# SHAREHOLDERS' REPORT

Three-month period ended November 30, 2021

# FINANCIAL HIGHLIGHTS

| | Three months ended November 30, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | Change | Change in constant currency (1) (2) | Foreign exchange impact (1) |
| *(In thousands of Canadian dollars, except percentages and per share data)* | $ | $ | % | % | $ |
| **Operations** | | | | | |
| Revenue | **745,258** | 646,355 | 15.3 | 18.0 | (17,686) |
| Adjusted EBITDA (2) | **354,394** | 321,090 | 10.4 | 12.9 | (8,032) |
| Integration, restructuring and acquisition costs (3) | **18,635** | 1,181 | — | | |
| Profit for the period | **119,139** | 120,447 | (1.1) | | |
| Profit for the period attributable to owners of the Corporation | **38,523** | 40,489 | (4.9) | | |
| **Cash flow** | | | | | |
| Cash flows from operating activities | **297,342** | 235,532 | 26.2 | | |
| Acquisition of property, plant and equipment (4) | **141,509** | 116,491 | 21.5 | 25.3 | (4,452) |
| Free cash flow (2) | **135,820** | 148,236 | (8.4) | (7.6) | (1,191) |
| **Financial condition (5)** | | | | | |
| Cash and cash equivalents | **409,818** | 368,434 | 11.2 | | |
| Total assets | **9,113,437** | 7,536,313 | 20.9 | | |
| Indebtedness (2) (6) | **4,806,548** | 3,377,115 | 42.3 | | |
| Equity attributable to owners of the Corporation | **839,347** | 816,658 | 2.8 | | |
| **Per share data (7)** | | | | | |
| Earnings per share | | | | | |
| Basic | **2.42** | 2.55 | (5.1) | | |
| Diluted | **2.41** | 2.53 | (4.7) | | |
| Dividends | **0.625** | 0.545 | 14.7 | | |

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the comparable period of the prior year. For the three-month period ended November 30, 2020, the average foreign exchange rate used for translation was 1.3170 USD/CDN.

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

(3) For the three-month period ended November 30, 2021, integration, restructuring and acquisition costs resulted mostly from costs incurred in connection with the acquisition, completed on September 1, 2021, and ongoing integration of the Ohio broadband systems. For the three-month period ended November 30, 2020, integration, restructuring and acquisition costs resulted mostly from due diligence costs and legal fees related to the acquisition of DERYtelecom, which was completed on December 14, 2020.

(4) For the three-month period ended November 30, 2021, acquisition of property, plant and equipment in constant currency amounted to $146.0 million.

(5) At November 30, 2021 and August 31, 2021.

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

(7) Per multiple and subordinate voting share.

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

Three-month period ended November 30, 2021

# 1. FORWARD-LOOKING STATEMENTS

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

*All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2021 prepared in accordance with International Financial Reporting Standards ("IFRS") and the Corporation's 2021 Annual Report.*

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

# 2. CORPORATE OBJECTIVES AND STRATEGIES

# OUR STRATEGY

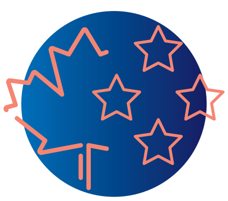
## PURSUING OUR STRATEGY FOR CONTINUED LONG-TERM GROWTH

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

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

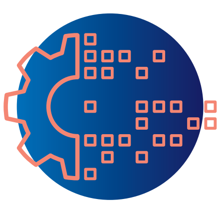
### Organic

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



### Acquisitions

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



### Innovation

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

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

# OUR GROWTH PILLARS

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

**Customer Experience**

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

**Brand Value**

Build a strong and socially responsible brand

**Employee Experience**

Foster a highly collaborative, engaging and inclusive work environment

**Cost Efficiency**

Optimize operational effectiveness and increase synergies

**Market Expansion**

Augment our geographic reach and expand into new market segments

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

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

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

## 2.1 KEY PERFORMANCE INDICATORS

Overall, fiscal 2022 first-quarter financial results were in line with Cogeco's financial guidelines as issued on November 11, 2021. Accordingly, Cogeco maintains its fiscal 2022 financial guidelines. While the application of the recently issued agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)* by the IFRS Interpretations Committee may reduce projected capital expenditures and adjusted EBITDA due to certain implementation costs associated with cloud computing arrangements being expensed as incurred, management does not expect it will impact the fiscal 2022 financial guidelines previously issued, which can be found in the 2021 Annual Report. For further details in connection with this agenda decision, refer to the "Accounting policies" section.

### REVENUE

Fiscal 2022 first-quarter revenue increased by 15.3% (18.0% in constant currency) resulting from:

- growth of 25.0% (31.0% in constant currency) in the American broadband services segment, mainly from the Ohio broadband systems acquisition completed on September 1, 2021 and organic revenue growth; and
- an increase of 8.2%, as reported and in constant currency, in the Canadian broadband services segment, mainly from the DERYtelecom acquisition completed on December 14, 2020 and stable organic revenue; partly offset by
- lower revenue in the media activities.

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, revenue in constant currency increased by 1.7% for the first quarter of fiscal 2022.

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

### ADJUSTED EBITDA [(1)]

Fiscal 2022 first-quarter adjusted EBITDA increased by 10.4% (12.9% in constant currency) as a result of:

- an increase of 26.9% (33.0% in constant currency) in the American broadband services segment, mainly resulting from the impact of the Ohio broadband systems acquisition and organic revenue growth driven by the cumulative effect of high-speed Internet service additions over the past year and by annual rate increases implemented for certain services, partly offset by higher marketing and advertising expenses, as well as costs in connection with the rebranding of Atlantic Broadband to Breezeline; and
- an increase of 0.9% (0.7% in constant currency) in the Canadian broadband services segment, mainly attributable to the impact of the DERYtelecom acquisition, partly offset by higher marketing and advertising expenses; partly offset by
- lower revenue combined with higher operating expenses in the media activities.

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, adjusted EBITDA in constant currency decreased by 3.9% for the first quarter of fiscal 2022. Adjusted EBITDA for the first quarter of fiscal 2022 reflected higher marketing and advertising expenses in both the American and Canadian broadband services segments, compared to unusually low costs during the first half of the previous year in the context of the COVID-19 pandemic restrictions.

Furthermore, in line with Breezeline name change announced on January 10, 2022, the American broadband services segment's rebranding activities are expected to continue during the second and the third quarters of fiscal 2022.

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

### ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2022 first-quarter acquisition of property, plant and equipment increased by 21.5% (25.3% in constant currency), mainly resulting from higher capital expenditures in the American broadband services segment related to the Ohio broadband systems' network infrastructure and, to support footprint expansion and accelerated purchases of customer premise equipment and networking equipment.

Capital expenditures in the Canadian broadband services segment remained comparable to the same period of the prior year. As the segment continues its high-speed Internet network expansion in Québec and Ontario, capital spending is expected to ramp up during the second half of fiscal 2022.

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

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

## FREE CASH FLOW [(1)]

Fiscal 2022 first-quarter free cash flow decreased by 8.4% (7.6% in constant currency) mainly due to the following:

- higher capital expenditures, particularly in the American broadband services segment;
- higher integration, restructuring and acquisition costs, mainly resulting from the acquisition of the Ohio broadband systems; and
- higher financial expense; partly offset by
- higher adjusted EBITDA; and
- lower current income taxes.

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

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

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

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

As for our radio operations, the pandemic continues to have an impact due to restrictions imposed on portions of the customer base such as the travel industry, as well as supply chain disruptions limiting other customers' businesses, such as the automobile industry. Furthermore, listeners are spending less time commuting in their cars during the pandemic, which negatively impacts listening hours. In order to mitigate the impact on its operations, Cogeco Media continues to manage its operating expenses tightly, as it did since the beginning of the pandemic, while maintaining quality programming.

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

# 3. BUSINESS DEVELOPMENTS

### Atlantic Broadband changes its name to Breezeline

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

### Amendments of Cogeco's and Cogeco Communications' term revolving facilities

On December 17, 2021, Cogeco amended and extended its $100 million Term Revolving Facility to February 3, 2027 and Cogeco Communications amended and extended its $750 million Term Revolving Facility to January 24, 2027. As part of the amendments, both Cogeco and Cogeco Communications have transitioned their revolving facilities into a Sustainability-linked loan ("SLL") structure, underscoring their strong leadership and dedication to sustainability and the organizations' Environmental, social and governance (ESG) goals. Both Cogeco's and Cogeco Communications' revolving facilities represent the first syndicated Sustainability-linked loans in Canada within the telecommunications and media sectors.

The SLL facilities incorporate ESG-linked incentive pricing terms which reduce or increase the cost of funding, depending on the annual performance against specific targets related to Cogeco's GHG annual emissions reduction and digital inclusion initiative to provide 75,000 homes in underserved and unserved areas of Canada with access to high-speed Internet service over a three-year period. Additionally, Cogeco and Cogeco Communications will dedicate any savings achieved from the SLL towards internal sustainability initiatives.

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

### Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Breezeline (formerly Atlantic Broadband), completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio ("Ohio broadband systems") for a purchase price of $1.418 billion (US$1.125 billion), subject to customary post-closing adjustments. During the first quarter, the allocation of the purchase price was established on a preliminary basis, and will be finalized over the coming quarters. The transaction was executed through an asset purchase agreement. With the closing of this transaction, Breezeline is expanding its activities in Ohio and significantly growing its customer base. The acquired Ohio broadband systems passed approximately 689,000 homes and businesses in Cleveland and Columbus and served 196,338 Internet, 54,598 video and 33,604 telephony customers at the acquisition date. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to its existing U.S. footprint and capitalizes on its existing platform. In the short term, the acquired operations will continue to operate under the WOW! name and trademark and be rebranded following the integration period.

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

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

Further details on the Ohio broadband systems acquisition, including the preliminary purchase price allocation, can be found in Note 5 of the condensed interim consolidated financial statements for the three-month period ended November 30, 2021.

### Issuance of $500 million senior secured notes

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

### Final payment for the 3500 MHz band spectrum licences

Following the 3500 MHz band auction held by Innovation, Science and Economic Development ("ISED") Canada, which started on June 15, 2021 and ended on July 23, 2021, Cogeco Connexion secured 38 spectrum licences, for a total purchase price of $295 million. In accordance with the terms and conditions of the spectrum auction, the Corporation's first deposit of $59 million, representing 20% of the total purchase price, was paid to ISED Canada, on August 13, 2021. On December 16, 2021, the Corporation made the $236 million final payment. The unsecured letter of credit of $150 million, submitted in connection with this transaction, was cancelled on December 20, 2021, following the final payment. The spectrum licences will be presented as *Intangible assets* in the consolidated statement of financial position following the issuance of the licences.

# 4. OPERATING AND FINANCIAL RESULTS

## 4.1 OPERATING RESULTS

| | | | | | |
|---|---|---|---|---|---|
| | Three months ended November 30, | | | | |
| | **2021** [1] | 2020 | Change | Change in constant currency [2] [3] | Foreign exchange impact [2] |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % | % | $ |
| Revenue | **745,258** | 646,355 | 15.3 | 18.0 | (17,686) |
| Operating expenses | **390,864** | 325,265 | 20.2 | 23.1 | (9,654) |
| Adjusted EBITDA [3] | **354,394** | 321,090 | 10.4 | 12.9 | (8,032) |

(1) For the three-month period ended November 30, 2021, the average foreign exchange rate used for translation was 1.2559 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.3170 USD/CDN.

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

### REVENUE

| | | | | | |
|---|---|---|---|---|---|
| | Three months ended November 30, | | | | |
| | **2021** | 2020 | Change | Change in constant currency | Foreign exchange impact |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % | % | $ |
| Canadian broadband services | **355,047** | 328,009 | 8.2 | 8.2 | — |
| American broadband services | **363,494** | 290,904 | 25.0 | 31.0 | (17,686) |
| **Cogeco Communications** | **718,541** | 618,913 | 16.1 | 19.0 | (17,686) |
| Other | **26,717** | 27,442 | (2.6) | (2.6) | — |
| **Consolidated** | **745,258** | 646,355 | 15.3 | 18.0 | (17,686) |

Fiscal 2022 first-quarter revenue increased 15.3% (18.0% in constant currency), resulting mainly from:

- the Ohio broadband systems acquisition completed on September 1, 2021, which contributed to the revenue growth in the American broadband services segment;
- the DERYtelecom acquisition completed on December 14, 2020, which contributed to the revenue growth in the Canadian broadband services segment; and
- organic revenue growth in the American broadband services segment, resulting mainly from growth in Internet service customers and a higher value product mix, primarily driven by a demand for high-speed offerings since the beginning of the COVID-19 pandemic, and annual rate increases implemented for certain services, partly offset by lower advertising revenue as last year was an election year in the United States; partly offset by
- lower revenue in the media activities due to radio advertising continuing to be directly impacted by certain segments of the retail industry reducing or cutting their advertising activities in light of current supply chain disruptions impacting many industries, and in the context of the COVID-19 pandemic.

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, revenue in constant currency increased by 1.7% for the first quarter of fiscal 2022.

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

## OPERATING EXPENSES

| | Three months ended November 30, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | Change | Change in constant currency | Foreign exchange impact |
| *(In thousands of Canadian dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 167,186 | 141,895 | 17.8 | 18.2 | (509) |
| American broadband services | 187,730 | 152,378 | 23.2 | 29.2 | (9,145) |
| Corporate and eliminations | 8,758 | 7,695 | 13.8 | 13.8 | — |
| **Cogeco Communications** | 363,674 | 301,968 | 20.4 | 23.6 | (9,654) |
| Other | 27,190 | 23,297 | 16.7 | 16.7 | — |
| **Consolidated** | 390,864 | 325,265 | 20.2 | 23.1 | (9,654) |

Fiscal 2022 first-quarter operating expenses increased by 20.2% (23.1% in constant currency), mainly resulting from:

- higher operating expenses in the American broadband services segment, mainly resulting from the Ohio broadband systems acquisition, costs in connection with the rebranding of Atlantic Broadband to Breezeline and higher overall operating expenses to drive and support continued customer growth;
- higher operating expenses in the Canadian broadband services segment, mainly resulting from the DERYtelecom acquisition;
- higher marketing and advertising expenses, in both the American and Canadian broadband services segments, compared to unusually low costs during the first half of the previous year in the context of the COVID-19 pandemic restrictions; and
- higher operating expenses in the media activities, although Cogeco Media continues to tightly manage its costs in light of its revenue being adversely impacted by certain segments of the retail industry, while last year's marketing and advertising activities were reduced in the context of the COVID-19 pandemic.

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

## ADJUSTED EBITDA

| | Three months ended November 30, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | Change | Change in constant currency | Foreign exchange impact |
| *(In thousands of Canadian dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 187,861 | 186,114 | 0.9 | 0.7 | 509 |
| American broadband services | 175,764 | 138,526 | 26.9 | 33.0 | (8,541) |
| Corporate and eliminations | (14,338) | (13,547) | (5.8) | (5.8) | — |
| **Cogeco Communications** | 349,287 | 311,093 | 12.3 | 14.9 | (8,032) |
| Other | 5,107 | 9,997 | (48.9) | (48.9) | — |
| **Consolidated** | 354,394 | 321,090 | 10.4 | 12.9 | (8,032) |

Fiscal 2022 first-quarter adjusted EBITDA increased by 10.4% (12.9% in constant currency) as a result of:

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

Excluding the acquisitions of the Ohio broadband systems and DERYtelecom, adjusted EBITDA in constant currency decreased by 3.9% for the first quarter of fiscal 2022.

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

## 4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2022 first-quarter integration, restructuring and acquisition costs amounted to $18.6 million, mostly related to costs incurred in connection with the acquisition, completed on September 1, 2021, and ongoing integration of the Ohio broadband systems.

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

## 4.3 DEPRECIATION AND AMORTIZATION

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % |
| Depreciation of property, plant and equipment (1) | **138,182** | 110,709 | 24.8 |
| Amortization of intangible assets | **14,447** | 14,835 | (2.6) |
| | **152,629** | 125,544 | 21.6 |

(1) Includes depreciation of right-of-use assets amounting to $1.6 million ($2.0 million in 2021) for the three-month period of fiscal 2022.

Fiscal 2022 first-quarter depreciation and amortization expense increased by 21.6%, mainly due to:

- an increase of depreciation of property, plant and equipment as a result of the acquisitions of the Ohio broadband systems and DERYtelecom, combined with a higher level of capital expenditures; partly offset by
- the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

## 4.4 FINANCIAL EXPENSE

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % |
| Interest on long-term debt, excluding interest on lease liabilities | **43,084** | 34,051 | 26.5 |
| Interest on lease liabilities | **449** | 585 | (23.2) |
| Net foreign exchange loss | **1,270** | 809 | 57.0 |
| Amortization of deferred transaction costs related to the revolving facilities | **203** | 230 | (11.7) |
| Other | **602** | 604 | (0.3) |
| | **45,608** | 36,279 | 25.7 |

Fiscal 2022 first-quarter financial expense increased by 25.7%, mainly due to:

- higher debt outstanding following the issuance of a US$900 million senior secured Term B loan to finance the Ohio broadband systems acquisition completed on September 1, 2021 and the issuance of $500 million senior secured notes on September 20, 2021; partly offset by
- the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

## 4.5 INCOME TAXES

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % |
| Current | **15,549** | 21,313 | (27.0) |
| Deferred | **2,834** | 16,326 | (82.6) |
| | **18,383** | 37,639 | (51.2) |

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % |
| Profit before income taxes | **137,522** | 158,086 | (13.0) |
| Combined Canadian income tax rate | **26.5 %** | 26.5 % | — |
| Income taxes at combined Canadian income tax rate | **36,443** | 41,893 | (13.0) |
| Difference in operations' statutory income tax rates | **(102)** | 599 | — |
| Impact on income taxes arising from non-deductible expenses and non-taxable profit | **(123)** | 221 | — |
| Tax impacts related to foreign operations | **(6,561)** | (5,143) | 27.6 |
| Other | **(11,274)** | 69 | — |
| Income taxes at effective income tax rate | **18,383** | 37,639 | (51.2) |
| Effective income tax rate | **13.4%** | 23.8% | (43.7) |

Fiscal 2022 first-quarter income tax expense decreased by 51.2%, mainly due to:

- a $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
- the decrease in profit before income taxes.

## 4.6 PROFIT FOR THE PERIOD

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| *(In thousands of Canadian dollars, except percentages and earnings per share)* | **$** | $ | % |
| Profit for the period | **119,139** | 120,447 | (1.1) |
| Profit for the period attributable to owners of the Corporation | **38,523** | 40,489 | (4.9) |
| Profit for the period attributable to non-controlling interest (1) | **80,616** | 79,958 | 0.8 |
| Basic earnings per share | **2.42** | 2.55 | (5.1) |

(1) At November 30, 2021, the non-controlling interest relates to a participation of approximately 66.3% in the profit for the period attributable to owners of Cogeco Communications in addition to the 21% ownership of Caisse de dépôt et placement du Québec ("CDPQ") in a U.S. subsidiary of Cogeco Communications.

Fiscal 2022 first-quarter profit for the period and profit for the period attributable to owners of the Corporation decreased by 1.1% and 4.9%, respectively, as a result of:

- higher depreciation and amortization expense;
- higher integration, restructuring and acquisition costs, mainly resulting from the acquisition of the Ohio broadband systems; and
- higher financial expense; partly offset by
- higher adjusted EBITDA; and
- lower income tax expense.

# 5. SEGMENTED OPERATING AND FINANCIAL RESULTS

The Corporation reports its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities, makes decisions about resources to be allocated to the segments and assesses their performance.

## 5.1 CANADIAN BROADBAND SERVICES

### OPERATING AND FINANCIAL RESULTS

| | Three months ended November 30, | | | | |
|---|---|---|---|---|---|
| | 2021 (1) | 2020 | Change | Change in constant currency (2) (3) | Foreign exchange impact (2) |
| *(In thousands of Canadian dollars, except percentages)* | $ | $ | % | % | $ |
| Revenue | 355,047 | 328,009 | 8.2 | 8.2 | — |
| Operating expenses | 167,186 | 141,895 | 17.8 | 18.2 | (509) |
| Adjusted EBITDA (3) | 187,861 | 186,114 | 0.9 | 0.7 | 509 |
| Adjusted EBITDA margin (3) | 52.9 % | 56.7 % | | | |
| Acquisition of property, plant and equipment | 67,471 | 65,610 | 2.8 | 4.2 | (890) |
| Capital intensity (3) | 19.0 % | 20.0 % | | | |

(1) For the three-month period ended November 30, 2021, the average foreign exchange rate used for translation was 1.2559 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.3170 USD/CDN.

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

#### REVENUE

Fiscal 2022 first-quarter revenue increased by 8.2% as reported and in constant currency, mainly as a result of the DERYtelecom acquisition completed on December 14, 2020.

Excluding the acquisition of DERYtelecom, fiscal 2022 first-quarter revenue in constant currency decreased by 0.6% compared to the prior year, mainly due to a decline in video and telephony service customers, partly offset by a higher Internet service customer base and rate increases in certain regions, while other increases were delayed to November 2021.

#### OPERATING EXPENSES

Fiscal 2022 first-quarter operating expenses increased by 17.8% (18.2% in constant currency), mainly as a result of:

- the DERYtelecom acquisition completed on December 14, 2020; and
- higher marketing and advertising expenses to support overall customer base growth, compared to unusually low costs during the first half of the previous year in the context of the COVID-19 pandemic restrictions.

#### ADJUSTED EBITDA

Fiscal 2022 first-quarter adjusted EBITDA increased by 0.9% (0.7% in constant currency), mainly resulting from:

- the impact of the DERYtelecom acquisition; partly offset by
- higher marketing and advertising expenses.

Excluding the acquisition of DERYtelecom, adjusted EBITDA in constant currency decreased by 6.9% for the first quarter of fiscal 2022, as expected in our annual financial guidelines. Adjusted EBITDA for the first quarter of fiscal 2022 was unfavorably impacted by the higher marketing and advertising expenses to support overall customer base growth, compared to unusually low costs during the first half of the previous year in the context of the COVID-19 pandemic restrictions.

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

Fiscal 2022 first-quarter acquisition of property, plant and equipment remained comparable to the same period of the prior year. As the segment continues its high-speed Internet network expansion in Québec and Ontario, capital spending is expected to ramp up during the second half of fiscal 2022.

Fiscal 2022 first-quarter capital intensity reached 19.0% compared to 20.0% for the same period of fiscal 2021 mainly resulting from revenue growth.

## PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

| | | Net additions (losses) Three months ended November 30, | | % of penetration (1) | |
|---|---|---|---|---|---|
| | **November 30, 2021** | **2021** | 2020 | **November 30, 2021** | November 30, 2020 |
| Primary service units | **1,997,006** | **(5,077)** | (8,923) | | |
| Internet service customers | **918,304** | **2,620** | 3,232 | **46.3** | 46.0 |
| Video service customers | **672,781** | **(4,413)** | (6,952) | **33.9** | 34.6 |
| Telephony service customers | **405,921** | **(3,284)** | (5,203) | **20.5** | 20.5 |

(1) As a percentage of homes passed.

#### INTERNET

Fiscal 2022 first-quarter Internet service customers net additions amounted to 2,620 compared to 3,232 for the same period of the prior year. The net additions during the first quarter of fiscal 2022 are due to the ongoing interest in high-speed offerings.

#### VIDEO

Fiscal 2022 first-quarter video service customers net losses amounted to 4,413 compared to 6,952 for the same period of the prior year. The net losses in fiscal 2022 first-quarter were mainly due to the continuous change in the video consumption environment, with an increasing proportion of customers only subscribing to Internet services, and highly competitive offers in the industry.

#### TELEPHONY

Fiscal 2022 first-quarter telephony service customers net losses amounted to 3,284 compared to 5,203 for the same period of the prior year. The net losses in fiscal 2022 first-quarter were mainly due to increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

#### DISTRIBUTION OF CUSTOMERS

At November 30, 2021, 66% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

# 5.2 AMERICAN BROADBAND SERVICES

## OPERATING AND FINANCIAL RESULTS

| | Three months ended November 30, | | | | |
|---|---|---|---|---|---|
| | **2021** (1) | 2020 | Change | Change in constant currency (2)(3) | Foreign exchange impact (2) |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % | % | $ |
| Revenue | **363,494** | 290,904 | 25.0 | 31.0 | (17,686) |
| Operating expenses | **187,730** | 152,378 | 23.2 | 29.2 | (9,145) |
| Adjusted EBITDA (3) | **175,764** | 138,526 | 26.9 | 33.0 | (8,541) |
| Adjusted EBITDA margin (3) | **48.4 %** | 47.6 % | | | |
| Acquisition of property, plant and equipment | **73,227** | 49,347 | 48.4 | 55.6 | (3,562) |
| Capital intensity (3) | **20.1 %** | 17.0 % | | | |

(1) For the three-month period ended November 30, 2021, the average foreign exchange rate used for translation was 1.2559 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.3170 USD/CDN.

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

### REVENUE

Fiscal 2022 first-quarter revenue increased by 25.0% (31.0% in constant currency). In local currency, revenue amounted to US$289.4 million compared to US$220.9 million for the same period of fiscal 2021. The increase resulted mainly from:

- the Ohio broadband systems acquisition completed on September 1, 2021;
- annual rate increases implemented for certain services; and
- a higher Internet service customer base and a higher value product mix; partly offset by
- lower advertising revenue as last year was an election year in the United States.

Excluding the acquisition of the Ohio broadband systems, revenue in constant currency increased by 4.6% for the first quarter of fiscal 2022.

### OPERATING EXPENSES

Fiscal 2022 first-quarter operating expenses increased by 23.2% (29.2% in constant currency), mainly as a result of:

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

### ADJUSTED EBITDA

Fiscal 2022 first-quarter adjusted EBITDA increased by 26.9% (33.0% in constant currency). In local currency, adjusted EBITDA amounted to US$139.9 million compared to US$105.2 million for the same period of fiscal 2021. The increase is mainly resulting from:

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

Excluding the acquisition of the Ohio broadband systems, adjusted EBITDA in constant currency increased by 4.3% for the first quarter of fiscal 2022.

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

Fiscal 2022 first-quarter acquisition of property, plant and equipment increased by 48.4% (55.6% in constant currency) and capital intensity reached 20.1% compared to 17.0% for the same period of fiscal 2021, mainly due to:

- higher capital expenditures related to the Ohio broadband systems' network infrastructure and, to support footprint expansion;
- accelerated purchases of customer premise equipment and networking equipment in order to avoid supply chain shortages impacting many industries; and
- the timing of certain initiatives.

## PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

| | | Net additions (losses) Three months ended November 30, | | % of penetration (1) | |
|---|---|---|---|---|---|
| | **November 30, 2021** | **2021** (2) | 2020 | **November 30, 2021** | November 30, 2020 |
| Primary service units | **1,236,558** | **(17,972)** | 14,758 | | |
| Internet service customers | **716,778** | **(77)** | 12,409 | **44.0** | 54.4 |
| Video service customers | **346,729** | **(13,383)** | 1,000 | **21.3** | 34.3 |
| Telephony service customers | **173,051** | **(4,512)** | 1,349 | **10.6** | 16.1 |

(1) As a percentage of homes passed.

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

#### INTERNET

Fiscal 2022 first-quarter Internet service customers net losses amounted to 77 compared to net additions of 12,409 for the same period of the prior year.

The significant growth in the first quarter of fiscal 2021 was mainly driven by the increase in high-speed Internet demand in the residential sector resulting directly from the COVID-19 pandemic. During the first quarter of fiscal 2022, Internet service customers variations were muted due to generally low customer movements in the industry following an active period during the prior year, more seasonal and non-pay disconnects than the prior year, and competitive offers in portions of the footprint.

#### VIDEO

Fiscal 2022 first-quarter video service customers net losses amounted to 13,383 compared to net additions of 1,000 for the same period of the prior year. The net losses in fiscal 2022 first-quarter were mainly due to:

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

#### TELEPHONY

Fiscal 2022 first-quarter telephony service customers net losses amounted to 4,512 compared to net additions of 1,349 for the same period of the prior year. The net losses in fiscal 2022 first-quarter were mainly due to:

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

#### DISTRIBUTION OF CUSTOMERS

At November 30, 2021, 41% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

# 6. RELATED PARTY TRANSACTIONS

Cogeco held, as of November 30, 2021, 33.7% of Cogeco Communications' equity shares, representing 83.6% of the votes attached to Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For the three-month period ended November 30, 2021, management fees paid by Cogeco Communications amounted to $5.6 million compared to $5.9 million for the same period of fiscal 2021.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the three-month periods ended November 30, 2021 and 2020, Cogeco Communications granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

| | Three months ended November 30, | |
|---|---|---|
| *(In number of units)* | **2021** | 2020 |
| Stock options | **72,200** | 69,200 |
| PSUs | **10,100** | 10,375 |

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| *(In thousands of Canadian dollars)* | **$** | $ |
| Stock options | **332** | 345 |
| ISUs | **—** | 6 |
| PSUs | **370** | (150) |
| DSUs | **(118)** | (25) |
| | **584** | 176 |

# 7. CASH FLOWS ANALYSIS

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % |
| Cash flows from operating activities | **297,342** | 235,532 | 26.2 |
| Cash flows used in investing activities | **(1,569,167)** | (125,416) | — |
| Cash flows from (used in) financing activities | **1,311,819** | (84,276) | — |
| Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency | **1,390** | (2,306) | — |
| **Net change in cash and cash equivalents** | **41,384** | 23,534 | 75.8 |
| Cash and cash equivalents, beginning of the period | **368,434** | 406,113 | (9.3) |
| **Cash and cash equivalents, end of the period** | **409,818** | 429,647 | (4.6) |

## 7.1 OPERATING ACTIVITIES

Fiscal 2022 first-quarter cash flows from operating activities increased by 26.2%, mainly from:

- higher adjusted EBITDA;
- changes in other non-cash operating activities, primarily due to the timing of the payment of dividends, payments made to suppliers and the collection of trade accounts receivable; and
- lower income taxes paid, mainly due to the timing of income tax instalments, as a portion of fiscal 2020 instalments was paid in the first quarter of fiscal 2021 pursuant to governments allowing certain payment delays in the context of the COVID-19 pandemic; partly offset by
- higher interest paid.

## 7.2 INVESTING ACTIVITIES

Fiscal 2022 first-quarter cash flows used in investing activities reached $1.569 billion compared to $125.4 million for the same period of fiscal 2021, mainly due to:

- the Ohio broadband systems acquisition; and
- the increase in acquisition of property, plant and equipment, particularly in the American broadband services segment.

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

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

| | Three months ended November 30, | | | |
|---|---|---|---|---|
| | **2021** | 2020 | Change | Change in constant currency (1) (2) |
| *(In thousands of Canadian dollars, except percentages)* | **$** | $ | % | % |
| **Canadian broadband services** | **67,471** | 65,610 | 2.8 | 4.2 |
| Capital intensity (2) | **19.0 %** | 20.0 % | | |
| **American broadband services** | **73,227** | 49,347 | 48.4 | 55.6 |
| Capital intensity (2) | **20.1 %** | 17.0 % | | |
| **Corporate and eliminations** | **330** | 1,265 | (73.9) | (73.9) |
| **Cogeco Communications** | **141,028** | 116,222 | 21.3 | 25.2 |
| Capital intensity (2) | **19.6 %** | 18.8 % | | |
| **Other** | **481** | 269 | 78.8 | 78.8 |
| **Consolidated** | **141,509** | 116,491 | 21.5 | 25.3 |

(1) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.3170 USD/CDN.

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

Fiscal 2022 first-quarter acquisition of property, plant and equipment increased by 21.5% (25.3% in constant currency), mainly due to higher capital expenditures in the American broadband services segment related to the Ohio broadband systems' network infrastructure and, to support footprint expansion and accelerated purchases of customer premise equipment and networking equipment.

Fiscal 2022 first-quarter capital intensity of Cogeco Communications reached 19.6% compared to 18.8% for the same period of the prior year, mainly as a result of higher capital expenditures, particularly in the American broadband services segment, exceeding revenue growth in both the American and Canadian broadband services segments.

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

# 7.3 FINANCING ACTIVITIES

### ISSUANCE AND REPAYMENT OF DEBT

Fiscal 2022 first-quarter changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Explanations |
| *(In thousands of Canadian dollars)* | **$** | $ | |
| Increase (decrease) in bank indebtedness | **9,978** | (5,076) | Related to the timing of payments made to suppliers. |
| Net decrease under the revolving facilities | **(231,511)** | (35,091) | Repayment of amounts drawn under the revolving facilities in the first quarter of fiscal 2022 as a result of net proceeds used from the issuance of $500 million senior secured notes and generated free cash flow. |
| Issuance of long-term debt, net of discounts and transaction costs | **1,611,539** | — | Mainly related to the Ohio broadband systems acquisition, which was financed in part through the issuance of a US$900 million senior secured Term B loan, and the issuance of $500 million senior secured notes. |
| Repayment of notes, debentures and credit facilities | **(40,761)** | (5,554) | Mainly related to the repayment of the Unsecured Debentures in the first quarter of fiscal 2022. |
| Repayment of lease liabilities | **(1,277)** | (1,422) | Comparable. |
| Repayment of balance due on business combinations | **—** | (1,258) | Repayment of the balance due related to the FiberLight acquisition in the first quarter of fiscal 2021. |
| | **1,347,968** | (48,401) | |

**DIVIDENDS**

On November 11, 2021, a quarterly eligible dividend of $0.625 per share was declared to the holders of multiple and subordinate voting shares, totalling $9.9 million. As the dividend was payable to the holders of multiple and subordinate voting shares on December 9, 2021, no dividend was paid during the first quarter of fiscal 2022, compared to a quarterly eligible dividend of $0.545 per share, or $8.7 million, declared and paid in the first quarter of fiscal 2021.

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

**Cogeco**

Cogeco's previous normal course issuer bid program expired on August 1, 2020. On January 13, 2022, the TSX accepted Cogeco's notice of intention for a normal course issuer bid, enabling it to acquire for cancellation up to 325,000 subordinate voting shares from January 18, 2022 to January 17, 2023. Cogeco believes that the purchase of its subordinate voting shares under the normal course issuer bid is an attractive use of its available cash to increase shareholder value and that it provides additional investment returns to its shareholders.

**Cogeco Communications**

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

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

The NCIB purchases were as follows:

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| *(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)* | **$** | $ |
| Subordinate voting shares purchased and cancelled | **274,000** | 14,900 |
| Weighted average purchase price per share | **107.69** | 99.24 |
| Purchase costs | **29,508** | 1,479 |

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

## 7.4 FREE CASH FLOW

| | Three months ended November 30, | | | | |
|---|---|---|---|---|---|
| | 2021 (1) | 2020 | Change | Change in constant currency (2) (3) | Foreign exchange impact (2) |
| *(In thousands of Canadian dollars, except percentages)* | $ | $ | % | % | $ |
| Adjusted EBITDA (3) | **354,394** | 321,090 | 10.4 | 12.9 | (8,032) |
| Amortization of deferred transaction costs and discounts on long-term debt | **2,942** | 2,297 | 28.1 | 34.1 | (139) |
| Share-based payment | **1,721** | 1,140 | 51.0 | 51.0 | — |
| Gain on disposals and write-offs of property, plant and equipment | **(1,093)** | (568) | 92.4 | 92.4 | — |
| Defined benefit plans expense, net of contributions | **434** | 963 | (54.9) | (54.9) | — |
| Integration, restructuring and acquisition costs | **(18,635)** | (1,181) | — | — | 848 |
| Financial expense | **(45,608)** | (36,279) | 25.7 | 30.1 | 1,593 |
| Current income taxes | **(15,549)** | (21,313) | (27.0) | (26.7) | 66 |
| Acquisition of property, plant and equipment | **(141,509)** | (116,491) | 21.5 | 25.3 | 4,452 |
| Repayment of lease liabilities | **(1,277)** | (1,422) | (10.2) | (8.7) | 21 |
| **Free cash flow (3)** | **135,820** | 148,236 | (8.4) | (7.6) | (1,191) |

(1) For the three-month period ended November 30, 2021, the average foreign exchange rate used for translation was 1.2559 USD/CDN.

(2) Fiscal 2022 actuals are translated at the average foreign exchange rate of fiscal 2021, which was 1.3170 USD/CDN.

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

Fiscal 2022 first-quarter free cash flow decreased by 8.4% (7.6% in constant currency), mainly due to the following:

- higher capital expenditures, particularly in the American broadband services segment;
- higher integration, restructuring and acquisition costs, mainly resulting from the acquisition of the Ohio broadband systems; and
- higher financial expense; partly offset by
- higher adjusted EBITDA; and
- lower current income taxes.

## 7.5 DIVIDEND DECLARATION

At its January 13, 2022 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.625 per share for multiple and subordinate voting shares, payable on February 10, 2022 to shareholders of record on January 27, 2022. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

# 8. FINANCIAL POSITION

## 8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco 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:

| | November 30, 2021 | August 31, 2021 | Change | Explanations |
|---|---|---|---|---|
| *(In thousands of Canadian dollars)* | $ | $ | $ | |
| **Current assets** | | | | |
| Cash and cash equivalents | **409,818** | 368,434 | 41,384 | Refer to the "Cash flows analysis" section. |
| Restricted cash | **178,714** | 170,434 | 8,280 | Mainly related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects. Long-term balance classified as current at November 30, 2021. |
| Trade and other receivables | **130,406** | 97,624 | 32,782 | Mainly related to a higher level of trade accounts receivable resulting from the acquisition of the Ohio broadband systems and timing of collection of trade accounts receivable. |
| Income taxes receivable | **12,617** | 6,488 | 6,129 | Not significant. |
| Prepaid expenses and other | **38,122** | 35,496 | 2,626 | Not significant. |
| Derivative financial instruments | **224** | 1,507 | (1,283) | Not significant. |
| | **769,901** | 679,983 | 89,918 | |
| **Current liabilities** | | | | |
| Bank indebtedness | **14,438** | 4,460 | 9,978 | Timing of payments made to suppliers. |
| Trade and other payables | **365,608** | 287,915 | 77,693 | Mainly related to the timing of the payment of dividends and payments made to suppliers, and a higher level of trade and other payables resulting from the acquisition of the Ohio broadband systems. |
| Provisions | **22,417** | 19,314 | 3,103 | Not significant |
| Income tax liabilities | **1,892** | 6,551 | (4,659) | Not significant. |
| Contract liabilities and other liabilities | **69,659** | 57,479 | 12,180 | Mainly related to the acquisition of the Ohio broadband systems. |
| Government subsidies received in advance | **178,714** | 170,434 | 8,280 | Mainly related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects. Long-term balance classified as current at November 30, 2021. |
| Derivative financial instruments | **236** | — | 236 | Not significant. |
| Current portion of long-term debt | **239,614** | 261,970 | (22,356) | Mainly related to the reimbursement of the Unsecured Debentures, partly offset by the current portion of the US$900 million senior secured Term B loan issued during the first quarter of fiscal 2022 to finance the acquisition of the Ohio broadband systems, and the balance due related to this acquisition. |
| | **892,578** | 808,123 | 84,455 | |
| **Working capital deficiency** | **(122,677)** | (128,140) | 5,463 | |

## 8.2 OTHER SIGNIFICANT CHANGES

| (In thousands of Canadian dollars) | November 30, 2021<br>$ | August 31, 2021<br>$ | Change<br>$ | Explanations |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Restricted cash | — | 13,100 | (13,100) | Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects. Balance classified as current at November 30, 2021. |
| Other assets | 118,002 | 105,722 | 12,280 | Mainly related to the acquisition of the Ohio broadband systems. |
| Property, plant and equipment | 2,896,976 | 2,391,467 | 505,509 | Mainly related to the acquisition of the Ohio broadband systems, capital investments made during the first quarter of fiscal 2022 and the appreciation of the US dollar against the Canadian dollar, partly offset by the depreciation expense of the period. |
| Intangible assets | 3,349,564 | 2,826,066 | 523,498 | Mainly related to the acquisition of the Ohio broadband systems and the appreciation of the US dollar against the Canadian dollar, partly offset by the amortization for the period. |
| Goodwill | 1,963,235 | 1,504,162 | 459,073 | Mainly related to the acquisition of the Ohio broadband systems and the appreciation of the US dollar against the Canadian dollar. |
| **Non-current liabilities** | | | | |
| Long-term debt | 4,491,732 | 3,067,940 | 1,423,792 | Mainly related to the issuance of a US$900 million senior secured Term B loan to finance the Ohio broadband systems acquisition, the issuance of $500 million senior secured notes and the appreciation of the US dollar against the Canadian dollar, partly offset by the net decrease of amounts drawn under the revolving facilities and the quarterly repayment on the Senior Secured Term Loan B Facility. |
| Derivative financial instruments | 31,082 | 42,000 | (10,918) | Mainly related to changes in market interest rates. |
| Government subsidies received in advance | — | 13,100 | (13,100) | Related to government subsidies received in advance in connection with Cogeco Connexion's high-speed Internet network expansion projects. Balance classified as current at November 30, 2021. |
| Deferred tax liabilities | 704,615 | 693,832 | 10,783 | Timing of temporary differences, partly offset by the adjustment recognized in the first quarter to reflect the blended state income tax rate resulting from the impact of the Ohio acquisition. |

## 8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at December 31, 2021 is presented in the table below. Additional details are provided in Note 12 B) of the condensed interim consolidated financial statements.

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

## 8.4 FINANCING

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

On September 20, 2021, Cogeco Communications completed, pursuant to a private placement, the issuance of $500 million Senior Secured Notes, bearing interest at 2.991% and maturing on September 22, 2031. Cogeco Communications used the net proceeds of the offering to fund spectrum auction spend, repay existing indebtedness and for other general corporate purposes.

## 8.5 COGECO COMMUNICATIONS' CREDIT RATINGS

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

| At November 30, 2021 | S&P | DBRS | Moody's |
|---|---|---|---|
| **Cogeco Communications** | | | |
| Senior Secured Notes and Debentures | **BBB-** | **BBB (low)** | **NR** |
| Corporate credit issuer default rating | **BB+** | **BB (high)** | **NR** |
| **U.S. subsidiaries** | | | |
| First Lien Credit Facilities | **BB** | **NR** | **B1** |
| Corporate credit issuer default rating | **BB** | **NR** | **B1** |

**NR :** Not rated

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

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

## 8.6 FINANCIAL RISK MANAGEMENT

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

### Credit risk

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

The Corporation reduces the credit risk with regard to the derivative financial instruments by completing transactions with financial institutions that carry a high credit rating. At November 30, 2021, management believes this credit risk to be minimal, since the lowest credit rating of the counterparties to the agreements is "A-" by Standard & Poor's rating services ("S&P").

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

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

### Liquidity risk

At November 30, 2021, the Corporation had used $25.6 million of its $100 million Term Revolving Facility and an amount of $11.7 million was used from Cogeco Communications' Term Revolving Facility of $750 million, for remaining availabilities of $74.4 million and $738.3 million, respectively. In addition, Cogeco Communications' U.S. subsidiaries also benefit from a Senior Secured Revolving Facility of $191.9 million (US$150 million), of which $2.8 million (US$2.2 million) was used at November 30, 2021 for a remaining availability of $189.1 million (US$147.8 million).

### Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2021, 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' 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. subsidiaries entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2021:

| Type of hedge | Notional amount | Receive interest rate | Pay interest rate | Maturity | Hedged item |
|---|---|---|---|---|---|
| Cash flow | US$770 million | US LIBOR base rate | 2.017% - 2.262% | January 2023 - November 2024 | Senior Secured Term Loan B - Tranche 1 |
| Cash flow | US$800 million | US LIBOR base rate with a 50 bps floor | 1.224% - 1.463% | October 2025 - July 2027 | Senior Secured Term Loan B - Tranche 2 |

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $11.7 million based on the outstanding debt and swap agreements at November 30, 2021.

### Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollar would increase the annual financial expense by approximately $12.7 million based on the outstanding debt and swap agreements at November 30, 2021.

Furthermore, a foreign currency exposure arises from Cogeco Communications' net investment in its U.S. subsidiaries, as a result of the translation of the net investment into the Corporation's functional currency. A portion of Cogeco Communications' net investment in its U.S. subsidiaries 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. subsidiaries' US dollar denominated First Lien Credit Facilities.

The exchange rate used to translate the US dollar currency into Canadian dollar for the consolidated statement of financial position accounts at November 30, 2021 was $1.2792 ($1.2617 at August 31, 2021) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $104.8 million.

## 8.7 FOREIGN CURRENCY

For the three-month periods ended November 30, 2021 and 2020, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

| | Three months ended November 30, | | | |
|---|---|---|---|---|
| | **2021** | 2020 | Change | Change |
| | **$** | $ | $ | % |
| US dollar vs Canadian dollar | **1.2559** | 1.3170 | (0.06) | (4.6) |

The following table highlights in Canadian dollars, the impact of a $0.06 variation of the Canadian dollar against the US dollar, which corresponds to the variation in the exchange rate between the first quarters of fiscal 2022 and 2021, on Cogeco Communications' segmented and consolidated operating results for the three-month period ended November 30, 2021:

| | **Canadian broadband services** | **American broadband services** | **Consolidated** (1) |
|---|---|---|---|
| Three months ended November 30, 2021 | Exchange rate impact | Exchange rate impact | Exchange rate impact |
| *(In thousands of Canadian dollars)* | **$** | **$** | **$** |
| Revenue | **—** | **(17,686)** | **(17,686)** |
| Operating expenses | **(509)** | **(9,145)** | **(9,654)** |
| Adjusted EBITDA | **509** | **(8,541)** | **(8,032)** |
| Acquisition of property, plant and equipment | **(890)** | **(3,562)** | **(4,452)** |
| Free cash flow | | | **(1,191)** |

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

# 9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRACTICES

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

On November 3, 2021, Cogeco announced that it was one of 45 companies globally that received His Royal Highness The Prince of Wales' Terra Carta Seal in recognition of its commitment to creating a sustainable future. This seal was awarded to companies whose ambitions are aligned with those of the Terra Carta, a recovery plan for Nature, People and Planet, launched in January 2021. Another important recognition for Cogeco is the receipt of the prestigious "A" rating from the CDP for its environmental transparency, announced on December 7, 2021. This rating demonstrates Cogeco's leadership and commitment to best practices in governance, disclosure and emissions reduction. Lastly, Cogeco and Cogeco Communications announced on December 17, 2021 that they both transitioned their term revolving facilities into the first syndicated Sustainability-linked loans ("SLL") in Canada within the telecommunications and media sectors. The SLL facilities incorporate ESG-linked incentive pricing terms which reduce or increase the cost of funding, depending on the annual performance against specific targets related to Cogeco's GHG annual emissions reduction and digital inclusion initiative to provide 75,000 homes in underserved and unserved areas of Canada with access to high-speed Internet service over a three-year period. Additionally, Cogeco and Cogeco Communications will dedicate any savings achieved from the SLL towards internal sustainability initiatives.

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

# 10. CONTROLS AND PROCEDURES

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

The Corporation has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of the Ohio broadband systems business acquired on September 1, 2021, as permitted by National Instrument 52-109, which allows for an issuer to limit the scope for a business it has acquired not more than 365 days before the end of the financial period to which the certificate relates. For the three-month period ended November 30, 2021, the Ohio broadband systems contributed approximately 9.8% to the consolidated revenue and approximately 13.4% to the consolidated profit for the period. As at November 30, 2021, the Ohio broadband systems represented approximately 2.9% of the current assets, 17.2% of the non-current assets, 3.6% of the current liabilities and 0.1% of the non-current liabilities of the condensed interim consolidated financial statements. Management expects to complete its review of the design of DC&P and ICFR for the Ohio broadband systems and assess its effectiveness in the upcoming quarters. Further details on the Ohio broadband systems acquisition, including the preliminary purchase price allocation, can be found in Note 5 of the condensed interim consolidated financial statements for the three-month period ended November 30, 2021.

In addition, on September 1, 2021, the Corporation's head office and Cogeco Connexion implemented a new financial system. This implementation resulted in changes to internal controls related to financial reporting for the three-month period ended November 30, 2021.

The CEO and CFO, supported by management, evaluated the design of the Corporation's DC&P and ICFR at November 30, 2021, and concluded that they are adequate.

# 11. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco can be found in the 2021 Annual Report, available at www.sedar.com and corpo.cogeco.com, which are hereby incorporated by reference. There has been no significant change in the uncertainties and main risk factors faced by the Corporation.

# 12. ACCOUNTING POLICIES

## 12.1 CHANGE IN ACCOUNTING POLICIES

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

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

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

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

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

### Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Effective September 1, 2021, the Corporation adopted these amendments, which had no material impact on the consolidated financial statements. As the Corporation continues to monitor the reform and its related implications, the effects, if any, will be dependent on the facts and circumstances of any future changes in financial instruments and any future changes in interest rate benchmarks.

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

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

| | |
|---|---|
| **Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows)** | In September 2021, the IFRS Interpretations Committee issued tentative agenda decision Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows), following the receipt of a request to clarify whether an entity should include a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. The Corporation will continue to monitor the development of this tentative agenda decision and will assess the impact on its consolidated financial statements, particularly in regard to the presentation of the funds received from the provincial and federal governments to be used to fund certain high-speed Internet network expansion projects, which are currently presented as Restricted cash, once the agenda decision is finalized. |
| **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2** | In February 2021, the IASB amended IAS 1, Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its accounting policies disclosure. |
| **Classification of Liabilities as Current or Non-current - Amendments to IAS 1** | In January 2020, the IASB amended IAS 1 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments, if any, on its consolidated financial statements. |

# 13. NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

| Non-IFRS financial measures | Application | Calculation | Most comparable IFRS financial measures |
|---|---|---|---|
| Indebtedness and net indebtedness | Indebtedness and net indebtedness are measures used by management and investors to assess the Corporation's financial leverage, as they represent the debt and the debt net of the available cash and cash equivalents, respectively. | Indebtedness:<br>add:<br>- Principal on long-term debt; and<br>- Bank indebtedness.<br><br>Net indebtedness:<br>- Indebtedness<br>deduct:<br>- Cash and cash equivalents. | Long-term debt, including the current portion |

## 13.1 ADJUSTED EBITDA RECONCILIATION

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| *(In thousands of Canadian dollars)* | **$** | $ |
| **Profit for the period** | **119,139** | 120,447 |
| Income taxes | **18,383** | 37,639 |
| Financial expense | **45,608** | 36,279 |
| Depreciation and amortization | **152,629** | 125,544 |
| Integration, restructuring and acquisition costs | **18,635** | 1,181 |
| **Adjusted EBITDA** | **354,394** | 321,090 |

## 13.2 FREE CASH FLOW RECONCILIATION

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| *(In thousands of Canadian dollars)* | **$** | $ |
| **Cash flows from operating activities** | **297,342** | 235,532 |
| Amortization of deferred transaction costs and discounts on long-term debt | **2,942** | 2,297 |
| Changes in other non-cash operating activities | **(19,729)** | 19,262 |
| Income taxes paid | **26,336** | 42,188 |
| Current income taxes | **(15,549)** | (21,313) |
| Interest paid | **32,872** | 24,462 |
| Financial expense | **(45,608)** | (36,279) |
| Acquisition of property, plant and equipment | **(141,509)** | (116,491) |
| Repayment of lease liabilities | **(1,277)** | (1,422) |
| **Free cash flow** | **135,820** | 148,236 |

## 13.3 INDEBTEDNESS AND NET INDEBTEDNESS RECONCILIATION

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

| | At November 30, 2021 | At August 31, 2021 |
|---|---|---|
| *(In thousands of Canadian dollars)* | $ | $ |
| **Long-term debt, including the current portion** | **4,731,346** | 3,329,910 |
| Discounts, transaction costs and other | **60,764** | 42,745 |
| Bank indebtedness | **14,438** | 4,460 |
| **Indebtedness** | **4,806,548** | 3,377,115 |
| Cash and cash equivalents | **(409,818)** | (368,434) |
| **Net indebtedness** | **4,396,730** | 3,008,681 |

# 14. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

| | Fiscal 2022 | | | | Fiscal 2021 | | | Fiscal 2020 |
|---|---|---|---|---|---|---|---|---|
| Three months ended | November 30, 2021 | August 31, 2021 | May 31, 2021 | February 28, 2021 | November 30, 2020 | August 31, 2020 | May 31, 2020 | February 29, 2020 |
| *(In thousands of Canadian dollars, except per share data)* | $ | $ | $ | $ | $ | $ | $ | $ |
| **Operations** | | | | | | | | |
| Revenue | **745,258** | 655,074 | 649,260 | 653,156 | 646,355 | 624,195 | 626,013 | 610,797 |
| Adjusted EBITDA | **354,394** | 293,624 | 302,340 | 308,414 | 321,090 | 299,925 | 298,444 | 279,609 |
| Integration, restructuring and acquisition costs | **18,635** | 3,961 | 1,272 | 2,330 | 1,181 | 6,012 | 12 | 5,458 |
| Profit for the period | **119,139** | 103,418 | 104,994 | 110,156 | 120,447 | 96,737 | 97,496 | 113,384 |
| Profit for the period attributable to owners of the Corporation | **38,523** | 33,082 | 34,548 | 33,737 | 40,489 | 30,707 | 31,118 | 34,975 |
| **Cash flow** | | | | | | | | |
| Cash flows from operating activities | **297,342** | 283,538 | 269,078 | 241,619 | 235,532 | 262,365 | 292,075 | 236,117 |
| Acquisition of property, plant and equipment | **141,509** | 175,718 | 126,745 | 115,748 | 116,491 | 130,210 | 123,778 | 111,222 |
| Free cash flow (1) | **135,820** | 72,915 | 136,567 | 140,555 | 148,236 | 111,012 | 119,153 | 125,067 |
| **Per share data (2)** | | | | | | | | |
| Earnings per share | | | | | | | | |
| Basic | **2.42** | 2.08 | 2.17 | 2.12 | 2.55 | 1.93 | 1.96 | 2.19 |
| Diluted | **2.41** | 2.07 | 2.16 | 2.11 | 2.53 | 1.92 | 1.94 | 2.18 |
| Dividends per share | **0.625** | 0.545 | 0.545 | 0.545 | 0.545 | 0.475 | 0.475 | 0.475 |

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

(2) Per multiple and subordinate voting share.

## 14.1 SEASONAL VARIATIONS

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

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2021

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

| | | Three months ended November 30, | |
|---|---|---|---|
| | *Notes* | **2021** | 2020 |
| *(In thousands of Canadian dollars, except per share data)* | | **$** | $ |
| **Revenue** | *3* | **745,258** | 646,355 |
| Operating expenses | *6* | **390,864** | 325,265 |
| Integration, restructuring and acquisition costs | *4* | **18,635** | 1,181 |
| Depreciation and amortization | *7* | **152,629** | 125,544 |
| Financial expense | *8* | **45,608** | 36,279 |
| **Profit before income taxes** | | **137,522** | 158,086 |
| Income taxes | *9* | **18,383** | 37,639 |
| **Profit for the period** | | **119,139** | 120,447 |
| **Profit for the period attributable to:** | | | |
| Owners of the Corporation | | **38,523** | 40,489 |
| Non-controlling interest | | **80,616** | 79,958 |
| | | **119,139** | 120,447 |
| **Earnings per share** | | | |
| Basic | *10* | **2.42** | 2.55 |
| Diluted | *10* | **2.41** | 2.53 |

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| *(In thousands of Canadian dollars)* | **$** | $ |
| **Profit for the period** | **119,139** | 120,447 |
| **Other comprehensive income (loss)** | | |
| Items to be subsequently reclassified to profit or loss | | |
| *Cash flow hedging adjustments* | | |
| Net change in fair value of hedging derivative financial instruments | **10,918** | 8,392 |
| Related income taxes | **(2,893)** | (2,223) |
| | **8,025** | 6,169 |
| *Foreign currency translation adjustments* | | |
| Net foreign currency translation differences on net investments in foreign operations | **28,106** | (11,556) |
| Net changes on translation of long-term debt designated as hedges of net investments in foreign operations | **(6,825)** | 3,003 |
| Related income taxes | **(53)** | 25 |
| | **21,228** | (8,528) |
| | **29,253** | (2,359) |
| Items not to be subsequently reclassified to profit or loss | | |
| *Defined benefit plans actuarial adjustments* | | |
| Remeasurement of net defined benefit liability or asset | **928** | 5,292 |
| Related income taxes | **(246)** | (1,403) |
| | **682** | 3,889 |
| | **29,935** | 1,530 |
| **Comprehensive income for the period** | **149,074** | 121,977 |
| **Comprehensive income for the period attributable to:** | | |
| Owners of the Corporation | **46,952** | 43,032 |
| Non-controlling interest | **102,122** | 78,945 |
| | **149,074** | 121,977 |

# COGECO INC.

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*(unaudited)*

| | Equity attributable to owners of the Corporation | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Share-based payment reserve | Accumulated other comprehensive income (loss) | Retained earnings | Equity attributable to non-controlling interest | Total shareholders' equity |
| *(In thousands of Canadian dollars)* | $ | $ | $ | $ | $ | $ |
| | *(Note 12)* | | *(Note 13)* | | | |
| Balance at August 31, 2020 | 105,019 | 11,120 | (2,445) | 647,807 | 1,944,598 | 2,706,099 |
| Profit for the period | — | — | — | 40,489 | 79,958 | 120,447 |
| Other comprehensive (loss) income for the period | — | — | (2) | 2,545 | (1,013) | 1,530 |
| Comprehensive (loss) income for the period | — | — | (2) | 43,034 | 78,945 | 121,977 |
| Share-based payment (Note 12 D)) | — | 615 | — | — | 753 | 1,368 |
| Issuance of subordinate voting shares by a subsidiary to non-controlling interest | — | (14) | — | — | 286 | 272 |
| Dividends (Note 12 C)) | — | — | — | (8,653) | (20,502) | (29,155) |
| Effect of changes in ownership of a subsidiary on non-controlling interest | — | — | — | (226) | 226 | — |
| Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | (1,074) | — | — | — | — | (1,074) |
| Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | 3,203 | (3,189) | — | (14) | — | — |
| Purchase and cancellation of subordinate voting shares by a subsidiary | — | — | — | (348) | (1,131) | (1,479) |
| Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | — | — | — | — | (4,439) | (4,439) |
| Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | — | (1,476) | — | (49) | 1,525 | — |
| Total contributions by (distributions to) shareholders | 2,129 | (4,064) | — | (9,290) | (23,282) | (34,507) |
| Balance at November 30, 2020 | 107,148 | 7,056 | (2,447) | 681,551 | 2,000,261 | 2,793,569 |
| **Balance at August 31, 2021** | **107,194** | **9,940** | **(5,875)** | **705,399** | **2,074,679** | **2,891,337** |
| Profit for the period | **—** | **—** | **—** | **38,523** | **80,616** | **119,139** |
| Other comprehensive income for the period | **—** | **—** | **7,977** | **452** | **21,506** | **29,935** |
| Comprehensive income for the period | **—** | **—** | **7,977** | **38,975** | **102,122** | **149,074** |
| Share-based payment (Note 12 D)) | **—** | **1,461** | **—** | **—** | **1,122** | **2,583** |
| Issuance of subordinate voting shares by a subsidiary to non-controlling interest | **—** | **(5)** | **—** | **—** | **110** | **105** |
| Dividends (Note 12 C)) | **—** | **—** | **—** | **(9,934)** | **(21,653)** | **(31,587)** |
| Effect of changes in ownership of a subsidiary on non-controlling interest | **—** | **—** | **—** | **(5,089)** | **5,089** | **—** |
| 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 | **3,174** | **(2,691)** | **—** | **(483)** | **—** | **—** |
| Purchase and cancellation of subordinate voting shares by a subsidiary | **—** | **—** | **—** | **(7,333)** | **(22,175)** | **(29,508)** |
| 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 to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | **—** | **(1,120)** | **—** | **(362)** | **1,482** | **—** |
| Total contributions by (distributions to) shareholders | **1,293** | **(2,355)** | **—** | **(23,201)** | **(40,890)** | **(65,153)** |
| **Balance at November 30, 2021** | **108,487** | **7,585** | **2,102** | **721,173** | **2,135,911** | **2,975,258** |

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

| *(In thousands of Canadian dollars)* | *Notes* | **November 30, 2021** **$** | August 31, 2021 $ |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash and cash equivalents | | **409,818** | 368,434 |
| Restricted cash | | **178,714** | 170,434 |
| Trade and other receivables | | **130,406** | 97,624 |
| Income taxes receivable | | **12,617** | 6,488 |
| Prepaid expenses and other | | **38,122** | 35,496 |
| Derivative financial instruments | | **224** | 1,507 |
| | | **769,901** | 679,983 |
| Non-current | | | |
| Restricted cash | | **—** | 13,100 |
| Other assets | | **118,002** | 105,722 |
| Property, plant and equipment | | **2,896,976** | 2,391,467 |
| Intangible assets | | **3,349,564** | 2,826,066 |
| Goodwill | | **1,963,235** | 1,504,162 |
| Deferred tax assets | | **15,759** | 15,813 |
| | | **9,113,437** | 7,536,313 |
| **Liabilities and Shareholders' equity** | | | |
| **Liabilities** | | | |
| Current | | | |
| Bank indebtedness | | **14,438** | 4,460 |
| Trade and other payables | | **365,608** | 287,915 |
| Provisions | | **22,417** | 19,314 |
| Income tax liabilities | | **1,892** | 6,551 |
| Contract liabilities and other liabilities | | **69,659** | 57,479 |
| Government subsidies received in advance | | **178,714** | 170,434 |
| Derivative financial instruments | | **236** | — |
| Current portion of long-term debt | *11* | **239,614** | 261,970 |
| | | **892,578** | 808,123 |
| Non-current | | | |
| Long-term debt | *11* | **4,491,732** | 3,067,940 |
| Derivative financial instruments | | **31,082** | 42,000 |
| Contract liabilities and other liabilities | | **8,769** | 9,224 |
| Government subsidies received in advance | | **—** | 13,100 |
| Pension plan liabilities and accrued employee benefits | | **9,403** | 10,757 |
| Deferred tax liabilities | | **704,615** | 693,832 |
| | | **6,138,179** | 4,644,976 |
| **Shareholders' equity** | | | |
| Equity attributable to owners of the Corporation | | | |
| Share capital | *12 B)* | **108,487** | 107,194 |
| Share-based payment reserve | | **7,585** | 9,940 |
| Accumulated other comprehensive income (loss) | *13* | **2,102** | (5,875) |
| Retained earnings | | **721,173** | 705,399 |
| | | **839,347** | 816,658 |
| Equity attributable to non-controlling interest | | **2,135,911** | 2,074,679 |
| | | **2,975,258** | 2,891,337 |
| | | **9,113,437** | 7,536,313 |

Subsequent events (Note 17)

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

| | | Three months ended November 30, | |
|---|---|---|---|
| | *Notes* | **2021** | 2020 |
| *(In thousands of Canadian dollars)* | | **$** | $ |
| **Cash flows from operating activities** | | | |
| Profit for the period | | **119,139** | 120,447 |
| Adjustments for: | | | |
| Depreciation and amortization | *7* | **152,629** | 125,544 |
| Financial expense | *8* | **45,608** | 36,279 |
| Income taxes | *9* | **18,383** | 37,639 |
| Share-based payment | | **1,721** | 1,140 |
| Gain on disposals and write-offs of property, plant and equipment | | **(1,093)** | (568) |
| Defined benefit plans expense, net of contributions | | **434** | 963 |
| | | **336,821** | 321,444 |
| Changes in other non-cash operating activities | *14 A)* | **19,729** | (19,262) |
| Interest paid | | **(32,872)** | (24,462) |
| Income taxes paid | | **(26,336)** | (42,188) |
| | | **297,342** | 235,532 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | **(141,509)** | (116,491) |
| Business combinations, net of cash and cash equivalents acquired | *5* | **(1,427,658)** | — |
| Advance payment related to a business combination | | **—** | (10,000) |
| Proceeds on disposals of property, plant and equipment | | **—** | 1,075 |
| | | **(1,569,167)** | (125,416) |
| **Cash flows from financing activities** | | | |
| Increase (decrease) in bank indebtedness | | **9,978** | (5,076) |
| Net decrease under the revolving facilities | | **(231,511)** | (35,091) |
| Issuance of long-term debt, net of discounts and transaction costs | | **1,611,539** | — |
| Repayment of notes, debentures and credit facilities | | **(40,761)** | (5,554) |
| Repayment of lease liabilities | | **(1,277)** | (1,422) |
| Repayment of balance due on business combinations | | **—** | (1,258) |
| Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | *12 B)* | **(1,881)** | (1,074) |
| Dividends paid on multiple and subordinate voting shares | *12 C)* | **—** | (8,653) |
| Issuance of subordinate voting shares by a subsidiary to non-controlling interest | | **105** | 272 |
| Purchase and cancellation of subordinate voting shares by a subsidiary | | **(29,508)** | (1,479) |
| Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | | **(4,865)** | (4,439) |
| Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest | *12 C)* | **—** | (20,502) |
| | | **1,311,819** | (84,276) |
| **Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency** | | **1,390** | (2,306) |
| **Net change in cash and cash equivalents** | | **41,384** | 23,534 |
| Cash and cash equivalents, beginning of the period | | **368,434** | 406,113 |
| **Cash and cash equivalents, end of the period** | | **409,818** | 429,647 |

# 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 operating through its business units Cogeco Connexion and Breezeline (formerly Atlantic Broadband). Cogeco Communications provides broadband services (Internet, television and phone) to residential and business customers in Quebec and Ontario in Canada as well as in twelve states in the United States.

Its Cogeco Media subsidiary owns and operates 23 radio stations as well as a news agency in Quebec.

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

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

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

# 1. BASIS OF PRESENTATION

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

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

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

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

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

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

# 2. ACCOUNTING POLICY DEVELOPMENTS

## A) CHANGE IN ACCOUNTING POLICIES

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

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

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

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

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

### Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Effective September 1, 2021, the Corporation adopted these amendments, which had no material impact on the consolidated financial statements. As the Corporation continues to monitor the reform and its related implications, the effects, if any, will be dependent on the facts and circumstances of any future changes in financial instruments and any future changes in interest rate benchmarks.

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

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

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

| | |
|---|---|
| **Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows)** | In September 2021, the IFRS Interpretations Committee issued tentative agenda decision Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows), following the receipt of a request to clarify whether an entity should include a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. The Corporation will continue to monitor the development of this tentative agenda decision and will assess the impact on its consolidated financial statements, particularly in regard to the presentation of the funds received from the provincial and federal governments to be used to fund certain high-speed Internet network expansion projects, which are currently presented as Restricted cash, once the agenda decision is finalized. |
| **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2** | In February 2021, the IASB amended IAS 1, Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments on its accounting policies disclosure. |
| **Classification of Liabilities as Current or Non-current - Amendments to IAS 1** | In January 2020, the IASB amended IAS 1 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is currently assessing the impact of these amendments, if any, on its consolidated financial statements. |

## 3. REVENUE

Three months ended November 30,

| | Cogeco Communications | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Canadian broadband services | | American broadband services | | Sub-total | | Other | | Consolidated | |
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | **$** | $ | **$** | $ | **$** | $ | **$** | $ | **$** | $ |
| Residential [(1)] | **315,218** | 293,426 | **317,313** | 248,865 | **632,531** | 542,291 | **—** | — | **632,531** | 542,291 |
| Commercial | **39,207** | 34,017 | **40,379** | 34,417 | **79,586** | 68,434 | **—** | — | **79,586** | 68,434 |
| Other | **622** | 566 | **5,802** | 7,622 | **6,424** | 8,188 | **26,717** | 27,442 | **33,141** | 35,630 |
| | **355,047** | 328,009 | **363,494** | 290,904 | **718,541** | 618,913 | **26,717** | 27,442 | **745,258** | 646,355 |

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

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

# 4. OPERATING SEGMENTS

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

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

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

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

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

| | | | | | | Three months ended November 30, 2021 |
|---|---|---|---|---|---|---|
| | Cogeco Communications | | | | | |
| | Canadian broadband services | American broadband services | Corporate and eliminations | Sub-total | Other | Consolidated |
| | $ | $ | $ | $ | $ | $ |
| **Revenue** [(1)] | 355,047 | 363,494 | — | 718,541 | 26,717 | 745,258 |
| Operating expenses | 167,186 | 187,730 | 8,758 | 363,674 | 27,190 | 390,864 |
| Management fees – Cogeco Inc. | — | — | 5,580 | 5,580 | (5,580) | — |
| **Segment profit (loss)** | 187,861 | 175,764 | (14,338) | 349,287 | 5,107 | 354,394 |
| Integration, restructuring and acquisition costs [(2)] | | | | 18,635 | — | 18,635 |
| Depreciation and amortization | | | | 151,637 | 992 | 152,629 |
| Financial expense | | | | 44,955 | 653 | 45,608 |
| **Profit before income taxes** | | | | 134,060 | 3,462 | 137,522 |
| Income taxes | | | | 17,450 | 933 | 18,383 |
| **Profit for the period** | | | | 116,610 | 2,529 | 119,139 |
| Acquisition of property, plant and equipment | 67,471 | 73,227 | 330 | 141,028 | 481 | 141,509 |

(1) Revenue by geographic market includes $381.8 million in Canada and $363.5 million in the United States.

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

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

| | Three months ended November 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Cogeco Communications | | | | | |
| | Canadian broadband services | American broadband services | Corporate and eliminations | Sub-total | Other | Consolidated |
| | $ | $ | $ | $ | $ | $ |
| **Revenue** [(1)] | 328,009 | 290,904 | — | 618,913 | 27,442 | 646,355 |
| Operating expenses | 141,895 | 152,378 | 7,695 | 301,968 | 23,297 | 325,265 |
| Management fees – Cogeco Inc. | — | — | 5,852 | 5,852 | (5,852) | — |
| **Segment profit (loss)** | 186,114 | 138,526 | (13,547) | 311,093 | 9,997 | 321,090 |
| Integration, restructuring and acquisition costs [(2)] | | | | 1,215 | (34) | 1,181 |
| Depreciation and amortization | | | | 124,250 | 1,294 | 125,544 |
| Financial expense | | | | 35,210 | 1,069 | 36,279 |
| **Profit before income taxes** | | | | 150,418 | 7,668 | 158,086 |
| Income taxes | | | | 35,522 | 2,117 | 37,639 |
| **Profit for the period** | | | | 114,896 | 5,551 | 120,447 |
| Acquisition of property, plant and equipment | 65,610 | 49,347 | 1,265 | 116,222 | 269 | 116,491 |

(1) Revenue by geographic market includes $355.5 million in Canada and $290.9 million in the United States.

(2) Comprised primarily of due diligence costs and legal fees related to the acquisition of DERYtelecom, which was completed on December 14, 2020.

# 5. BUSINESS COMBINATIONS

## BUSINESS COMBINATION IN FISCAL 2022

### Acquisition of WideOpenWest's Ohio broadband systems

On September 1, 2021, Breezeline (formerly Atlantic Broadband), completed the acquisition of the broadband systems of WideOpenWest, Inc. ("WOW!") located in Ohio ("Ohio broadband systems") for a purchase price of $1.418 billion (US$1.125 billion), subject to customary post-closing adjustments. The transaction was executed through an asset purchase agreement. With the closing of this transaction, Breezeline is expanding its activities in Ohio and significantly growing its customer base. The acquired Ohio broadband systems passed approximately 689,000 homes and businesses in Cleveland and Columbus and served 196,338 Internet, 54,598 video and 33,604 telephony customers at the acquisition date. The acquisition represents a strong strategic fit for Cogeco Communications as it is complementary to its existing U.S. footprint and capitalizes on its existing platform. In the short term, the acquired operations will continue to operate under the WOW! name and trademark and be rebranded following the integration period.

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

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

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

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

| | At November 30, 2021 |
|---|---|
| | Preliminary |
| | $ |
| **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 |
| | 1,430,810 |
| **Net assets acquired** | |
| Current assets | 18,835 |
| Other non-current assets | 9,600 |
| Property, plant and equipment | 487,632 |
| Intangible assets | 497,977 |
| Goodwill | 432,870 |
| Current liabilities | (14,415) |
| Non-current liabilities | (1,689) |
| | 1,430,810 |

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

In connection with this acquisition, the Corporation incurred acquisition-related costs of $22.2 million (US$17.6 million), of which $18.2 million (US$14.4 million) were recognized in the current year ($4.0 million or US$3.2 million in 2021), within *Integration, restructuring and acquisition costs* in the Corporation's consolidated statement of profit and loss.

During the three-month period ended November 30, 2021, with regard to the operations generated by the acquisition of the Ohio broadband systems, the Corporation recognized $73.3 million of revenue and $15.9 million of profit, which excludes acquisition and integration costs, financial expense and income taxes. The results of operations of the Ohio broadband systems are reported in the American broadband services operating segment.

### BUSINESS COMBINATION IN FISCAL 2021

#### Acquisition of DERYtelecom

On December 14, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of DERYtelecom, the third largest cable operator in the province of Québec, for a purchase price of $403 million, subject to customary post-closing adjustments. The transaction was executed essentially through an asset purchase. During the first quarter of fiscal 2022, the Corporation finalized the purchase price allocation and, as a result, adjustments were made to *Property, plant and equipment, Intangible assets, Goodwill* and *Provisions.* The impact of this final adjustment on the consolidated statements of profit or loss was not material.

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

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

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

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

## 6. OPERATING EXPENSES

| | Three months ended November 30, | |
|---|---|---|
| | 2021 | 2020 |
| | $ | $ |
| Salaries, employee benefits and outsourced services | 125,352 | 108,602 |
| Service delivery costs | 199,113 | 168,335 |
| Customer related costs | 28,979 | 20,930 |
| Other external purchases | 37,420 | 27,398 |
| | 390,864 | 325,265 |

## 7. DEPRECIATION AND AMORTIZATION

| | Three months ended November 30, | |
|---|---|---|
| | 2021 | 2020 |
| | $ | $ |
| Depreciation of property, plant and equipment (1) | 138,182 | 110,709 |
| Amortization of intangible assets | 14,447 | 14,835 |
| | 152,629 | 125,544 |

(1) Includes depreciation of right-of-use assets amounting to $1.6 million ($2.0 million in fiscal 2021) for the three-month period of fiscal 2022.

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

## 8. FINANCIAL EXPENSE

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **$** | $ |
| Interest on long-term debt, excluding interest on lease liabilities | **43,084** | 34,051 |
| Interest on lease liabilities | **449** | 585 |
| Net foreign exchange loss | **1,270** | 809 |
| Amortization of deferred transaction costs related to the revolving facilities | **203** | 230 |
| Other | **602** | 604 |
| | **45,608** | 36,279 |

## 9. INCOME TAXES

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **$** | $ |
| Current | **15,549** | 21,313 |
| Deferred | **2,834** | 16,326 |
| | **18,383** | 37,639 |

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **$** | $ |
| Profit before income taxes | **137,522** | 158,086 |
| Combined Canadian income tax rate | **26.5 %** | 26.5 % |
| Income taxes at combined Canadian income tax rate | **36,443** | 41,893 |
| Difference in operations' statutory income tax rates | **(102)** | 599 |
| Impact on income taxes arising from non-deductible expenses and non-taxable profit | **(123)** | 221 |
| Tax impacts related to foreign operations | **(6,561)** | (5,143) |
| Other [(1)] | **(11,274)** | 69 |
| Income taxes at effective income tax rate | **18,383** | 37,639 |
| Effective income tax rate | **13.4%** | 23.8% |

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

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

## 10. EARNINGS PER SHARE

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **$** | $ |
| **Profit for the period attributable to owners of the Corporation** | **38,523** | 40,489 |
| **Weighted average number of multiple and subordinate voting shares outstanding** | **15,906,808** | 15,883,525 |
| Effect of dilutive incentive share units | **47,332** | 57,785 |
| Effect of dilutive performance share units | **43,945** | 51,907 |
| **Weighted average number of diluted multiple and subordinate voting shares outstanding** | **15,998,085** | 15,993,217 |

## 11. LONG-TERM DEBT

| | **November 30, 2021** | August 31, 2021 |
|---|---|---|
| | **$** | $ |
| Notes, debentures and credit facilities | **4,666,353** | 3,270,131 |
| Lease liabilities | **61,795** | 59,779 |
| Balance due on business combinations | **3,198** | — |
| | **4,731,346** | 3,329,910 |
| Less current portion | **239,614** | 261,970 |
| | **4,491,732** | 3,067,940 |

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

## NOTES, DEBENTURES AND CREDIT FACILITIES

| | Maturity | Interest rate | | November 30, 2021 | August 31, 2021 |
|---|---|---|---|---|---|
| | | % | | $ | $ |
| **Corporation** | | | | | |
| Term Revolving Facility | | | | | |
| Revolving loan - US$20 million | February 2025 | 1.11 | (1) (2) | **25,584** | — |
| Unsecured Debentures [(a)] | — | — | | **—** | 35,315 |
| **Subsidiaries** | | | | | |
| Term Revolving Facility | | | | | |
| Revolving loan | January 2025 | — | | **—** | 52,972 |
| Revolving loan – US$160 million at August 31, 2021 | January 2025 | — | | **—** | 201,872 |
| Senior Secured Notes | | | | | |
| Series A - US$25 million | September 2024 | 4.14 | | **31,933** | 31,491 |
| Series B - US$150 million | September 2026 | 4.29 | | **191,468** | 188,823 |
| Senior Secured Notes - US$215 million | June 2025 | 4.30 | | **274,485** | 270,686 |
| Senior Secured Notes [(b)] | September 2031 | 2.99 | | **496,890** | — |
| Senior Secured Debentures Series 3 | February 2022 | 4.93 | | **199,947** | 199,895 |
| Senior Secured Debentures Series 4 | May 2023 | 4.18 | | **299,460** | 299,371 |
| First Lien Credit Facilities [(c)] | | | | | |
| Senior Secured Term Loan B Facility | | | | | |
| Tranche 1 - US$1,605.5 million (US$1,609.8 million at August 31, 2021) | January 2025 | 2.09 | (1) (3) | **2,014,857** | 1,989,706 |
| Tranche 2 - US$900 million [(d)] | September 2028 | 3.00 | (1) (4) | **1,131,729** | — |
| Senior Secured Revolving Facility | July 2024 | — | | **—** | — |
| | | | | **4,666,353** | 3,270,131 |
| Less current portion | | | | **230,328** | 256,659 |
| | | | | **4,436,025** | 3,013,472 |

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

(2) An amount of US$20 million drawn under the Corporation's Revolving loan facility was hedged until January 10, 2022, using a cross-currency swap agreement which sets the amount redeemable at maturity at $25.4 million and the effective interest rate on the Canadian dollar equivalent at 0.99%.

(3) As of November 30, 2021, a U.S. subsidiary of the Corporation had entered into interest rate swap agreements to fix the interest rate on a notional amount of US$770 million of the Senior Secured Term Loan B Facility - Tranche 1. These agreements have the effect of converting the floating US LIBOR base rate into fixed rates ranging from 2.017% to 2.262%, plus an applicable credit spread, for maturities between January 31, 2023 and November 30, 2024. Taking into account these agreements, the effective interest rate on the Tranche 1 of the Senior Secured Term Loan B Facility is 3.07%.

(4) As of November 30, 2021, a U.S. subsidiary of the Corporation had entered into interest rate swap agreements to fix the interest rate on a notional amount of US$800 million of the Senior Secured Term Loan B Facility - Tranche 2. These agreements have the effect of converting the floating US LIBOR base rate, or the 50 bps LIBOR floor if higher, into fixed rates ranging from 1.2237% to 1.4631%, plus an applicable credit spread, for maturities between October 31, 2025 and July 31, 2027. Taking into account these agreements, the effective interest rate on the Tranche 2 of the Senior Secured Term Loan B Facility is 3.73%.

a) The Corporation reimbursed the Unsecured Debentures at their maturity date, on November 8, 2021.

b) On September 20, 2021, Cogeco Communications completed, pursuant to a private placement, the issuance of $500 million Senior Secured Notes, bearing interest at 2.991% and maturing on September 22, 2031. The interest on the Senior Secured Notes is payable semi-annually. These notes are redeemable at any time at Cogeco Communications' option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and most of its Canadian subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries.

c) The First Lien Credit Facilities are non-recourse to Cogeco Communications and most of its Canadian subsidiaries.

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

d) On September 1, 2021, in connection with the financing of the Ohio broadband systems acquisition, a U.S. subsidiary of Cogeco Communications completed the issuance of a new US$900 million tranche of the Senior Secured Term Loan B Facility, maturing on September 1, 2028. The interest rate is based on LIBOR, with a 50 bps floor, plus an applicable credit spread. The Senior Secured Term Loan B - Tranche 2 is subject to a quarterly amortization of 0.25% starting on May 31, 2022 until its maturity date. In addition to the quarterly amortization, the loan shall be prepaid according to a prepayment percentage of excess cash flows generated during the prior fiscal year as defined below, if applicable.

(i) 50% if the U.S. subsidiary's ratio of net senior secured indebtedness / adjusted EBITDA ("leverage ratio") is greater than or equal to 5.1;
(ii) 25% if the U.S. subsidiary's leverage ratio is greater than or equal to 4.6 but less than 5.1; and
(iii) 0% if the U.S. subsidiary's leverage ratio is less than 4.6.

# 12. SHARE CAPITAL

## A) AUTHORIZED

*Unlimited number of:*

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

*Multiple voting shares*, 20 votes per share.

*Subordinate voting shares*, 1 vote per share.

## B) ISSUED AND PAID

| | November 30, 2021 | August 31, 2021 |
|---|---|---|
| | $ | $ |
| 1,602,217 multiple voting shares | 10 | 10 |
| 14,399,638 subordinate voting shares | 115,237 | 115,237 |
| | 115,247 | 115,247 |
| 42,350 subordinate voting shares held in trust under the Incentive Share Unit Plan (49,824 at August 31, 2021) | (3,442) | (4,021) |
| 41,315 subordinate voting shares held in trust under the Performance Share Unit Plan (50,644 at August 31, 2021) | (3,318) | (4,032) |
| | 108,487 | 107,194 |

**Subordinate voting shares held in trust**

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

| | Number of shares | Amount |
|---|---|---|
| | | $ |
| Balance at August 31, 2021 | 49,824 | 4,021 |
| Subordinate voting shares acquired | 12,976 | 1,072 |
| Subordinate voting shares distributed to employees | (20,450) | (1,651) |
| **Balance at November 30, 2021** | 42,350 | 3,442 |

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

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

| | Number of shares | Amount |
|---|---|---|
| | | $ |
| Balance at August 31, 2021 | 50,644 | 4,032 |
| Subordinate voting shares acquired | 9,797 | 809 |
| Subordinate voting shares distributed to employees | (19,126) | (1,523) |
| **Balance at November 30, 2021** | **41,315** | **3,318** |

## C) DIVIDENDS

On November 11, 2021, a quarterly eligible dividend of $0.625 per share, for a total of $9.9 million, was declared to the holders of multiple and subordinate voting shares. As the dividend was payable on December 9, 2021, no dividend was paid during the three-month period ended November 30, 2021, and consequently it has been presented within *Trade and other payables* in the consolidated statement of financial position at November 30, 2021. A quarterly eligible dividend of $0.545 per share, for a total of $8.7 million, was declared and paid in the three-month period ended November 30, 2020.

On November 11, 2021, a quarterly eligible dividend of $0.705 per share, for a total of $21.7 million, was declared by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest. As the dividend was payable on December 9, 2021, no dividend was paid during the three-month period ended November 30, 2021, and consequently it has been presented within *Trade and other payables* in the consolidated statement of financial position at November 30, 2021. A quarterly eligible dividend of $0.64 per share, for a total of $20.5 million, was declared and paid in the three-month period ended November 30, 2020.

| | Three months ended November 30, | |
|---|---|---|
| | 2021 | 2020 |
| | $ | $ |
| Attributable to owners of the Corporation | | |
| Dividends on multiple voting shares | 1,001 | 873 |
| Dividends on subordinate voting shares | 8,933 | 7,780 |
| | 9,934 | 8,653 |
| Attributable to non-controlling interest | | |
| Dividends on subordinate voting shares | 21,653 | 20,502 |

At its January 13, 2022 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.625 per share for multiple and subordinate voting shares, payable on February 10, 2022 to shareholders of record on January 27, 2022.

## D) SHARE-BASED PAYMENT PLANS

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

For the three-month period ended November 30, 2021, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at November 30, 2021 and August 31, 2021.

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

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at November 30, 2021:

| | Options | Weighted average exercise price |
|---|---|---|
| | | $ |
| Outstanding at August 31, 2021 | 835,074 | 81.73 |
| Granted | 154,825 | 100.78 |
| Exercised [(1)] | (1,430) | 73.25 |
| Cancelled | (6,220) | 94.61 |
| **Outstanding at November 30, 2021** | **982,249** | **84.66** |
| **Exercisable at November 30, 2021** | **520,854** | **73.46** |

(1) The weighted average share price for options exercised during the three-month period was $98.96.

The weighted average fair value of stock options granted by Cogeco Communications for the three-month period ended November 30, 2021 was $17.37 per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

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

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at November 30, 2021:

| | |
|---|---|
| Outstanding at August 31, 2021 | 48,600 |
| Granted [(1)] | 14,450 |
| Distributed | (20,450) |
| Cancelled | (250) |
| **Outstanding at November 30, 2021** | **42,350** |

(1) The weighted average fair value of the ISUs granted during the three-month period was $79.23.

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at November 30, 2021:

| | |
|---|---|
| Outstanding at August 31, 2021 | 68,835 |
| Granted [(1)] | 27,950 |
| Distributed | (18,410) |
| Cancelled | (775) |
| **Outstanding at November 30, 2021** | **77,600** |

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

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

Under the PSU Plan of the Corporation, the following PSUs were granted and are outstanding at November 30, 2021:

| | |
|---|---|
| Outstanding at August 31, 2021 | 48,354 |
| Granted (1) | 14,450 |
| Performance-based additional units granted | 205 |
| Distributed | (19,126) |
| Cancelled | (3,834) |
| **Outstanding at November 30, 2021** | **40,049** |

(1) The weighted average fair value of the PSUs granted during the three-month period was $79.23.

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at November 30, 2021:

| | |
|---|---|
| Outstanding at August 31, 2021 | 96,183 |
| Granted (1) | 33,025 |
| Performance-based additional units granted | 443 |
| Distributed | (31,863) |
| Cancelled | (2,539) |
| **Outstanding at November 30, 2021** | **95,249** |

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

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at November 30, 2021:

| | |
|---|---|
| Outstanding at August 31, 2021 | 47,435 |
| **Outstanding at November 30, 2021** | **47,435** |

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at November 30, 2021:

| | |
|---|---|
| Outstanding at August 31, 2021 | 59,280 |
| **Outstanding at November 30, 2021** | **59,280** |

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **$** | $ |
| Stock options | **553** | 613 |
| ISUs | **889** | 841 |
| PSUs | **1,141** | (86) |
| DSUs | **(862)** | (228) |
| | **1,721** | 1,140 |

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

## 13. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

| | Cash flow hedge reserve | Foreign currency translation | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance at August 31, 2020 | (16,780) | 14,335 | (2,445) |
| Other comprehensive income (loss) | 1,762 | (1,764) | (2) |
| Balance at November 30, 2020 | (15,018) | 12,571 | (2,447) |
| Balance at August 31, 2021 | **(10,060)** | **4,185** | **(5,875)** |
| Other comprehensive income | **2,714** | **5,263** | **7,977** |
| **Balance at November 30, 2021** | **(7,346)** | **9,448** | **2,102** |

## 14. ADDITIONAL CASH FLOWS INFORMATION

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **$** | $ |
| Trade and other receivables | **(15,396)** | (12,041) |
| Prepaid expenses and other | **(710)** | (12,073) |
| Other assets | **(2,188)** | (714) |
| Trade and other payables | **38,868** | 11,097 |
| Provisions | **1,065** | (125) |
| Contract liabilities and other liabilities | **(1,910)** | (5,406) |
| | **19,729** | (19,262) |

## B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| Three months ended November 30, 2021 | Bank indebtedness | Long-term debt: Notes, debentures and credit facilities | Long-term debt: Lease liabilities | Long-term debt: Balance due on business combinations | Total |
|---|---|---|---|---|---|
| *(In thousands of Canadian dollars)* | $ | $ | $ | $ | $ |
| Balance at August 31, 2021 | 4,460 | 3,270,131 | 59,779 | — | 3,334,370 |
| Increase in bank indebtedness | **9,978** | — | — | — | **9,978** |
| Net decrease under the revolving facilities | — | **(231,511)** | — | — | **(231,511)** |
| Issuance of long-term debt, net of discounts and transaction costs | — | **1,611,539** | — | — | **1,611,539** |
| Repayment of notes, debentures and credit facilities | — | **(40,761)** | — | — | **(40,761)** |
| Repayment of lease liabilities | — | — | **(1,277)** | — | **(1,277)** |
| Total cash flows from (used in) financing activities excluding equity | **9,978** | **1,339,267** | **(1,277)** | — | **1,347,968** |
| Interest paid on lease liabilities | — | — | **(408)** | — | **(408)** |
| Total cash flow changes | **9,978** | **1,339,267** | **(1,685)** | — | **1,347,560** |
| Effect of changes in foreign exchange rates | — | **53,143** | **167** | **46** | **53,356** |
| Amortization of discounts, transaction costs and other | — | **3,812** | — | — | **3,812** |
| Net increase in lease liabilities | — | — | **1,716** | — | **1,716** |
| Assumed through business combinations | — | — | **1,818** | — | **1,818** |
| Increase in balance due on business combinations | — | — | — | **3,152** | **3,152** |
| Total non-cash changes | — | **56,955** | **3,701** | **3,198** | **63,854** |
| **Balance at November 30, 2021** | **14,438** | **4,666,353** | **61,795** | **3,198** | **4,745,784** |

# 15. FINANCIAL INSTRUMENTS

## A) FINANCIAL RISK MANAGEMENT

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

### Credit risk

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

The Corporation reduces the credit risk with regard to the derivative financial instruments by completing transactions with financial institutions that carry a high credit rating. At November 30, 2021, management believes this credit risk to be minimal, since the lowest credit rating of the counterparties to the agreements is "A-" by Standard & Poor's rating services ("S&P").

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

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

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

### Liquidity risk

At November 30, 2021, the Corporation had used $25.6 million of its $100 million Term Revolving Facility and an amount of $11.7 million was used from Cogeco Communications' Term Revolving Facility of $750 million, for remaining availabilities of $74.4 million and $738.3 million, respectively. In addition, Cogeco Communications' U.S. subsidiaries also benefit from a Senior Secured Revolving Facility of $191.9 million (US$150 million), of which $2.8 million (US$2.2 million) was used at November 30, 2021 for a remaining availability of $189.1 million (US$147.8 million).

### Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2021, 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' 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. subsidiaries entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2021:

| Type of hedge | Notional amount | Receive interest rate | Pay interest rate | Maturity | Hedged item |
|---|---|---|---|---|---|
| Cash flow | US$770 million | US LIBOR base rate | 2.017% - 2.262% | January 2023 - November 2024 | Senior Secured Term Loan B - Tranche 1 |
| Cash flow | US$800 million | US LIBOR base rate with a 50 bps floor | 1.224% - 1.463% | October 2025 - July 2027 | Senior Secured Term Loan B - Tranche 2 |

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $11.7 million based on the outstanding debt and swap agreements at November 30, 2021.

### Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollar would increase the annual financial expense by approximately $12.7 million based on the outstanding debt and swap agreements at November 30, 2021.

Furthermore, a foreign currency exposure arises from Cogeco Communications' net investment in its U.S. subsidiaries, as a result of the translation of the net investment into the Corporation's functional currency. A portion of Cogeco Communications' net investment in its U.S. subsidiaries 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. subsidiaries' US dollar denominated First Lien Credit Facilities.

The exchange rate used to translate the US dollar currency into Canadian dollar for the consolidated statement of financial position accounts at November 30, 2021 was $1.2792 ($1.2617 at August 31, 2021) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $104.8 million.

## B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| | **November 30, 2021** | | August 31, 2021 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | Carrying value | Fair value |
| | **$** | **$** | $ | $ |
| Notes, debentures and credit facilities | **4,666,353** | **4,779,815** | 3,270,131 | 3,383,015 |

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

## C) CAPITAL MANAGEMENT

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

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

At November 30, 2021 and August 31, 2021, the Corporation and its subsidiary, Cogeco Communications, were in compliance with all of their debt covenants and were not subject to any other externally imposed capital requirements.

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

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

| | November 30, 2021 | August 31, 2021 |
|---|---|---|
| Net indebtedness (1) / adjusted EBITDA (2) | **3.50** | 2.45 |
| Adjusted EBITDA (2) / financial expense (2) | **9.3** | 9.7 |

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended November 30, 2021, which includes 3 months of the Ohio broadband services operations, and for the year ended August 31, 2021, which includes 8.5 months of DERYtelecom operations.

# 16. RELATED PARTY TRANSACTIONS

Cogeco is the parent company of Cogeco Communications and, as of November 30, 2021, held 33.7% of Cogeco Communications' equity shares, representing 83.6% of the votes attached to Cogeco Communications' voting shares.

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

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the three-month periods ended November 30, 2021 and 2020, Cogeco Communications granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| Stock options | **72,200** | 69,200 |
| PSUs | **10,100** | 10,375 |

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

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

| | Three months ended November 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **$** | $ |
| Stock options | **332** | 345 |
| ISUs | **—** | 6 |
| PSUs | **370** | (150) |
| DSUs | **(118)** | (25) |
| | **584** | 176 |

## 17. SUBSEQUENT EVENTS

### Normal course issuer bid

On January 13, 2022, the TSX accepted Cogeco's notice of intention for a normal course issuer bid, enabling it to acquire for cancellation up to 325,000 subordinate voting shares from January 18, 2022 to January 17, 2023.

### Amendments of Cogeco's and Cogeco Communications' term revolving facilities

On December 17, 2021, Cogeco amended and extended its $100 million Term Revolving Facility to February 3, 2027 and Cogeco Communications amended and extended its $750 million Term Revolving Facility to January 24, 2027. As part of the amendments, both Cogeco and Cogeco Communications have transitioned their revolving facilities into a Sustainability-linked loan ("SLL") structure, underscoring their strong leadership and dedication to sustainability and the organizations' Environmental, social and governance (ESG) goals.

### Final payment for the 3500 MHz band spectrum licences

Following the 3500 MHz band auction held by Innovation, Science and Economic Development ("ISED") Canada, which started on June 15, 2021 and ended on July 23, 2021, Cogeco Connexion secured 38 spectrum licences, for a total purchase price of $295 million. In accordance with the terms and conditions of the spectrum auction, the Corporation's first deposit of $59 million, representing 20% of the total purchase price, was paid to ISED Canada, on August 13, 2021. On December 16, 2021, the Corporation made the $236 million final payment. The unsecured letter of credit of $150 million, submitted in connection with this transaction, was cancelled on December 20, 2021, following the final payment. The spectrum licences will be presented as *Intangible assets* in the consolidated statement of financial position following the issuance of the licences.

# PRIMARY SERVICE UNIT STATISTICS

| | November 30, 2021 (1) | August 31, 2021 | May 31, 2021 | February 28, 2021 (2) | November 30, 2020 |
|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | |
| **Primary service units** | **3,233,564** | 2,972,073 | 2,976,391 | 2,982,402 | 2,763,466 |
| **Internet service customers** | **1,635,082** | 1,436,201 | 1,427,752 | 1,416,325 | 1,319,869 |
| **Video service customers** | **1,019,510** | 982,708 | 989,698 | 1,001,077 | 930,684 |
| **Telephony service customers** | **578,972** | 553,164 | 558,941 | 565,000 | 512,913 |
| **CANADA** | | | | | |
| **Homes passed** | **1,984,397** | 1,976,617 | 1,975,004 | 1,970,483 | 1,771,832 |
| **Primary service units** | **1,997,006** | 2,002,083 | 2,002,736 | 2,010,049 | 1,790,783 |
| **Internet service customers** | **918,304** | 915,684 | 909,901 | 905,321 | 815,248 |
| Penetration as a percentage of homes passed | **46.3%** | 46.3% | 46.1% | 45.9% | 46.0% |
| **Video service customers** | **672,781** | 677,194 | 680,456 | 687,486 | 612,297 |
| Penetration as a percentage of homes passed | **33.9%** | 34.3% | 34.5% | 34.9% | 34.6% |
| **Telephony service customers** | **405,921** | 409,205 | 412,379 | 417,242 | 363,238 |
| Penetration as a percentage of homes passed | **20.5%** | 20.7% | 20.9% | 21.2% | 20.5% |
| **UNITED STATES** | | | | | |
| **Homes passed** | **1,630,411** | 936,519 | 935,520 | 929,323 | 927,564 |
| **Primary service units** | **1,236,558** | 969,990 | 973,655 | 972,353 | 972,683 |
| **Internet service customers** | **716,778** | 520,517 | 517,851 | 511,004 | 504,621 |
| Penetration as a percentage of homes passed | **44.0%** | 55.6% | 55.4% | 55.0% | 54.4% |
| **Video service customers** | **346,729** | 305,514 | 309,242 | 313,591 | 318,387 |
| Penetration as a percentage of homes passed | **21.3%** | 32.6% | 33.1% | 33.7% | 34.3% |
| **Telephony service customers** | **173,051** | 143,959 | 146,562 | 147,758 | 149,675 |
| Penetration as a percentage of homes passed | **10.6%** | 15.4% | 15.7% | 15.9% | 16.1% |

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

(2) On December 14, 2020, 224,039 primary service units (85,642 Internet services, 80,218 video services and 58,179 telephony services) were added related to the acquisition of DERYtelecom.