	(678,019)	(26,576)	(38,679)	(14,179)	(757,453)

The Corporation also has taxable temporary differences associated with its investments in subsidiaries. No deferred tax has been recognized with respect to such temporary differences, as the Corporation is able to control the timing of their reversal and such reversal is not probable in the foreseeable future.

At August 31, 2023, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these consolidated financial statements, unless indicated otherwise. The benefits represent the amount expected to be realized, based on management's assessment of the Corporation's projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others.

These losses expire as follows:

	2032	2034	2035	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
Canada	—	11,416	10,539	4,003	25,958
United States	22,434	11,684	—	813,716	847,834
	22,434	23,100	10,539	817,719	873,792

The Corporation and its subsidiaries also had accumulated capital losses in Canada amounting to \$1,159 million which can be carried forward indefinitely and used against Canadian capital gains, and \$109 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

12. Earnings per share

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

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars, except number of shares)</i>	\$	\$
Profit for the year attributable to owners of the Corporation	70,630	149,108
Weighted average number of multiple and subordinate voting shares outstanding	15,575,644	15,819,729
Effect of dilutive incentive share units	47,354	44,108
Effect of dilutive performance share units	46,644	41,883
Weighted average number of diluted multiple and subordinate voting shares outstanding	15,669,642	15,905,720

13. Other assets

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Contract costs ⁽¹⁾	92,183	64,694
Transaction costs	1,680	2,064
Pension plan assets ⁽²⁾	10,441	5,271
Other	1,195	905
	105,499	72,934

(1) Includes incremental costs of obtaining a contract and upfront fees paid to multiple-dwelling units.

(2) For further details, see Note 22.

Contract costs

The table below provides a reconciliation of the contract costs balance:

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	64,694	44,199
Additions	52,102	27,253
Acquisitions through business combinations	—	10,548
Amortization	(26,220)	(19,161)
Foreign currency translation adjustments	1,607	1,855
Balance, end of the year	92,183	64,694

14. Property, plant and equipment

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Owned assets	3,187,409	2,985,340
Right-of-use assets	76,894	75,837
	3,264,303	3,061,177

A) Owned assets

During fiscal 2023 and 2022, owned assets variations were as follows:

Years ended August 31, 2023 and 2022 <i>(In thousands of Canadian dollars)</i>	Land, buildings and leasehold improvements	Networks and infrastructure	Customer premise equipment	Vehicles and equipment	Assets under construction	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at August 31, 2021	168,262	4,412,156	947,296	550,310	140,453	6,218,477
Acquisitions through business combinations	4,313	443,375	29,717	8,584	—	485,989
Finalization of DERYtelecom's purchase price allocation	164	6,899	(3,596)	—	(12,157)	(8,690)
Additions ⁽¹⁾	46	35,269	76,451	503	571,064	683,333
Assets under construction put into service	18,539	293,509	80,969	42,384	(435,401)	—
Disposals and write-offs	(1,306)	(4,053)	(120,934)	(4,390)	—	(130,683)
Foreign currency translation adjustments	1,656	80,126	15,797	5,413	4,059	107,051
Balance at August 31, 2022	191,674	5,267,281	1,025,700	602,804	268,018	7,355,477
Acquisitions through business combinations	—	—	9,320	296	—	9,616
Additions ⁽¹⁾	—	2,063	12,209	—	688,641	702,913
Assets under construction put into service	16,012	449,029	131,733	42,378	(639,152)	—
Disposals and write-offs	(47)	(34,299)	(218,248)	(157,416)	—	(410,010)
Foreign currency translation adjustments	1,538	71,127	13,272	4,658	3,080	93,675
Balance at August 31, 2023	209,177	5,755,201	973,986	492,720	320,587	7,751,671
Accumulated depreciation and impairment losses						
Balance at August 31, 2021	84,486	2,770,385	668,472	365,257	—	3,888,600
Depreciation expense	7,753	358,974	133,759	61,446	—	561,932
Disposals and write-offs	(361)	(3,613)	(120,773)	(4,005)	—	(128,752)
Foreign currency translation adjustments	690	37,334	7,484	2,849	—	48,357
Balance at August 31, 2022	92,568	3,163,080	688,942	425,547	—	4,370,137
Depreciation expense	8,091	346,717	143,706	59,951	—	558,465
Disposals and write-offs	(32)	(31,935)	(218,059)	(157,301)	—	(407,327)
Foreign currency translation adjustments	609	33,763	6,192	2,423	—	42,987
Balance at August 31, 2023	101,236	3,511,625	620,781	330,620	—	4,564,262
Carrying amounts						
At August 31, 2022	99,106	2,104,201	336,758	177,257	268,018	2,985,340
At August 31, 2023	107,941	2,243,576	353,205	162,100	320,587	3,187,409

(1) In fiscal 2023, the Corporation received \$127.9 million of government assistance, which was accounted for as a deduction of the cost of property, plant and equipment (\$76.7 million in 2022), including the amount recognized in connection to the high-speed Internet network expansion projects.

B) Right-of-use-assets

During fiscal 2023 and 2022, right-of-use assets variations were as follows:

Years ended August 31, 2023 and 2022 <i>(In thousands of Canadian dollars)</i>	Land and buildings \$	Other ⁽¹⁾ \$	Total \$
Balance at August 31, 2021	49,000	12,590	61,590
Acquisitions through business combinations	1,253	—	1,253
Additions ⁽²⁾	10,874	12,723	23,597
Modifications, disposals and write-offs	(4,086)	32	(4,054)
Depreciation expense	(5,503)	(2,019)	(7,522)
Foreign currency translation adjustments	446	527	973
Balance at August 31, 2022	51,984	23,853	75,837
Additions ⁽²⁾	1,520	7,685	9,205
Modifications, disposals and write-offs	190	419	609
Depreciation expense	(6,180)	(3,605)	(9,785)
Foreign currency translation adjustments	438	590	1,028
Balance at August 31, 2023	47,952	28,942	76,894

(1) Includes right-of-use assets pertaining to networks and infrastructure, and vehicles and equipment.

(2) Includes \$8.5 million of indefeasible rights of use paid in fiscal 2022 (nil in fiscal 2023).

15. Intangible assets and goodwill

A) Intangible assets

During fiscal 2023 and 2022, intangible assets variations were as follows:

Years ended August 31, 2023 and 2022 <i>(In thousands of Canadian dollars)</i>	Finite useful life		Indefinite useful life			Total
	Customer relationships	Trade name ⁽¹⁾	Distribution licences and franchise rights	Radio broadcasting licences	Spectrum licences	
	\$	\$	\$	\$	\$	\$
Cost						
Balance at August 31, 2021	277,232	—	2,551,949	86,155	42,306	2,957,642
Acquisitions through business combinations	143,720	—	354,257	397	—	498,374
Finalization of DERYtelecom's purchase price allocation	9,250	—	—	—	—	9,250
Additions	—	—	—	—	295,091	295,091
Disposals through the sale of a subsidiary	—	—	—	(983)	—	(983)
Fully amortized	(4,220)	—	—	—	—	(4,220)
Foreign currency translation adjustments	14,627	—	76,218	—	—	90,845
Balance at August 31, 2022	440,609	—	2,982,424	85,569	337,397	3,845,999
Acquisitions through business combinations	8,400	7,600	—	—	—	16,000
Additions	—	—	—	—	60,000	60,000
Foreign currency translation adjustments	12,340	—	64,562	—	—	76,902
Balance at August 31, 2023	461,349	7,600	3,046,986	85,569	397,397	3,998,901
Accumulated amortization and impairment losses						
Balance at August 31, 2021	118,584	—	—	—	12,992	131,576
Amortization expense	54,812	—	—	—	1,337	56,149
Fully amortized	(4,220)	—	—	—	—	(4,220)
Foreign currency translation adjustments	5,704	—	—	—	—	5,704
Balance at August 31, 2022	174,880	—	—	—	14,329	189,209
Amortization expense	56,636	174	—	—	—	56,810
Impairment	—	—	—	59,989	—	59,989
Foreign currency translation adjustments	5,407	—	—	—	—	5,407
Balance at August 31, 2023	236,923	174	—	59,989	14,329	311,415
Carrying amounts						
At August 31, 2022	265,729	—	2,982,424	85,569	323,068	3,656,790
At August 31, 2023	224,426	7,426	3,046,986	25,580	383,068	3,687,486

(1) Cogeco Connexion has acquired a second brand, oxio, following the acquisition of oxio's telecommunications operations in March 2023 [see Note 7].

B) Goodwill

During fiscal 2023 and 2022, goodwill variations were as follows:

Years ended August 31, 2023 and 2022		\$
<i>(In thousands of Canadian dollars)</i>		
Cost		
Balance at August 31, 2021		1,504,162
Acquisitions through business combinations		435,520
Finalization of DERYtelecom's purchase price allocation		1,440
Foreign currency translation adjustments		69,388
Balance at August 31, 2022		2,010,510
Acquisitions through business combinations		76,559
Foreign currency translation adjustments		58,699
Balance at August 31, 2023		2,145,768
Accumulated impairment losses		
Balance at August 31, 2022		—
Impairment		28,012
Balance at August 31, 2023		28,012
Carrying amounts		
At August 31, 2022		2,010,510
At August 31, 2023		2,117,756

C) Impairment testing of goodwill and intangible assets

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows:

At August 31	2023				2022			
	Goodwill	Distribution licences and franchise rights	Spectrum licences	Radio broadcasting licences	Goodwill	Distribution licences and franchise rights	Spectrum licences	Radio broadcasting licences
Operating segments / CGUs								
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Canadian telecommunications ⁽¹⁾	226,648	967,000	383,068		150,089		323,068	
Ontario		—				857,696		
Québec		—				109,304		
American telecommunications	1,891,108	2,079,986			1,832,409	2,015,424		
Media ⁽²⁾								
Radio broadcasting	—	—	—	25,580	28,012	—	—	85,569
Total	2,117,756	3,046,986	383,068	25,580	2,010,510	2,982,424	323,068	85,569

(1) Due to structural changes in the operation of the network infrastructure, as well as the related centralization of decision-making and performance monitoring, that have occurred between Ontario and Québec, Cogeco Communications has reassessed the CGUs used for the annual impairment test of Cogeco Connexion's distribution licences. It was concluded that the lowest level at which these intangible assets are monitored for internal management purposes is no longer by province, but rather at the combined level.

(2) Included within the "Other" column in the "Segment information" note.

At May 31, 2023, the Corporation tested the goodwill and long-lived assets of its Radio broadcasting CGU for impairment, following the identification of impairment indicators. During the third quarter of fiscal 2023, the Corporation's radio operations continued to face revenue pressure due to an industry-wide reduction in radio advertising demand. Consequently, assumptions on projected earnings and cash flow growth for the Radio broadcasting cash generating unit ("CGU") were revised, also factoring in a higher discount rate. As a result, the Corporation recognized non-cash pre-tax impairment charges of \$88 million within its Cogeco Media subsidiary, of which \$28 million was allocated to goodwill and \$60 million was allocated to indefinite-life intangible assets for broadcasting licences, as it has concluded that the recoverable amount based on value in use was less than the carrying amount of the CGU. The previous year impairment test was performed at June 30, 2022 and no impairment loss was recognized.

At June 30, 2023 and 2022, the Corporation's subsidiary, Cogeco Communications, performed impairment tests for its CGUs within the Canadian and American telecommunications segments. The recoverable amount of each CGU was calculated based on the value in use and was determined to be higher than its carrying amount. No impairment loss has been recognized for the years ended August 31, 2023 and 2022.

The following represents the key assumptions that were used to determine the recoverable amounts in the most recent impairment tests performed for each of the Corporation's operating segments:

	2023		2022	
	Pre-tax discount rate	Terminal growth rate	Pre-tax discount rate	Terminal growth rate
Operating segments	%	%	%	%
Canadian telecommunications	9.8	2.0	8.3	2.0
American telecommunications	13.6	2.5	10.3	2.5
Media	12.7	0.5	11.3	0.5

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the terminal growth rate used in the tests performed, that would have been required in order for the recoverable amount to equal the carrying value of the CGU at the date of the most recent impairment tests:

Operating segments	Increase in pre-tax discount rate	Decrease in terminal growth rate
	%	%
Canadian telecommunications	(1)	(1)
American telecommunications	6.6	11.9
Media	N/A	N/A

(1) The recoverable amount of the Canadian telecommunications CGUs exceeds the corresponding carrying value. No reasonable changes in the discount rate or in the terminal growth rate, used in the impairment test performed, would have caused the recoverable amount to equal the carrying value of the Canadian telecommunications CGUs.

16. Provisions

During fiscal 2023, provisions variations were as follows:

Year ended August 31, 2023	Withholding and stamp taxes ⁽¹⁾	Programming and content costs ⁽²⁾	Royalties for retransmission of distant TV signals ⁽³⁾	Restructuring costs ⁽⁴⁾	Other ⁽⁵⁾	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$		\$	\$	\$
Balance, beginning of the year	6,180	15,720	—	3,020	4,022	28,942
Provisions made during the year	—	11,709	11,507	5,540	459	29,215
Provisions used during the year	—	(18,046)	—	(4,664)	(2,686)	(25,396)
Provisions reversed during the year	—	—	—	—	(630)	(630)
Foreign currency translation adjustments	810	64	—	—	14	888
Balance, end of the year	6,990	9,447	11,507	3,896	1,179	33,019

(1) Relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a subsidiary by the Corporation.

(2) Include provisions for retroactive rate increases as well as additional royalties or content costs as a result of periodical audits from service providers.

(3) Relate to the estimated royalties payable for the retransmission of distant Canadian and U.S. television over-the-air signals in Canada, for the 2014-2018 period, awaiting the Copyright Board's final rates determination (see Note 25 B)).

(4) Relate to costs associated with organizational changes within the Canadian telecommunications segment, resulting in further cost optimization.

(5) Include provisions for contractual obligations and other legal obligations.

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

17. Contract liabilities and other liabilities

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Advance billings	54,758	57,287
Deferred customer connection fees	14,528	14,394
Customer deposits and prepayments	312	597
Contract liabilities	69,598	72,278
Other liabilities	1,150	1,453
	70,748	73,731
Current	62,061	64,221
Non-current	8,687	9,510

During fiscal 2023 and 2022, contract liabilities variations were as follows:

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	72,278	65,763
Revenue deferred in the previous period and recognized in the current period	(65,313)	(57,647)
Net additions arising from operations	59,795	49,722
Additions arising from business combinations	1,303	12,574
Foreign currency translation adjustments	1,535	1,866
Balance, end of the year	69,598	72,278

18. Long-term debt

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Notes, debentures and credit facilities	5,019,513	4,671,797
Lease liabilities	69,484	66,813
	5,088,997	4,738,610
Less current portion	43,325	340,468
	5,045,672	4,398,142

A) Notes, debentures and credit facilities

At August 31 <i>(In thousands of Canadian dollars, except percentages)</i>	Maturity	Interest rate %	2023 \$	2022 \$
Corporation				
Term Revolving Facility				
Revolving loan - US\$32.5 million (US\$32 million at August 31, 2022)	February 2027	6.43 ^{(1) (2)}	43,975	41,955
Subsidiaries				
Term Revolving Facility				
Revolving loan - US\$262 million (US\$81 million at August 31, 2022)	January 2028	6.63 ^{(1) (3)}	354,512	106,199
Senior Secured Notes				
Series A - US\$25 million	September 2024	4.14	33,810	32,742
Series B - US\$150 million	September 2026	4.29	202,695	196,313
Senior Secured Notes - US\$215 million	June 2025	4.30	290,629	281,450
Senior Secured Notes - Series 1	September 2031	2.99	497,286	496,993
Senior Secured Notes - Series 2	February 2033	5.30	298,137	—
Senior Secured Debentures - Series 4	—	—	—	299,730
Senior Unsecured Non-Revolving Facility	November 2042	—	—	—
First Lien Credit Facilities				
Senior Secured Term Loan B Facility				
Tranche 1 - US\$1,575.8 million (US\$1,592.8 million at August 31, 2022)	January 2025	7.43 ^{(1) (4)}	2,114,649	2,060,614
Tranche 2 - US\$886.5 million (US\$895.5 million at August 31, 2022)	September 2028	7.95 ^{(1) (5)}	1,183,820	1,155,801
Senior Secured Revolving Facility	July 2024	—	—	—
			5,019,513	4,671,797
Less current portion			35,181	333,818
			4,984,332	4,337,979

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

(2) An amount of US\$32.5 million drawn under the Corporation's Term Revolving Facility was hedged until September 29, 2023, using a cross-currency swap agreement which sets the amount redeemable at maturity at \$44.2 million and the effective interest rate on the Canadian dollar equivalent at 6.07%.

(3) An amount of US\$262 million drawn under Cogeco Communications' Term Revolving Facility was hedged until September 29, 2023, using a cross-currency swap agreement which sets the amount redeemable at maturity at \$355.9 million and the effective interest rate on the Canadian dollar equivalent at 6.28%.

(4) As of August 31, 2023, a U.S. subsidiary had outstanding interest rate swap agreements to fix the interest rate on an amount of US\$540 million of the Senior Secured Term Loan B Facility - Tranche 1. These agreements have the effect of converting the floating SOFR base rate into fixed rates ranging from 2.01% to 2.21%, plus an applicable credit spread, for maturities between January 31, 2024 and November 30, 2024. Taking into account these agreements, the effective interest rate on Tranche 1 of the Senior Secured Term Loan B Facility is 6.31%.

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

Term Revolving Facilities

Corporation

The Corporation benefits from a Term Revolving Facility of \$100 million, including a swingline with a limit of \$10 million. On May 19, 2023, Cogeco Inc. amended its Term Revolving Facility, replacing US LIBOR with the Secured Overnight Financing Rate ("SOFR") as the benchmark interest rate. The amendment also introduced fallback provisions with regard to the transition of the benchmark interest rate from Canadian Dollar Offered Rate ("CDOR") to Canadian Overnight Repo Rate Average ("CORRA") when CDOR will be discontinued.

Cogeco's revolving facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Communications, and guaranteed by its subsidiaries, excluding Cogeco Communications and its subsidiaries.

Subsidiaries

Cogeco Communications has a Term Revolving Facility of \$750 million with a syndicate of lenders, including a swingline with a limit of \$30 million. On December 21, 2022, Cogeco Communications amended the Term Revolving Facility to extend the maturity by one additional year to January 24, 2028. The amendment also replaced US LIBOR with SOFR as the benchmark interest rate.

Cogeco Communications' revolving facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries, except for the unrestricted subsidiaries.

Both revolving facilities have a sustainability-linked loan ("SLL") structure. The SLL structure 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. The revolving facilities are available in Canadian and US dollars, and interest rates are based on banker's acceptance, prime rate loans, US dollar base rate loans and SOFR loans in US dollars, plus the applicable credit spread, and commitment fees are payable on the unused portion. The facilities can be repaid at any time without penalty and provide for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under the revolving facilities provide for restrictions on the operations and activities of both corporations and their subsidiaries, except for the unrestricted / excluded subsidiaries. Generally, the most significant restrictions relate to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as the incurrence and maintenance of certain financial ratios primarily linked to adjusted EBITDA.

Senior Secured Notes

Upon maturity on May 26, 2023, Cogeco Communications reimbursed its Senior Secured Debentures Series 4.

In February 2023, Cogeco Communications completed, pursuant to a private placement, the issuance of \$300 million Senior Secured Notes - Series 2 maturing on February 16, 2033. 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.

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. The 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 its subsidiaries except for the unrestricted 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. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

Senior Unsecured Non-Revolver Facility

In December 2022, Cogeco Communications entered into a 20-year senior unsecured non-revolving facility, having an aggregate principal amount of up to \$38.1 million, with the Canada Infrastructure Bank. The credit facility can only be drawn to finance the network expansion projects undertaken in connection with Ontario's Accelerated High Speed Internet Program. At August 31, 2023, the facility was undrawn.

First Lien Credit Facilities

On May 25, 2023, the First Lien Credit Facilities were amended in order to replace the benchmark interest rate from US LIBOR to SOFR. The interest derivatives associated with Tranche 1 and 2 of the Senior Secured Term Loan B Facility were also transitioned to substantially similar interest derivatives referencing SOFR. The Corporation applied the practical expedients of the interest rate benchmark reform allowing the continuation of the hedge relationships.

On January 4, 2018, in connection with the financing of the MetroCast acquisition, a \$2.1 billion (US\$1.7 billion) Senior Secured Term Loan B maturing in January 2025, and a \$188 million (US\$150 million) Senior Secured Revolving Facility maturing in January 2023 were entered into by two of Cogeco Communications' U.S. subsidiaries. On December 6, 2019, the maturity date of the US\$150 million Senior Secured Revolving Facility was extended by an additional 18 months until July 4, 2024. The interest rate is based on SOFR plus an applicable credit spread.

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 \$1.1 billion (US\$900 million) second tranche of the Senior Secured Term Loan B Facility, maturing on September 1, 2028. The interest rate is based on SOFR, with a 39 bps floor, plus an applicable credit spread.

The Senior Secured Term Loan B Facility tranches are subject to a quarterly amortization of 0.25%, commencing in August 2018 for Tranche 1 and in May 2022 for Tranche 2, until their maturity date. In addition to the quarterly amortization, the tranches 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 Breezeline's ratio of net senior secured indebtedness / adjusted EBITDA ("leverage ratio") is greater than or equal to 5.1;
- (ii) 25% if Breezeline's leverage ratio is greater than or equal to 4.6 but less than 5.1; and
- (iii) 0% if Breezeline's leverage ratio is less than 4.6.

Breezeline's leverage ratio was below 4.6 as of August 31, 2023, therefore no excess cash flows prepayments are applicable in fiscal 2023. The First Lien Credit Facilities are non-recourse to Cogeco Communications and most of its Canadian subsidiaries, and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Breezeline and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Breezeline and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

B) Lease liabilities

In the normal course of operations, the Corporation enters into leases for buildings, land, network infrastructure and equipment. Lease contracts are typically individually negotiated for a wide range of fixed periods, but may also include renewal or termination options.

At August 31, 2023, the weighted average interest rate on lease liabilities was approximately 4.17% and the weighted average lease term was approximately 5.7 years (3.92% and 6.4 years, respectively, in 2022).

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Lease liabilities	69,484	66,813
Less current portion	8,144	6,650
	61,340	60,163

Total expenses of \$12.8 million have been recognized during fiscal 2023 relating primarily to variable lease payments not included in the measurement of lease liabilities (\$11.8 million in 2022).

C) Other information

The following table summarizes the principal on long-term debt:

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Principal on fixed-rate long-term debt	3,209,866	3,436,254
Principal on floating rate long-term debt	1,918,610	1,352,072
Principal on long-term debt	5,128,476	4,788,326

19. Share capital

A) Issued and paid

At August 31	2023	2022
<i>(In thousands of Canadian dollars, except number of shares)</i>	\$	\$
1,602,217 multiple voting shares	10	10
14,009,952 subordinate voting shares (14,176,736 at August 31, 2022)	112,118	113,453
	112,128	113,463
51,257 subordinate voting shares held in trust under the Incentive Share Unit Plan (41,550 at August 31, 2022)	(3,582)	(3,377)
53,092 subordinate voting shares held in trust under the Performance Share Unit Plan (41,315 at August 31, 2022)	(3,664)	(3,318)
	104,882	106,768

During fiscal 2023 and 2022, subordinate voting share transactions were as follows:

Years ended August 31	2023		2022	
	Number of shares	Amount	Number of shares	Amount
<i>(In thousands of Canadian dollars, except number of shares)</i>		\$		\$
Balance, beginning of the year	14,176,736	113,453	14,399,638	115,237
Purchase and cancellation of subordinate voting shares	(166,784)	(1,335)	(222,902)	(1,784)
Balance, end of the year	14,009,952	112,118	14,176,736	113,453

Subordinate voting shares repurchase programs

	Commencement date	Expiry	Maximum subordinate voting shares for repurchase	Number of shares repurchased at August 31, 2023
2023 Normal course issuer bid ("NCIB")	January 18, 2023	January 17, 2024	325,000	121,600
2022 NCIB	January 18, 2022	January 17, 2023	325,000	268,086

The following table provides the NCIB purchases for the years ended August 31, 2023 and 2022:

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)</i>	\$	\$
Subordinate voting shares purchased and cancelled	166,784	222,902
Weighted average purchase price per share	58.54	77.94
Purchase costs	9,763	17,372

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

Subordinate voting shares held in trust

During fiscal 2023 and 2022, the transactions pertaining to the subordinate voting shares held in trust under the Incentive Share Unit Plan ("ISU Plan") and the Performance Share Unit Plan ("PSU Plan") were as follows:

	ISU Plan		PSU Plan	
	Number of shares	Amount \$	Number of shares	Amount \$
<i>(In thousands of Canadian dollars, except number of shares)</i>				
Balance at August 31, 2021	49,824	4,021	50,644	4,032
Subordinate voting shares acquired	12,976	1,072	9,797	809
Subordinate voting shares distributed to employees	(21,250)	(1,716)	(19,126)	(1,523)
Balance at August 31, 2022	41,550	3,377	41,315	3,318
Subordinate voting shares acquired	24,986	1,425	26,578	1,516
Subordinate voting shares distributed to employees	(15,279)	(1,220)	(14,801)	(1,170)
Balance at August 31, 2023	51,257	3,582	53,092	3,664

B) Dividends

The following tables provide a summary of the dividends declared for the Corporation's and Cogeco Communications' multiple and subordinate voting shares during the years ended August 31, 2023 and 2022:

Declaration date	Record date	Payment date	Dividend per share (in dollars)	
			Cogeco	Cogeco Communications
October 27, 2022	November 10, 2022	November 24, 2022	0.731	0.776
January 12, 2023	January 26, 2023	February 9, 2023	0.731	0.776
April 13, 2023	April 27, 2023	May 11, 2023	0.731	0.776
July 13, 2023	July 27, 2023	August 10, 2023	0.731	0.776
			2.924	3.104
November 11, 2021	November 25, 2021	December 9, 2021	0.625	0.705
January 13, 2022	January 27, 2022	February 10, 2022	0.625	0.705
April 13, 2022	April 27, 2022	May 11, 2022	0.625	0.705
July 13, 2022	July 27, 2022	August 10, 2022	0.625	0.705
			2.500	2.820
Years ended August 31			2023	2022
<i>(In thousands of Canadian dollars)</i>			\$	\$
Attributable to owners of the Corporation				
Dividends on multiple voting shares			4,685	4,006
Dividends on subordinate voting shares			40,464	35,520
			45,149	39,526
Attributable to non-controlling interest				
Dividends on subordinate voting shares			89,265	85,690

At its November 1, 2023 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of \$0.854 per share for multiple and subordinate voting shares, payable on November 29, 2023 to shareholders of record on November 15, 2023.

C) Share-based payment plans

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

Stock purchase plans

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans, which are accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation and its subsidiary contribute 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plans

A total of 1,545,700 subordinate voting shares are reserved for the purpose of Cogeco's Stock Option Plan. During fiscal years 2023 and 2022, no stock options were granted to employees by Cogeco and no stock options were outstanding at August 31, 2023 and 2022.

A total of 3,432,500 subordinate voting shares of Cogeco Communications are reserved for the purpose of its Stock Option Plan.

The minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years

Under the Stock Option Plan of Cogeco Communications, changes in the outstanding number of stock options were as follows:

Years ended August 31	2023		2022	
	Options	Weighted average exercise price	Options	Weighted average exercise price
<i>(In Canadian dollars, except number of options)</i>		\$		\$
Outstanding, beginning of the year	874,165	86.52	835,074	81.73
Granted	151,028	69.48	159,875	101.18
Exercised ⁽¹⁾	(69,279)	52.78	(75,794)	58.21
Cancelled	(42,576)	94.19	(44,990)	97.27
Outstanding, end of the year	913,338	85.91	874,165	86.52
Exercisable, end of the year	495,556	83.17	441,245	75.58

(1) The weighted average share price for options exercised during the year was \$52.78 (\$104.55 in 2022).

At August 31, 2023, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options were as follows:

At August 31, 2023	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
Range of exercise prices					
\$					
50.10 to 61.22	42,700	1.07	60.18	42,700	60.18
61.23 to 70.00	336,398	6.17	66.77	171,316	64.67
70.01 to 85.20	110,845	4.18	85.17	110,845	85.17
85.21 to 100.00	125,145	7.17	94.28	50,055	94.28
100.01 to 118.42	298,250	7.19	107.94	120,640	111.12
	913,338	6.16	85.91	495,556	83.17

The weighted average fair value of stock options granted for the year ended August 31, 2023 was \$11.69 (\$17.52 in 2022) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense, using the Black-Scholes option pricing model based on the following weighted-average assumptions:

Years ended August 31	2023	2022
	%	%
Expected dividend yield	4.33	2.80
Expected volatility ⁽¹⁾	25.67	24.36
Risk-free interest rate	3.39	1.60
Expected life (in years)	5.1	6.0

(1) The expected volatility is based on the historical volatility of Cogeco Communications' subordinate voting shares for a period equivalent to the expected life of the options.

ISU plans

The Corporation and its subsidiary, Cogeco Communications, offer executive officers and designated employees Incentive Share Unit ("ISU") Plans. According to the plans, executive officers and designated employees periodically receive a given number of ISUs which entitle the participants to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average daily closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustees to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trusts for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's consolidated financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plans presented in reduction of share capital or non-controlling interest.

PSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Performance Share Unit ("PSU") Plans for the benefit of their executive officers and designated employees. The objectives of the PSU Plans are to retain executive officers and designated employees, to align their interests with those of the shareholders and to sustain positive corporate performance, as measured by an economic value creation formula, a performance measure used by management. The number of PSUs is based on the dollar value of the award and the average daily closing stock price of the Corporation and its subsidiary for the previous twelve month period ending August 31. The PSUs vest over a three-year less one day period, based on the level of increase in the economic value of the Corporation or the relevant subsidiary for the preceding three-year period ending August 31, meaning that no vesting will occur if there is no increase in the economic value. The participants are entitled to receive dividend equivalents in the form of additional PSUs but only with respect to PSUs expected to vest. PSUs are redeemable in case of death, permanent disability or termination of employment not for cause, in which cases, the holder of PSUs is entitled to payment of the PSUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year less one day vesting period. In case of retirement, the holders of PSUs are entitled to partial or full payment of their PSUs depending on a combination of age at the time of retirement and length of service with the Corporation. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustee to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's consolidated financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plans presented in reduction of share capital or non-controlling interest.

DSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Deferred Share Unit ("DSU") Plans for members of the Board to assist in the attraction and retention of qualified individuals to serve on their respective Boards. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of DSUs with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average daily closing price of the subordinate shares on the TSX for the twenty consecutive trading days immediately preceding by one day the date of issue. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the

member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable and payable in cash or in shares, upon an individual ceasing to be a member of the Board or in the event of the death of the member.

Changes in the outstanding number of ISUs, PSUs and DSUs were as follows:

	ISUs	PSUs	DSUs
Balance at August 31, 2021	48,600	48,354	47,435
Granted/Issued	17,075	15,325	13,424
Performance-based additional units granted	—	205	—
Distributed/Redeemed	(21,250)	(19,126)	—
Cancelled	(250)	(3,834)	—
Dividend equivalents	—	1,380	1,963
Balance at August 31, 2022	44,175	42,304	62,822
Granted/Issued ^{(1) (2) (3)}	21,155	20,620	13,655
Performance-based additional units granted	—	585	—
Distributed/Redeemed	(15,279)	(14,801)	—
Cancelled	(3,134)	(3,055)	—
Dividend equivalents	—	2,495	3,909
Balance at August 31, 2023	46,917	48,148	80,386

(1) The weighted average fair value of the ISUs granted was \$58.02 in 2023 (\$79.62 in 2022).

(2) The weighted average fair value of the PSUs granted was \$58.02 in 2023 (\$79.47 in 2022).

(3) The weighted average fair value of the DSUs issued was \$62.67 in 2023 (\$79.43 in 2022).

Under the ISU, PSU and DSU plans of Cogeco Communications, changes in the outstanding number of ISUs, PSUs and DSUs were as follows:

	ISUs	PSUs	DSUs
Balance at August 31, 2021	68,835	96,183	59,280
Granted/Issued	28,000	33,725	10,862
Performance-based additional units granted	—	443	—
Distributed/Redeemed	(19,673)	(34,579)	—
Cancelled	(1,787)	(4,021)	—
Dividend equivalents	—	2,838	2,024
Balance at August 31, 2022	75,375	94,589	72,166
Granted/Issued ^{(1) (2) (3)}	28,652	40,100	14,482
Performance-based additional units granted	—	2,496	—
Distributed/Redeemed	(26,253)	(31,796)	—
Cancelled	(8,937)	(8,306)	—
Dividend equivalents	—	4,620	3,894
Balance at August 31, 2023	68,837	101,703	90,542

(1) The weighted average fair value of the ISUs granted was \$69.37 in 2023 (\$100.88 in 2022).

(2) The weighted average fair value of the PSUs granted was \$69.45 in 2023 (\$101.04 in 2022).

(3) The weighted average fair value of the DSUs issued was \$76.50 in 2023 (\$99.38 in 2022).

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

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Stock options	2,037	2,071
ISUs	3,273	3,911
PSUs	3,767	4,410
DSUs	(448)	(936)
	8,629	9,456

20. Accumulated other comprehensive income (loss)

During fiscal 2023 and 2022, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2023 and 2022	Cash flow hedge reserve	Foreign currency translation	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$
Balance at August 31, 2021	(10,060)	4,185	(5,875)
Other comprehensive income for the year	34,804	15,468	50,272
Balance at August 31, 2022	24,744	19,653	44,397
Other comprehensive income for the year	2,287	13,513	15,800
Balance at August 31, 2023	27,031	33,166	60,197

21. Additional cash flows information

A) Changes in other non-cash operating activities

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Trade and other receivables	(10,851)	(4,946)
Prepaid expenses and other	(819)	(5,354)
Other assets	(26,201)	(7,859)
Trade and other payables	(61,884)	99,321
Provisions	3,199	8,433
Contract liabilities and other liabilities	(5,866)	(7,712)
	(102,422)	81,883

B) Acquisition of property, plant and equipment

The following table shows the reconciliation between the cash payments for acquisition of property, plant and equipment, as reported within the investing section in the consolidated statements of cash flows, and the net capital expenditures, as presented in Note 6.

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Acquisition of property, plant and equipment	806,237	747,608
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the year	(103,324)	(55,742)
Net capital expenditures	702,913	691,866

C) Changes in liabilities arising from financing activities

Years ended August 31, 2023 and 2022 <i>(In thousands of Canadian dollars)</i>	Bank indebtedness	Long-term debt		Balance due on business combinations	Total
		Notes, debentures and credit facilities	Lease liabilities		
	\$	\$	\$	\$	\$
Balance at August 31, 2021	4,460	3,270,131	59,779	—	3,334,370
Increase in bank indebtedness	4,173	—	—	—	4,173
Net decrease under the revolving facilities	—	(113,137)	—	—	(113,137)
Issuance of long-term debt, net of discounts and transaction costs	—	1,611,064	—	—	1,611,064
Repayment of notes, debentures and credit facilities	—	(262,901)	—	—	(262,901)
Repayment of lease liabilities	—	—	(5,591)	—	(5,591)
Repayment of balance due on business combinations	—	—	—	(3,162)	(3,162)
Total cash flows from (used in) financing activities excluding equity	4,173	1,235,026	(5,591)	(3,162)	1,230,446
Interest paid on lease liabilities	—	—	(2,021)	—	(2,021)
Total cash flow changes	4,173	1,235,026	(7,612)	(3,162)	1,228,425
Effect of changes in foreign exchange rates	—	148,102	490	10	148,602
Amortization of discounts, transaction costs and other	—	18,538	—	—	18,538
Net increase in lease liabilities	—	—	12,903	—	12,903
Assumed through business combinations	—	—	1,253	—	1,253
Increase in balance due on business combinations	—	—	—	3,152	3,152
Total non-cash changes	—	166,640	14,646	3,162	184,448
Balance at August 31, 2022	8,633	4,671,797	66,813	—	4,747,243
Increase in bank indebtedness	14,596	—	—	—	14,596
Net increase under the revolving facilities	—	247,760	—	—	247,760
Issuance of long-term debt, net of discounts and transaction costs	—	298,056	—	—	298,056
Repayment of notes, debentures and credit facilities	—	(335,263)	—	—	(335,263)
Repayment of lease liabilities	—	—	(7,271)	—	(7,271)
Total cash flows from (used in) financing activities excluding equity	14,596	210,553	(7,271)	—	217,878
Interest paid on lease liabilities	—	—	(3,120)	—	(3,120)
Total cash flow changes	14,596	210,553	(10,391)	—	214,758
Effect of changes in foreign exchange rates	—	122,149	464	—	122,613
Amortization of discounts, transaction costs and other	—	15,014	—	—	15,014
Net increase in lease liabilities	—	—	12,598	—	12,598
Total non-cash changes	—	137,163	13,062	—	150,225
Balance at August 31, 2023	23,229	5,019,513	69,484	—	5,112,226

D) Cash and cash equivalents

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Cash	263,699	185,401
Cash with restrictions on use ⁽¹⁾	29,262	127,851
Cash equivalents ⁽²⁾	70,893	65,749
	363,854	379,001

(1) In connection with government subsidies received in advance, pertaining mainly to Cogeco Connexion's high-speed Internet network expansion projects.

(2) Comprised of bank term deposits.

22. Employee benefits

A) Defined contribution plans and collective registered retirement saving plans

The Corporation and its subsidiaries offer to certain employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounted to \$12.2 million (\$11.0 million in 2022) for the year ended August 31, 2023 and is included in the Corporation's consolidated statement of profit and loss under *Salaries, employee benefits and outsourced services*.

B) Defined benefit plans

The Corporation and its subsidiaries sponsor defined benefit plans for the benefit of certain employees, which are closed to new members, and separate defined benefit plans for the benefit of their executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers supplementary pension plans. The defined benefit plans are registered with the Office of the Superintendent of Financial Institutions and are subject to the Federal Pension Benefits Standards Act. The plans are also registered with the Canada Revenue Agency and are subject to the Income Tax Act (Canada). The Corporation's Pension Advisory Committee oversees the administration of these plans, which includes the following principal areas: monitoring of the funds performance and ensuring the plans are appropriately funded, decision-making in relation to the investment strategy, the plans' design and fund manager selection, and reviewing and approving the audited financial statements of the pension plans. The Corporation's funding policy is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. The defined benefit plans are funded by the Corporation's and the participants' contributions. The defined benefits plans funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations.

Each year at August 31, the Corporation and its subsidiaries measure plan assets at fair value, as well as the defined benefit obligation for all plans. The most recent actuarial valuation of the pension plans for the benefit of the employees was at August 31, 2022 and the next required valuation is at August 31, 2023, which is expected to be completed in February 2024. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2020 and the next required valuation is at August 31, 2023, to be completed in February 2024.

The following table provides a reconciliation of the change in the defined benefit obligation and plan assets at fair value and a statement of the funded status at August 31:

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Defined benefit obligation ⁽¹⁾		
Defined benefit obligation, beginning of the year	100,490	123,356
Current service cost	2,448	3,634
Interest cost	4,991	3,825
Contributions by plan participants	302	304
Benefits paid	(5,091)	(4,706)
Actuarial gains on obligation arising from:		
Experience adjustments	(2,737)	(25,923)
Defined benefit obligation, end of the year	100,403	100,490
Plan assets at fair value		
Plan assets at fair value, beginning of the year	109,739	127,485
Interest income	5,461	3,875
Return on plan assets, except amounts included in interest income	3,155	(20,239)
Administrative expense	(301)	(285)
Contributions by plan participants	302	304
Employer contributions	1,962	3,305
Benefits paid	(5,091)	(4,706)
Plan assets at fair value, end of the year	115,227	109,739
Funded status		
Plan assets at fair value	115,227	109,739
Defined benefit obligation	100,403	100,490
Plan surplus	14,824	9,249
Effect of asset ceiling	(4,383)	(3,978)
Net defined benefit asset	10,441	5,271

(1) The weighted average duration of the defined benefit obligation is 11 years at August 31, 2023 (12 years at August 31, 2022).

The net defined benefit asset is included in the Corporation's consolidated statements of financial position under *Other Assets*.

Defined benefit costs recognized in profit or loss

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	2,448	3,634
Administrative expense	301	285
Recognized in financial expense (other)		
Net interest (income) expense	(273)	92
	2,476	4,011

Defined benefit costs recognized in other comprehensive income

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Actuarial gains arising from:		
Experience adjustments	(2,737)	(25,923)
Return on plan assets, except amounts included in interest income	(3,155)	20,239
Change in asset ceiling, excluding interest	208	(809)
	(5,684)	(6,493)

Changes in the asset ceiling

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	3,978	4,645
Interest on asset ceiling	197	142
Change in asset ceiling, excluding interest	208	(809)
Balance, end of the year	4,383	3,978

The Corporation's asset ceiling represents the present value of future economic benefits available in the form of reductions in future contributions.

The expected employer contributions to the Corporation's defined benefit plans should be approximately \$1.7 million in 2024.

Plan assets consist of:

At August 31	2023	2022
	%	%
Equity securities ⁽¹⁾	56.6	53.3
Debt securities ⁽¹⁾	22.3	23.7
Deposits in trust ⁽²⁾	19.3	21.4
Real estate	1.2	—
Other	0.6	1.6
Total	100	100

(1) All equity and debt securities have a quoted price in active markets and do not include securities issued by the Corporation or Cogeco Communications.

(2) Deposits in trust prescribed by the Canada Revenue Agency for funded supplemental employee retirement plans are non-interest bearing.

The significant weighted average assumptions used in measuring the Corporation's defined benefit obligation and defined benefit costs are as follows:

At August 31	2023	2022
	%	%
Defined benefit obligation		
Discount rate	5.20	4.95
Rate of compensation increase ⁽¹⁾	2.60	2.60
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	5.15	4.95
Rate of compensation increase	2.60	2.60
Mortality table	CPM-2014	CPM-2014

(1) Increase of 2.60% from January 1, 2024 (2.60% in 2023).

C) Exposure to actuarial risks

The Corporation is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Corporation sets investment goals, both in terms of asset mix percentage and target return, which is monitored monthly and adjusted as needed.

Interest rate risk

A decrease in the interest rate on investment-grade fixed-rate corporate bonds will reduce the discount rate used and increase the present value of the defined benefit obligation. However, the increase in the obligation would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

Active members' expected benefits are linked to their pre-retirement compensation. The present value of the defined benefit obligation is calculated using management's best estimate of the expected rate of compensation increase of plan members. Increasing that assumption would increase the defined benefit obligation.

D) Sensitivity analysis

The sensitivity analysis of the defined benefit obligation was calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The actual results of items subject to estimates may differ.

At August 31, 2023	Change in assumption	Increase in the defined benefit obligation
<i>(In thousands of Canadian dollars, except percentages)</i>	%	\$
Discount rate decrease	0.25	2,770
Expected rate of compensation increase	0.25	118

23. Financial instruments

A) Financial risk management

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

Credit risk

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

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a high credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2023, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P"). Management continues to monitor its exposure to financial institutions which is primarily in the form of deposits, derivatives and revolver commitments.

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

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) are examined. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and the United States, there is no significant concentration of credit risk.

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

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Trade accounts receivable	116,490	115,875
Allowance for doubtful accounts	(8,929)	(13,758)
	107,561	102,117
Other accounts receivable	31,851	21,500
	139,412	123,617

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

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

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Less than 30 days past due	21,040	23,112
30 to 60 days past due	4,773	3,295
60 to 90 days past due	1,805	1,272
More than 90 days past due	1,890	352
	29,508	28,031

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

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Balance, beginning of the year	13,758	6,907
Provision for impaired receivables	20,482	32,296
Net use	(25,595)	(25,744)
Foreign currency translation adjustments	284	299
Balance, end of the year	8,929	13,758

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2023, an amount of \$44.6 million was used from the Corporation's Term Revolving Facility of \$100.0 million and \$375.2 million was used from Cogeco Communications' Term Revolving Facility of \$750 million, for remaining availabilities of \$55.4 million and \$374.8 million, respectively. Management believes that the committed revolving credit facilities will, until their maturities in 2027 and 2028, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of \$203.0 million (US\$150 million), of which \$3.6 million (US\$2.6 million) was used at August 31, 2023, for a remaining availability of \$199.4 million (US\$147.4 million). An unsecured letter of credit facility was put in place by Cogeco Communications to issue the letter of credit in connection with the 3800 MHz band auction (see Note 25 C).

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2023:

<i>(In thousands of Canadian dollars)</i>	Contractual cash flows						
	2024	2025	2026	2027	2028	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	23,229	—	—	—	—	—	23,229
Trade and other payables ⁽¹⁾	319,066	—	—	—	—	—	319,066
Notes, debentures and credit facilities ^{(2) (3)}	35,181	2,446,066	12,178	259,310	368,105	1,938,634	5,059,474
Lease liabilities	7,679	7,277	7,122	6,751	5,395	34,778	69,002
Other liabilities	176	176	176	7	7	7	549
	385,331	2,453,519	19,476	266,068	373,507	1,973,419	5,471,320

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

(2) An amount of \$927.8 million of these loan agreements contain debt covenants. Covenant calculations are performed quarterly at each reporting date, as well as on a pro-forma basis when a business combination or disposal takes place. The covenants relate to the maintenance of certain financial ratios primarily linked to adjusted EBITDA, financial expense and total indebtedness (see Note 23 C) for details. A future breach of covenants implies that the impacted loan agreements become payable on demand, and therefore are required to be repaid earlier than indicated in the above table. The covenants are monitored on a regular basis by the treasury department to ensure compliance with the loan agreements.

(3) Tranche 1 of the First Lien Credit Facility, maturing in fiscal 2025, was refinanced on September 29, 2023 (see Note 27).

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

	2024	2025	2026	2027	2028	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$	\$
Interest payments on notes, debentures and credit facilities ⁽¹⁾	335,920	228,626	162,207	155,201	134,954	123,880	1,140,788
Interest payments on lease liabilities	2,771	2,372	2,074	1,773	1,507	7,266	17,763
Interest receipts on derivative financial instruments ⁽¹⁾	(83,616)	(62,216)	(33,663)	(15,629)	—	—	(195,124)
Interest payments on derivative financial instruments ⁽¹⁾	23,746	15,504	8,501	4,153	—	—	51,904
	278,821	184,286	139,119	145,498	136,461	131,146	1,015,331

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2023 and their respective maturities.

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2023, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, Cogeco Communications' U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2023:

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

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

(2) Two tranches amounting to US\$230 million have matured on January 31, 2023.

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately \$19.2 million based on the outstanding debt and swap agreements at August 31, 2023.

In May 2023, the interest derivatives associated with Tranche 1 and 2 of the Senior Secured Term Loan B Facility were transitioned to substantially similar interest derivatives referencing SOFR. The Corporation applied the practical expedients of the interest rate benchmark reform allowing the continuation of the hedge relationships.

Foreign exchange risk

A large portion of the Corporation's consolidated revenue and expenses are received or denominated in the functional currency of the business units operating in the markets in which it does business. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited. The Corporation's main source of foreign exchange risk resides in the Canadian operations' business transactions denominated in US dollars. The Corporation's objective in managing its foreign exchange risk is to minimize its exposure to foreign currency cash flows and operations, by transacting with third parties in the functional currency of the business units to the maximum extent possible and practical and through the use of derivative financial instruments.

The Corporation's current financial assets and liabilities subject to foreign exchange risk are as follows:

At August 31	2023	2022
	US	US
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial assets (liabilities)		
Cash and cash equivalents	7,535	18,303
Trade and other payables	(8,552)	(22,488)
	(1,017)	(4,185)

The impact of a 10% increase in the exchange rate of the US dollar to the Canadian dollar would affect the measurement of the above financial instruments denominated in US dollars, which would therefore increase financial expense by approximately \$0.1 million.

The Corporation is also exposed to foreign exchange risk with respect to the interest, amounting to \$208.7 million, associated with its notes and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar to the Canadian dollar would increase financial expense by approximately \$20.9 million based on the outstanding debt and swap agreements at August 31, 2023.

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

The following table shows the aggregate investment in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge this investment at August 31, 2023:

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US\$390 million	US\$1,335 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency to the Canadian dollar for the consolidated statement of financial position accounts at August 31, 2023 was \$1.3531 (\$1.3111 at August 31, 2022) per US dollar. A 10% decrease in the exchange rate of the US dollar to the Canadian dollar would decrease other comprehensive income by approximately \$127.8 million.

Market risk

The Corporation and its subsidiary, Cogeco Communications, use derivative instruments to manage the cash flow exposure to the risk of changes in the price of their subordinate voting shares under the DSU plans. As such, the Corporation and Cogeco Communications use equity swap agreements to economically hedge the market price appreciation risk of their subordinate voting shares.

The following table shows the Corporation's equity derivative contracts outstanding at August 31, 2023:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	79,100 units	January 2024	\$61.62	Equity price exposure

The following table shows Cogeco Communications' equity derivative contracts outstanding at August 31, 2023:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	89,200 units	January 2024	\$75.02	Equity price exposure

At August 31, 2023, the fair value of the equity swaps was \$1.9 million and recognized as a liability. As a result of the equity swaps, a 10% increase in the market price of the subordinate voting shares would not have a material financial impact on the Corporation's results.

B) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Term Revolving Facilities and First Lien Credit Facilities are based on bankers' acceptance, US dollar base rate loans and SOFR loans in US dollars, plus the applicable credit spread. The fair value of these instruments is based on current trading values for similar financial instruments;
- The fair value of the Senior Secured Notes and Debentures is based on current trading values for similar financial instruments.

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

At August 31	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$
Notes, debentures and credit facilities	5,019,513	4,911,998	4,671,797	4,549,523

All financial instruments recognized at fair value on the consolidated statements of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

C) Capital management

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including development of the business by acquisition, 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.

The provisions of financing agreements of the Corporation and its subsidiary, Cogeco Communications, provide for restrictions on their activities. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to adjusted EBITDA, financial expense and total indebtedness. At August 31, 2023 and 2022, the Corporation and its subsidiary were in compliance with all of their debt covenants and were not subject to any other externally imposed capital requirements.

Corporation

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

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

	2023	2022
	\$	\$
Long-term debt, including the current portion	5,088,997	4,738,610
Discounts, transaction costs and other	39,479	49,716
Long-term debt before discounts, transaction costs and other	5,128,476	4,788,326
Bank indebtedness	23,229	8,633
Cash and cash equivalents, excluding cash with restrictions on use ⁽¹⁾	(334,592)	(251,150)
Net indebtedness	4,817,113	4,545,809

(1) See Note 21 D).

Cogeco Communications

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

Years ended August 31	2023	2022
Net indebtedness	4,749,214	4,489,330
Fixed-rate indebtedness ⁽¹⁾	63 %	72 %
Weighted average term: long-term debt (in years)	3.7	4.0
Net indebtedness / adjusted EBITDA ⁽²⁾	3.3	3.2
Adjusted EBITDA / financial expense ⁽²⁾	5.6	7.4

(1) Calculated as the principal on fixed-rate long-term debt divided by the principal on long-term debt (see Note 18).

(2) Calculation based on adjusted EBITDA and financial expense for the years ended August 31, 2023 and 2022.

D) Categories of financial instruments

At August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Financial assets		
Financial assets measured and classified at amortized cost	503,266	502,618
Derivative financial instruments in designated hedge relationships	106,147	97,028
	609,413	599,646
Financial liabilities		
Financial liabilities measured and classified at amortized cost	5,378,073	5,077,636

24. Related party transactions

A) Management fees and other related party transactions

Cogeco is the parent company of Cogeco Communications and, at August 31, 2023, held 35.3% of Cogeco Communications' equity shares, representing 84.5% of the votes attached to Cogeco Communications' voting shares.

Cogeco provides executive and administrative services to Cogeco Communications under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For fiscal 2023, management fees paid by Cogeco Communications amounted to \$18.6 million (\$22.3 million in 2022).

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during fiscal 2023 and 2022, Cogeco Communications granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

Years ended August 31	2023	2022
Stock options	79,348	78,700
PSUs	14,283	11,000

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

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Stock options	1,202	1,178
PSUs	863	1,174
DSUs	(100)	(267)
	1,965	2,085

B) Compensation of key management personnel

Key management personnel is comprised of the members of the Board and of the Management Committee of the Corporation. The following table summarizes the amounts recognized as an expense related to the Corporation's key management personnel:

Years ended August 31	2023	2022
<i>(In thousands of Canadian dollars)</i>	\$	\$
Salaries and other short-term employee benefits	6,803	6,924
Share-based payments and post-employment benefits	5,834	6,502
	12,637	13,426

25. Commitments, contingencies and guarantees

A) Commitments

The following table presents the Corporation's commitments that are not recognized as liabilities at August 31, 2023, and are due in each of the next five years and thereafter:

	2024	2025	2026	2027	2028	Thereafter
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
Acquisition of property, plant and equipment ⁽¹⁾	147,517	1,800	1,800	—	—	—
Other long-term contracts ⁽²⁾	101,687	70,985	53,439	27,459	26,333	43,409
Lease commitments ⁽³⁾	7,959	72	43	38	35	145
	257,163	72,857	55,282	27,497	26,368	43,554

(1) Includes contractual obligations in connection with the Corporation's high-speed Internet expansion projects, with purchases of equipment and minimum spend commitments for acquisition of customer premise equipment.

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

(3) Includes leases committed not yet commenced and leases of low value items.

As at August 31, 2023, the Corporation had \$157.9 million of performance and payment bonds outstanding, issued in accordance with the rules established by Infrastructure Ontario in connection with Ontario's Accelerated High Speed Internet Program (AHSIP).

B) Contingencies

Final rates for aggregated wholesale Internet access services

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

Since then, two independent Internet service providers ("Wholesalers") and a trade association representing the Wholesalers petitioned the Governor in Council to overturn Telecom Decision 2021-181 and reinstate the CRTC's 2019 rate decision (the "Petitions"). On June 4, 2022, the Governor in Council dismissed the Petitions. On July 28, 2021, a Wholesaler sought leave to appeal Telecom Decision 2021-181 to the Federal Court of Appeal, which was granted on September 15, 2021. The Wholesaler is seeking an order from the Federal Court of Appeal that sets aside Telecom Order 2021-181 and reinstates Telecom Order 2019-288 or, in the alternative, that refers back Telecom Order 2021-181 to the CRTC for redetermination. The Corporation, along with several other cable carriers, is opposing the appeal.

Due to the significant uncertainty surrounding the outcome of this appeal and its financial implications, the Corporation has not recorded any financial impact as at August 31, 2023.

Royalties payable for retransmission of distant television signals

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

On February 6, 2023, the Copyright Board issued its preliminary conclusions in its redetermination of the 2016 to 2018 rates, which would result in an increase from the rate set in its original decision. In light of these preliminary determinations, a retroactive adjustment of \$5.1 million was recognized in the second quarter of fiscal 2023. Upon further evaluation, an additional charge of \$3.3 million was recognized during the third quarter of fiscal 2023. Both retroactive adjustments were recognized within *Acquisition, integration, restructuring and other costs*, and cover the estimated retroactive costs for the period of 2016 to 2022. The final outcome of this proceeding is still unknown and the Copyright Board's final determinations regarding royalty rates may vary from its preliminary determinations.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to these consolidated financial statements. At August 31, 2023 and 2022, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those included in Note 16.

C) Guarantees

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2023 and 2022, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16.

3800 MHz band auction

Cogeco Communications, through its wholly-owned Elite General Partnership, is a qualified bidder for Innovation, Science and Economic Development Canada's ("ISED") 3800 MHz spectrum auction, which commenced on October 24, 2023. On July 18, 2023, it issued an unsecured letter of credit to ISED as a financial deposit, which was submitted along with its application to participate in the auction. Under the communications rules set out in ISED's policy and licensing framework for the 3800 MHz auction, the Corporation cannot disclose the amount of this letter of credit, as doing so could be interpreted as signaling its bidding intentions.

Sale of a business

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

Long-term debt

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

Employees and contractual indemnification agreements

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

Sale of services

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

Purchase and development of assets

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

26. Non-monetary transactions

During fiscal 2023, the Corporation's subsidiary, Cogeco Media, entered into non-monetary transactions. An amount of \$2.6 million (\$2.7 million in 2022) of revenue and \$2.7 million (\$3.0 million in 2022) of operating expenses was recorded.

27. Subsequent event

First Lien Credit Facility refinancing

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

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

The proceeds from the newly issued Term B loans, together with US\$150 million drawn on the Senior Secured Revolving Facility and US\$200 million of cash on hand, were used to reimburse the existing Tranche 1 of the Senior Secured Term Loan B Facility. The outstanding interest rate swaps as of August 31, 2023 remain in effect.

Glossary of selected industry terms

5G Networks: The fifth generation of wireless communication technology and most advanced standard in mobile networks, succeeding 4G. 5G is expected to provide significantly faster data speeds, lower latency, and enhance capacity to support a greater number of devices simultaneously.

2500 MHz, 3500 MHz and 3800MHz bands: Wireless spectrum frequency bands and their associated bandwidths used by telecommunications providers. These are considered to be mid-band spectrum.

Bandwidth Capacity: The maximum capacity of data over a specified time that can be transmitted over an Internet connection.

Broadband: A communications service that provides faster and more reliable data transmission of video, audio and online content, at higher speeds.

Broadcasting Distribution Undertakings (BDUs): An undertaking to distribute video and/or audio broadcasting to subscribers predominantly over closed transmission paths.

Bundling: Various combinations of Internet, video and landline phone services being offered for one combined price to subscribers.

DOCSIS (Data Over Cable Service Interface Specification): CableLabs' non-proprietary industry standard that delivers Internet and business services over HFC (hybrid fibre-coaxial) networks.

Cloud based: The ability to deliver computing services/resources while the software, data and services are hosted in data centers.

CPE (Customer Premise Equipment): Equipment located at the customers' commercial or residential premises.

CRTC (Canadian Radio-television and Telecommunications Commission): A Canadian federal independent administrative tribunal that regulates and supervises broadcasting and telecommunications. It reports to Parliament through the Minister of Canadian Heritage.

Double play: The act of subscribing to (or bundling) two different services on one customer account simultaneously.

Federal Communications Commission (FCC): An independent U.S. government agency overseen by Congress that is the federal agency responsible for implementing and enforcing America's communications law and regulations.

Footprint: The geographic area designated by the cable service provider as being the area in which it offers its cable services.

FTTH (Fibre-to-the-Home): A high-speed broadband Internet service delivery technology that provides symmetrical Internet connectivity using optical fibre cables directly connected to residential homes.

FWA (Fixed-wireless access): A technology to provide high-speed Internet access and other communication services without the need for wired connections as wireless devices or systems are used instead.

Gbps: Defined as billions of bits per second and is a term that is a measure of bandwidth on a digital data transmission medium such as optical fiber or coaxial cable.

Homes passed: The number of serviceable homes and businesses which can be connected to the Corporation's broadband distribution network in the geographic area where the Corporation's services are offered.

Hybrid fibre-coaxial (HFC) Telecommunications Distribution Networks: A technology in which fibre optic and coaxial cables are both used in a network to carry broadband content from a distribution facility to a subscriber premise.

Internet service customers: Internet service customers include only customers who have their Internet service installed, operated and billed directly by the Corporation.

IP (Internet Protocol): A packet-based computer network protocol for sending and receiving data across networks.

IPTV (Internet Protocol Television): Television subscription services that are delivered over the Internet.

ISED Canada (Innovation, Science and Economic Development Canada): A ministry of the federal government that works with Canadians in all areas of the economy and the country to improve conditions for investment, enhance Canada's innovation performance, increase Canada's share of global trade and build a fair, efficient and competitive marketplace.

Make-ready work: To prevent the risk of outages or other issues, poles may require strengthening and lines on utility poles must be spaced a certain distance apart from each other depending on how many lines are on a pole.

Mbps: Defined as millions of bits per second and is a term that is a measure of bandwidth on a digital data transmission medium such as optical fiber or coaxial cable.

MVNO (Mobile Virtual Network Operator): A wireless communications service provider that does not own mobile spectrum licenses but sells mobile services under its own brand name using the network of a licensed mobile operator.

Passive Optical Networking (PON): Uses fiber-optic technology to deliver data from a single source to multiple endpoints. "Passive" refers to the use of optical fiber cables connected to an unpowered splitter, which in turn transmits data from a service provider network to multiple customers.

Primary service units: Represents the total number of Internet, video and phone services subscribed to by customers.

Spectrum: Radio frequency bands and channels used by telecommunications providers when transmitting voice, data and video.

Tier 4 wireless spectrum: Consists of 172 localized service areas covering the entire territory of Canada, based on contiguous groupings of Statistics Canada's 1996 census subdivisions.

Tier 5 wireless spectrum: Consists of 654 smaller service areas covering the entire territory of Canada, based on geography and population data from Statistics Canada's 2016 census, and designated into four specific area categories: metropolitan, urban (medium and large population centers), rural and remote.

Triple play: The act of subscribing to (or bundling) three different services on one customer account simultaneously.

Underserved and unserved areas: Areas identified by governments, as part of the broadband coverage information they collect, where some or no households have Internet connection with access to broadband speeds of generally at least 50 Mbps download and 10 Mbps upload.

Video on demand (VOD) services: A technology that allows customers/subscribers to choose and watch a selection of movies or other recorded programs at any time from their computers, televisions or other digitally-connected devices.

VoIP Technology (Voice over Internet Protocol): Technology that enables voice communication over the Internet, converting analog voice signals into digital data packets.

Investor information

Credit ratings

Cogeco Communications

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

At August 31, 2023	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes	BBB-	BBB (low)	NR
Corporate credit issuer default rating	BB+	BB (high)	NR
Breezeline			
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, companies with "BBB" ratings generally have greater access to funding than those with "BB/B" ratings.

Share information

At August 31, 2023		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	1,602,217	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1-800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	14,009,952	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

Dividends

Dividend declaration

At its November 1, 2023 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of \$0.854 per share for multiple voting and subordinate voting shares, payable on November 29, 2023 to shareholders of record on November 15, 2023. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

Trading statistics

					2023
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
<i>(In Canadian dollars, except subordinate voting share volumes)</i>	\$	\$	\$	\$	
The Toronto Stock Exchange					
High	65.05	68.47	62.65	57.19	
Low	52.06	56.07	52.86	46.84	
Close	60.00	60.50	53.66	50.00	
Volume (subordinate voting shares)	898,900	2,153,250	2,196,911	1,268,290	6,517,351
					2022
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
<i>(in Canadian dollars, except subordinate voting share volumes)</i>	\$	\$	\$	\$	
The Toronto Stock Exchange					
High	93.99	82.97	85.00	78.42	
Low	77.54	75.50	67.62	63.02	
Close	79.85	78.44	77.95	63.17	
Volume (subordinate voting shares)	1,086,770	1,114,154	960,848	865,666	4,027,438

Primary service unit statistics

	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022
CONSOLIDATED					
Primary service units ⁽¹⁾	2,973,527	2,988,248	2,943,588	2,960,566	3,006,805
Internet service customers ⁽¹⁾	1,526,465	1,521,447	1,470,381	1,467,533	1,480,038
Video service customers	923,617	936,872	940,678	953,956	975,628
Phone service customers	523,445	529,929	532,529	539,077	551,139
CANADA					
Homes passed ⁽²⁾	2,056,180	2,048,872	2,033,475	2,018,146	1,998,418
Primary service units ⁽³⁾	1,874,796	1,867,317	1,808,448	1,807,079	1,818,158
Internet service customers ⁽²⁾	854,703	840,662	782,862	775,063	772,600
Video service customers	634,736	639,920	639,994	644,329	652,590
Phone service customers	385,357	386,735	385,592	387,687	392,968
UNITED STATES					
Homes passed	1,743,888	1,728,165	1,712,640	1,695,261	1,677,939
Primary service units ⁽¹⁾	1,098,731	1,120,931	1,135,140	1,153,487	1,188,647
Internet service customers ⁽¹⁾	671,762	680,785	687,519	692,470	707,438
Video service customers	288,881	296,952	300,684	309,627	323,038
Phone service customers	138,088	143,194	146,937	151,390	158,171

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

(2) During the fourth quarter of fiscal 2022, homes passed have been adjusted downwards following an exhaustive review of the calculation of Canadian homes passed. This change has been applied retrospectively to the comparative figures. During the fourth quarter of fiscal 2022, the Corporation also modified its definition of Internet service customers in order to be consistent with industry practices. The previous definition also included wholesale Internet customers. As per the new definition, Internet service customers include only customers who have their Internet service installed, operated and billed directly by the Corporation. This change has been applied retrospectively to the comparative figures.

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

Board of Directors and corporate management

As of November 1, 2023

Board of directors

🗳️ **LOUIS AUDET**, Eng., MBA, C.M., O.Q., **Board Chair**
Westmount (Québec)

🗳️●■ **JAMES C. CHERRY**, B.Com, FCPA, **Lead Director**
Elizabethtown (Ontario)
Corporate Director

★ **PHILIPPE JETTÉ**, Eng.
Montréal (Québec)
President and Chief Executive Officer of Cogeco and Cogeco Communications

■◆ **ARUN BAJAJ**, B.C.L., LL.B.
Westmount (Québec)
Executive Vice President, Chief Human Resources Officer and Legal Affairs, Gildan Activewear Inc. (Canadian manufacturer of branded clothing)

●★ **SAMIH ELHAGE**, MSc, BSc, BSc
Munich (Germany)
Corporate Director

■◆ **MARY-ANN BELL**, Eng., M.S.c., ASC
Montréal (Québec)
Corporate Director

◆★ **NORMAND LEGAULT**, B.B.A
Ville de Lac Brome (Québec)
Corporate Director

●★ **PATRICIA CURADEAU-GROU**, B.Com, Finance, ICD.D
Montréal (Québec)
Corporate Director

●■ **CAROLINE PAPADATOS**, BA, CAAP, ICD.D
Toronto (Ontario)
Corporate Director

Legend :

- 🗳️ Attends as an observer and participates in meetings of all the committees
- Member of the Audit Committee
- Member of the Human Resources Committee
- ◆ Member of the Corporate Governance Committee
- ★ Member of the Strategic Opportunities Committee

Corporate head office

1 Place Ville Marie
Suite 3301
Montréal (Québec)
H3B 3N2
corpo.cogeco.com

Corporate management

PHILIPPE JETTÉ

President and Chief Executive Officer

PAUL BEAUDRY

Vice President, Regulatory and Government Affairs

FRANCE DE BLOIS

Vice President, Finance

TIM DINESEN

Senior Vice President and Chief Technology Officer

CHANTAL FRAPPIER

Vice President, Internal Audit

LINDA GILLESPIE

Senior Vice President and Chief Human Resources Officer

DAVID GORGAS

Vice President, IT & Digital Strategy

MARTIN GRENIER

Vice President, Procurement

MARIE-HÉLÈNE LABRIE

Senior Vice President and Chief Public Affairs, Communications and Strategy Officer

JULIE LATREILLE

Vice President, Treasurer

MARIE GINETTE LEPAGE

Vice President, Mobile Strategy and Innovation

FRANÇOIS-PHILIPPE LESSARD

Vice President, Corporate Development

PATRICE OUMET

Senior Vice President and Chief Financial Officer

VALÉRY ZAMUNER

Senior Vice President, Chief Corporate Affairs and Legal Officer

Subsidiaries information



Philippe Jetté

President and Chief Executive Officer

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Frédéric Perron

President

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Frank Van Der Post

President

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Caroline Paquet

President

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Montréal (Québec)
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Corporate information

Annual meeting

January 11, 2024
Additional information on Cogeco Inc. and press releases are available on the Corporation's website at:
corpo.cogeco.com

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H3B 0M7

Legal counsel

Stikeman Elliott LLP
1155 René-Lévesque Blvd. West
Suite 4100
Montréal (Québec)
H3B 3V2

Transfer agent for subordinate and multiple voting shares, and trustee for senior secured debentures and notes
Computershare Trust Company of Canada

Quarter ends

November, February, May

Year end

August 31

Inquiries

The Annual Report, Annual Information Form, Quarterly Reports and Information Circular are available in the Investors section of the Corporation's website (corpo.cogeco.com) or upon request by calling 514-764-4600.

Des versions françaises du rapport annuel, de la notice annuelle, des rapports trimestriels et de la circulaire d'information sont disponibles sous la section « Investisseurs » du site Internet de la société (corpo.cogeco.com) ou sur demande au 514-764-4600.

Investors and analysts

For all matters related to investor relations, please contact:

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514-764-4600
patrice.ouimet@cogeco.com

Troy Crandall

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514-764-4700
troy.crandall@cogeco.com

Shareholders

For any inquiries regarding a change of address or a change of registration of shares, please contact Computershare Trust Company of Canada. For any other inquiries please refer to the Shareholder Engagement Policy which can be found on the "Information for Shareholders" section on the Corporation's website at corpo.cogeco.com.

Duplicate communications

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

Ethics line

Cogeco Inc. makes available an anonymous and confidential Ethics Line for its employees and the employees of all of its business units and other individuals who wish to report any perceived or actual instances of violations of the Cogeco Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is operated by a specialized external provider that is independent of Cogeco Inc. Reports can be made through secured confidential toll-free telephone lines or the website described below. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and/or the Senior Vice President, Chief Corporate Affairs and Legal Officer. Individuals will be protected from dismissal or retaliation of any kind for reporting truthfully and in good faith.

By telephone:

Canada or United States: 1-877-706-2640

Website of ClearView Connects: www.clearviewconnects.com



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