SHAREHOLDERS' REPORT

Three and six-month periods ended February 28, 2021

FINANCIAL HIGHLIGHTS

	Three months ended					Six months ended				
	February 28, 2021	February 29, 2020	Change	Change in constant currency (1)(2)	Foreign exchange impact (1)	**February 28, 2021**	February 29, 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	**653,156**	610,797	6.9	8.5	(9,597)	**1,299,511**	1,229,266	5.7	6.6	(10,768)
Adjusted EBITDA (2)	**308,414**	279,609	10.3	11.8	(4,192)	**629,504**	570,118	10.4	11.2	(4,702)
Integration, restructuring and acquisition costs (3)	**2,330**	5,458	(57.3)			**3,511**	5,538	(36.6)		
Profit for the period	**110,156**	113,384	(2.8)			**230,603**	207,600	11.1		
Profit for the period attributable to owners of the Corporation	**33,737**	34,975	(3.5)			**74,226**	66,259	12.0		
Cash flow										
Cash flows from operating activities	**241,619**	236,117	2.3			**477,151**	387,188	23.2		
Acquisition of property, plant and equipment (4)	**115,748**	111,222	4.1	6.5	(2,703)	**232,239**	233,252	(0.4)	0.9	(3,094)
Free cash flow (2)	**140,555**	125,067	12.4	12.8	(533)	**288,791**	233,960	23.4	23.7	(684)
Financial condition (5)										
Cash and cash equivalents						**267,745**	406,113	(34.1)		
Total assets						**7,203,055**	7,024,696	2.5		
Indebtedness (6)						**3,331,872**	3,290,354	1.3		
Equity attributable to owners of the Corporation						**803,597**	761,501	5.5		
Per share data (7)										
Earnings per share										
Basic	**2.12**	2.19	(3.2)			**4.67**	4.15	12.5		
Diluted	**2.11**	2.18	(3.2)			**4.64**	4.12	12.6		
Dividends	**0.545**	0.475	14.7			**1.09**	0.95	14.7		

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. For the three and six-month periods ended February 29, 2020, the average foreign exchange rates used for translation were 1.3182 USD/CDN and 1.3203 USD/CDN, respectively.

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

(3) For the three and six-month periods ended February 28, 2021, integration, restructuring and acquisition costs resulted mostly from the acquisition and integration of DERYtelecom, which was completed on December 14, 2020. For the three and six-month periods ended February 29, 2020, integration, restructuring and acquisition costs resulted primarily from organizational changes initiated across the Corporation resulting in cost optimization, as well as the acquisition and integration of Thames Valley Communications, which was completed on March 10, 2020.

(4) For the three and six-month periods ended February 28, 2021, acquisition of property, plant and equipment in constant currency amounted to $118.5 million and $235.3 million, respectively.

(5) At February 28, 2021 and August 31, 2020.

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

(7) Per multiple and subordinate voting share.

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

Three and six-month periods ended February 28, 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, 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 2021 Financial Guidelines" sections of the Corporation's 2020 annual MD&A and the "Fiscal 2021 Revised Financial Guidelines" of the current MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks (including potential disruption to our supply chain), regulatory risks, public health crisis and emergencies such as the current COVID-19 pandemic, 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 and litigation risks, 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 2020 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 and six-month periods ended February 28, 2021 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the Corporation's 2020 Annual Report.

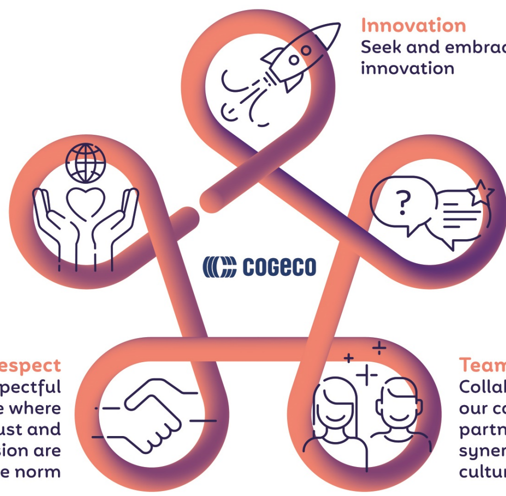
In preparing this MD&A, the Corporation has taken into account information available up to April 13, 2021, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website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

2. CORPORATE OBJECTIVES AND STRATEGIES

Our Mission

Bring people together through powerful communications and entertainment experiences

Our Values



Innovation
Seek and embrace innovation

Customer Commitment
Put customers at the heart of all our actions

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

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

Social Engagement
Have a positive impact on our communities and the environment

Our Vision

Be the organization that delivers the best and most sustainable value to all our stakeholders

Cogeco will fulfill this vision by focusing on the following growth pillars

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

Employee Experience
Foster a highly collaborative, engaging and inclusive work environment

Market Expansion
Augment our geographic reach and expand into new market segments

Cost Efficiency
Optimize operational effectiveness and increase synergies

Brand Value
Build a strong and socially responsible brand

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 2020 Annual Report available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

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

2.1 KEY PERFORMANCE INDICATORS

Overall, fiscal 2021 second-quarter financial results were in line with Cogeco's revised financial guidelines as issued on January 14, 2021. Accordingly, Cogeco maintains its fiscal 2021 revised financial guidelines.

Please refer to the "Fiscal 2021 revised financial guidelines" section for further details.

REVENUE

For the first six months of fiscal 2021, revenue increased by 5.7% (6.6% in constant currency) resulting from:

- growth of 7.6% (9.6% in constant currency) in the American broadband services segment; and
- an increase of 6.2% (6.2% in constant currency) in the Canadian broadband services segment, mainly from revenue generated from the DERYtelecom acquisition completed on December 14, 2020; partly offset by
- lower revenue in the media activities due to a decline of the radio advertising market resulting directly from the COVID-19 pandemic.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications, revenue in constant currency increased by 4.1% for the first six months of fiscal 2021.

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

ADJUSTED EBITDA [(1)]

For the first six months of fiscal 2021, adjusted EBITDA increased by 10.4% (11.2% in constant currency) as a result of:

- an increase of 11.3% (13.4% in constant currency) in the American broadband services segment, mainly resulting from revenue growth and the impact of the Thames Valley Communications acquisition, combined with the timing of certain sales and marketing initiatives deferred to the second half of the year; and
- an increase of 10.1% (10.0% in constant currency) in the Canadian broadband services segment, mainly resulting from revenue growth and the impact of the DERYtelecom acquisition, combined with the timing of certain sales and marketing initiatives deferred to the second half of the year; partly offset by
- higher corporate costs.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications, adjusted EBITDA in constant currency increased by 8.7% for the first six months of fiscal 2021.

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

For the first six months of fiscal 2021, acquisition of property, plant and equipment remained comparable to same period of the prior year, with an overall decrease of 0.4% (increase of 0.9% in constant currency) resulting from:

- higher capital expenditures in the American broadband services segment in order to support the segment's revenue growth driven by increased demand for the high speed Internet product, combined with equipment upgrades and the timing of certain initiatives and accelerated purchases of certain equipment to prevent potential supply chain shortages given the impact of the COVID-19 pandemic; offset by
- lower capital expenditures in the Canadian broadband services segment, resulting mainly from the timing of certain initiatives.

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

FREE CASH FLOW [(1)]

For the first six months of fiscal 2021, free cash flow increased by 23.4% (23.7% in constant currency) mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense, when excluding the fiscal 2020 non-cash gain on debt modification of $22.9 million; partly offset by
- the increase in current income taxes.

(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 of the MD&A.

2.2 FISCAL 2021 REVISED FINANCIAL GUIDELINES

During the first quarter of fiscal 2021, Cogeco and Cogeco Communications revised their fiscal 2021 financial guidelines as issued on October 27, 2020 giving effect to the impact from the acquisition of DERYtelecom which was completed on December 14, 2020, and considering the strong fiscal 2021 first-quarter financial results. The financial guidelines exclude possible acquisitions and do not take into consideration the potential impact of the review and variance process currently pending before the CRTC in connection with the final rates for aggregated wholesale Internet services for resellers. The projections take into consideration the experience gained while operating during the COVID-19 pandemic so far, but exclude potential unexpected significant material impacts from it.

Cogeco

The following table outlines fiscal 2021 revised financial guidelines of Cogeco on a consolidated basis, compared to the fiscal 2021 financial guidelines as issued on October 27, 2020:

	January 14, 2021 Revised projections		October 27, 2020 Original projections
	Fiscal 2021 (constant currency)	(1)	Fiscal 2021 (constant currency)
Financial guidelines			
Revenue	Mid to high single-digit percentage growth	(2)	Low single-digit percentage growth
Adjusted EBITDA	Mid to high single-digit percentage growth	(2)	Remain constant
Free cash flow	High single-digit percentage growth	(3)	Low single-digit percentage growth

(1) Fiscal 2021 financial guidelines are based on a USD/CDN constant exchange rate of 1.3456 USD/CDN.

(2) The acquisition of DERYtelecom is expected to have a positive impact of approximately 3% on fiscal 2021 revenue and adjusted EBITDA.

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

Cogeco Communications

The following table outlines fiscal 2021 revised financial guidelines of Cogeco Communications on a consolidated basis, compared to the fiscal 2021 financial guidelines as issued on October 27, 2020:

	January 14, 2021 Revised projections		October 27, 2020 Original projections
	Fiscal 2021 (constant currency)	(1)	Fiscal 2021 (constant currency)
Financial guidelines			
Revenue	Mid to high single-digit percentage growth	(2)	Low single-digit percentage growth
Adjusted EBITDA	Mid to high single-digit percentage growth	(2)	Low single-digit percentage growth
Capital intensity	Approximately 20%		Approximately 20%
Free cash flow	Low double-digit percentage growth	(3)	Low single-digit percentage growth

(1) Fiscal 2021 financial guidelines are based on a USD/CDN constant exchange rate of 1.3456 USD/CDN.

(2) The acquisition of DERYtelecom is expected to have a positive impact of approximately 3% on fiscal 2021 revenue and adjusted EBITDA.

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

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

The COVID-19 pandemic continued to impact our day-to-day operations. Our priority remained on ensuring the well-being of our employees, customers and business partners. During the first half of fiscal 2021, we continued to experience some of the trends from past quarters. Those primarily relate to sustained demand for our residential high speed Internet product, due to customers spending more time at home for work, online education and entertainment purposes, and a reduction of certain expenses due to a more stable customer base (fewer connections and disconnections) and not being able to use all usual sales channels. In these unusual circumstances, we have also decided to delay certain sales and marketing expenses to the second half of the year in both countries.

We expect that the current "work-from-home" trend will continue after the COVID-19 pandemic, where more workers will work from home than pre-pandemic on a partial or full-time basis.

As for our radio operations, they were negatively impacted by the pandemic with a revenue decline of 18% in the first half compared to the previous year, due to certain segments of the retail industry reducing or cutting their advertising activities. As it did in prior quarters, Cogeco Media managed its operating expenses tightly while maintaining quality programming.

Although we are pleased with the financial results to date under the circumstances, we remain cautious in our management of this situation as uncertainties remain on the potential human, operating and financial impact of the pandemic. The Corporation's results discussed herein may not be indicative of future operational trends and financial performance. Please refer to the "Fiscal 2021 revised financial guidelines" section for more details.

3. BUSINESS DEVELOPMENTS

3500 MHz spectrum auction

As published by the Government of Canada, Cogeco Connexion has filed an application to participate in the auction for the spectrum in the 3500 MHz band. On April 6, 2021, the Corporation issued an unsecured letter of credit to Innovation, Science and Economic Development Canada ("ISED") as a financial deposit with respect to the upcoming 3500 MHz spectrum auction. Under the published ISED's bidder participation rules, the Corporation is forbidden to disclose the amount of its issued letter of credit, as it could be interpreted as a signal of the Corporation's bidding intentions. The auction is scheduled to start on June 15, 2021.

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

On March 22, 2021, Cogeco Communications announced that Cogeco Connexion will carry out 13 high-speed Internet network expansion projects in several regions of Québec, in collaboration with the provincial and federal governments. These regional infrastructure projects represent an investment of approximately $240 million, of which $208 million will come from the provincial and federal governments, in the form of government subsidies.

Once these projects are completed, more than 54,000 homes and businesses will be connected to Cogeco Connexion's high-speed Internet services, including 35,880 primary residences identified by the Government of Québec as part of *Opération haute vitesse* (Operation High-Speed). These digital infrastructure investment projects are scheduled to be completed by September 2022. On March 26, 2021, Cogeco Connexion received $187.5 million of the $208 million expected government subsidies, to be used to pay for a portion of the 13 high-speed Internet network expansion projects. The amount of subsidies may vary depending on actual construction scope and costs. The projects are also subject to penalties, except for events out of Cogeco Connexion's control, if their delivery extends beyond September 2022.

Acquisition of DERYtelecom

On December 14, 2020, Cogeco Connexion completed the acquisition of DERYtelecom, the third largest cable operator in the province of Québec, for a purchase price of $403 million, subject to customary post-closing adjustments. The transaction was executed essentially through an asset purchase. This acquisition enables Cogeco Connexion to expand its activities in more than 200 municipalities in Québec and adds approximately 100,000 customers to its customer base. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility. As the transaction was executed essentially through an asset purchase, Cogeco Connexion expects to realize tax benefits with a present value of approximately $40 million. These benefits are due to the tax amortization of tangible and intangible assets which are both stepped up to current market value in an asset purchase transaction.

CRTC's wholesale Internet services 2019 rate decision

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, the Corporation, together with other telecommunications service providers (the "Telecommunications Service Providers"), filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. While leave to appeal and an interlocutory stay of the CRTC order were both granted, the FCA ultimately dismissed the appeal and lifted the stay on September 10, 2020. On November 12, 2020, the Telecommunications Service Providers sought leave to appeal the Federal Court of Appeal's decision to the Supreme Court of Canada. On February 25, 2021, the Supreme Court of Canada dismissed the Telecommunications Service Providers' application for leave to appeal.

In parallel, on December 13, 2019, the Telecommunications Service Providers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the order. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition, on November 13, 2019, the Telecommunications Service Providers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Governor in Council rendered an order on August 15, 2020, which stated that the rates set by the CRTC did not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

Due to the stay issued by the CRTC and the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has not recorded the impact of the reduced rates as at February 28, 2021. Refer to the 2020 Annual Report for more details.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	653,156	610,797	6.9	8.5	(9,597)
Operating expenses	344,742	331,188	4.1	5.7	(5,405)
Adjusted EBITDA	308,414	279,609	10.3	11.8	(4,192)

(1) For the three-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2744 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3182 USD/CDN.

	Six months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	1,299,511	1,229,266	5.7	6.6	(10,768)
Operating expenses	670,007	659,148	1.6	2.6	(6,066)
Adjusted EBITDA	629,504	570,118	10.4	11.2	(4,702)

(1) For the six-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2957 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3203 USD/CDN.

REVENUE

	Three months ended				
	February 28, 2021	February 29, 2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	354,902	322,221	10.1	10.1	—
American broadband services	279,646	264,246	5.8	9.5	(9,597)
Cogeco Communications	634,548	586,467	8.2	9.8	(9,597)
Other	18,608	24,330	(23.5)	(23.5)	—
Consolidated	653,156	610,797	6.9	8.5	(9,597)

	Six months ended				
	February 28, 2021	February 29, 2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	682,911	643,028	6.2	6.2	—
American broadband services	570,550	530,266	7.6	9.6	(10,768)
Cogeco Communications	1,253,461	1,173,294	6.8	7.8	(10,768)
Other	46,050	55,972	(17.7)	(17.7)	—
Consolidated	1,299,511	1,229,266	5.7	6.6	(10,768)

For the second quarter and the first six months of fiscal 2021, revenue increased by 6.9% and 5.7% (8.5% and 6.6% in constant currency), respectively, resulting mainly from:

- organic growth in both the Canadian broadband services and the American broadband services segments, resulting mainly from growth in Internet service customers given the increased demand for high speed offerings in the context of the COVID-19 pandemic, and rate increases implemented for certain services;
- the DERYtelecom acquisition completed on December 14, 2020, which contributed to the revenue growth in the Canadian broadband services segment; and
- the impact of the Thames Valley Communications acquisition completed on March 10, 2020, which contributed to the revenue growth in the American broadband services segment; partly offset by
- lower revenue in the media activities due to a decline of the radio advertising market resulting directly from the COVID-19 pandemic as the bulk of its radio revenue is generated from the retail industry which was significantly impacted by the pandemic since the second half of fiscal 2020.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications, revenue in constant currency increased by 4.1% for the second quarter and the first six months of fiscal 2021.

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

OPERATING EXPENSES

	Three months ended				
	February 28, 2021	February 29, 2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**165,194**	151,856	8.8	8.9	(237)
American broadband services	**150,117**	145,030	3.5	7.1	(5,168)
Corporate and eliminations	**6,390**	6,555	(2.5)	(2.5)	—
Cogeco Communications	**321,701**	303,441	6.0	7.8	(5,405)
Other	**23,041**	27,747	(17.0)	(17.0)	—
Consolidated	**344,742**	331,188	4.1	5.7	(5,405)

	Six months ended				
	February 28, 2021	February 29, 2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**307,089**	301,701	1.8	1.9	(265)
American broadband services	**302,495**	289,400	4.5	6.5	(5,801)
Corporate and eliminations	**14,085**	11,672	20.7	20.7	—
Cogeco Communications	**623,669**	602,773	3.5	4.5	(6,066)
Other	**46,338**	56,375	(17.8)	(17.8)	—
Consolidated	**670,007**	659,148	1.6	2.6	(6,066)

For the second quarter and the first six months of fiscal 2021, operating expenses increased by 4.1% and 1.6% (5.7% and 2.6% in constant currency), respectively, resulting from:

- higher operating expenses in the American broadband services segment driven by the revenue growth, including higher operating expenses resulting from the impact of the Thames Valley Communications acquisition, combined with annual video programming rate increases; and
- higher operating expenses in the Canadian broadband services segment resulting from the DERYtelecom acquisition; partly offset by
- lower operating expenses in the media activities, as Cogeco Media tightly managed its costs in light of its revenue being adversely impacted by certain segments of the retail industry reducing or cutting their advertising activities in the context of the COVID-19 pandemic.

In addition, during the first half of fiscal 2021, certain sales and marketing activities were deferred to the second half of the year 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				
	February 28, 2021	February 29, 2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**189,708**	170,365	11.4	11.2	237
American broadband services	**129,529**	119,216	8.7	12.4	(4,429)
Corporate and eliminations	**(12,243)**	(12,209)	0.3	0.3	—
Cogeco Communications	**306,994**	277,372	10.7	12.2	(4,192)
Other	**1,420**	2,237	(36.5)	(36.5)	—
Consolidated	**308,414**	279,609	10.3	11.8	(4,192)

	Six months ended				
	February 28, 2021	February 29, 2020	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**375,822**	341,327	10.1	10.0	265
American broadband services	**268,055**	240,866	11.3	13.4	(4,967)
Corporate and eliminations	**(25,790)**	(22,716)	13.5	13.5	—
Cogeco Communications	**618,087**	559,477	10.5	11.3	(4,702)
Other	**11,417**	10,641	7.3	7.3	—
Consolidated	**629,504**	570,118	10.4	11.2	(4,702)

For the second quarter and the first six months of fiscal 2021, adjusted EBITDA increased by 10.3% and 10.4% (11.8% and 11.2% in constant currency), respectively, as a result of:

- an increase in the Canadian broadband services segment mainly resulting from revenue growth and the impact of the DERYtelecom acquisition; and
- an increase in the American broadband services segment, mainly resulting from revenue growth and the impact of the Thames Valley Communications acquisition.

In addition, adjusted EBITDA for the first six months of fiscal 2021 was favorably impacted by the timing of certain sales and marketing activities deferred to the second half of the year in both countries in the context of the COVID-19 pandemic, partly offset by higher corporate costs.

Excluding the acquisitions of DERYtelecom and Thames Valley Communications, adjusted EBITDA in constant currency increased by 7.3% and 8.7%, respectively, for the second quarter and the first six months of fiscal 2021.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

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

For the second quarter and first six months of fiscal 2020, integration, restructuring and acquisition costs amounted to $5.5 million resulting from organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended			Six months ended		
	February 28, 2021	February 29, 2020	Change	**February 28, 2021**	February 29, 2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation of property, plant and equipment [(1)]	**118,427**	109,153	8.5	**229,136**	219,108	4.6
Amortization of intangible assets	**9,661**	14,266	(32.3)	**24,496**	28,574	(14.3)
	128,088	123,419	3.8	**253,632**	247,682	2.4

(1) Includes depreciation of right-of-use assets amounting to $1.9 million and $3.8 million ($2.1 million and $4.1 million in 2020) for the three and six-month periods of fiscal 2021.

For the second quarter and the first six months of fiscal 2021, depreciation and amortization expense increased by 3.8% and 2.4%, respectively, mainly due to:

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

4.4 FINANCIAL EXPENSE

	Three months ended			Six months ended		
	February 28, 2021	February 29, 2020	Change	**February 28, 2021**	February 29, 2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**32,713**	39,711	(17.6)	**66,764**	80,543	(17.1)
Interest on lease liabilities	**567**	594	(4.5)	**1,152**	1,241	(7.2)
Gain on debt modification	**—**	(22,898)	(100.0)	**—**	(22,898)	(100.0)
Net foreign exchange (gain) loss	**(1,471)**	2	—	**(662)**	(2)	—
Amortization of deferred transaction costs	**205**	230	(10.9)	**435**	715	(39.2)
Capitalized borrowing costs	**(41)**	(142)	(71.1)	**(91)**	(293)	(68.9)
Other	**902**	(3,857)	—	**1,556**	(5,264)	—
	32,875	13,640	—	**69,154**	54,042	28.0

For the second quarter and the first six months of fiscal 2021, financial expense increased by 141.0% and 28.0%, respectively, mainly due to:

- the $22.9 million non-cash gain on debt modification recognized during the second quarter of fiscal 2020 related to the amendment made to the Senior Secured Term Loan B Facility on February 3, 2020 resulting from the reduction of the interest rate by 0.25%;
- lower interest revenue resulting from investments given lower excess cash; partly offset by
- lower interest expense on the Senior Secured Term Loan B Facility resulting from the decrease in the interest rate and in the principal amount outstanding;
- the early redemption of the Senior Secured Debentures Series 2 in July 2020; and
- 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			Six months ended		
	February 28, 2021	February 29, 2020	Change	**February 28, 2021**	February 29, 2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Current	**18,303**	5,005	—	**39,616**	30,305	30.7
Deferred	**16,662**	18,703	(10.9)	**32,988**	24,951	32.2
	34,965	23,708	47.5	**72,604**	55,256	31.4

(In thousands of Canadian dollars, except percentages)	Three months ended February 28, 2021 $	February 29, 2020 $	Change %	Six months ended February 28, 2021 $	February 29, 2020 $	Change %
Profit before income taxes	**145,121**	137,092	5.9	**303,207**	262,856	15.4
Combined Canadian income tax rate	**26.5 %**	26.5 %	—	**26.5 %**	26.5 %	—
Income taxes at combined Canadian income tax rate	**38,457**	36,330	5.9	**80,350**	69,657	15.4
Difference in operations' statutory income tax rates	**981**	403	—	**1,580**	1,217	29.8
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**148**	(724)	—	**369**	(1,075)	—
Tax impacts related to foreign operations	**(4,892)**	(6,103)	(19.8)	**(10,035)**	(12,613)	(20.4)
Other	**271**	(6,198)	—	**340**	(1,930)	—
Income taxes at effective income tax rate	**34,965**	23,708	47.5	**72,604**	55,256	31.4
Effective income tax rate	**24.1%**	17.3%	39.3	**23.9%**	21.0%	13.8

For the second quarter and the first six months of fiscal 2021, income taxes expense increased by 47.5% and 31.4%, respectively, mainly due to the increase in profit before income taxes. In addition, for the second quarter of fiscal 2021, income taxes expense increased due to a non-recurring current income taxes recovery recorded during the second quarter of fiscal 2020 related to a tax reorganization.

4.6 PROFIT FOR THE PERIOD

(In thousands of Canadian dollars, except percentages and earnings per share)	Three months ended February 28, 2021 $	February 29, 2020 $	Change %	Six months ended February 28, 2021 $	February 29, 2020 $	Change %
Profit for the period	**110,156**	113,384	(2.8)	**230,603**	207,600	11.1
Profit for the period attributable to owners of the Corporation	**33,737**	34,975	(3.5)	**74,226**	66,259	12.0
Profit for the period attributable to non-controlling interest [(1)]	**76,419**	78,409	(2.5)	**156,377**	141,341	10.6
Basic earnings per share	**2.12**	2.19	(3.2)	**4.67**	4.15	12.5

(1) At February 28, 2021, the non-controlling interest relates to a participation of approximately 67% 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 Cogeco Communications' Atlantic Broadband subsidiary.

Fiscal 2021 second-quarter profit for the period and profit for the period attributable to owners of the Corporation decreased by 2.8% and 3.5%, respectively, as a result of:

- higher financial expense, mainly due to the $22.9 million non-cash gain on debt modification recognized during the second quarter of fiscal 2020; and
- higher income taxes expense; partly offset by
- higher adjusted EBITDA.

For the first six months of fiscal 2021, profit for the period and profit for the period attributable to owners of the Corporation increased by 11.1% and 12.0%, respectively, as a result of:

- higher adjusted EBITDA; partly offset by
- higher financial expense; and
- higher income taxes expense.

5. RELATED PARTY TRANSACTIONS

Cogeco held, as at February 28, 2021, 33% of Cogeco Communications' equity shares, representing 83% 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 second quarter and the first six months of fiscal 2021, management fees paid by Cogeco

Communications amounted to $5.9 million and $11.7 million, respectively, compared to $5.7 million and $11.0 million for the same periods of fiscal 2020.

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

	Six months ended	
(In number of units)	**February 28, 2021**	February 29, 2020
Stock options	**69,200**	110,875
PSUs	**10,375**	14,375
DSUs	**792**	1,847

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
(In thousands of Canadian dollars)	**$**	$	**$**	$
Stock options	**266**	261	**611**	570
ISUs	**—**	9	**6**	22
PSUs	**275**	385	**125**	697
DSUs	**213**	11	**188**	143
	754	666	**930**	1,432

6. CASH FLOWS ANALYSIS

	Three months ended			Six months ended		
	February 28, 2021	February 29, 2020	Change	**February 28, 2021**	February 29, 2020	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Cash flows from operating activities	**241,619**	236,117	2.3	**477,151**	387,188	23.2
Cash flows used in investing activities	**(499,205)**	(109,523)	—	**(624,621)**	(231,358)	—
Cash flows from (used in) financing activities	**100,680**	(166,785)	—	**16,404**	(214,396)	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(4,996)**	2,191	—	**(7,302)**	2,290	—
Net change in cash and cash equivalents	**(161,902)**	(38,000)	—	**(138,368)**	(56,276)	—
Cash and cash equivalents, beginning of the period	**429,647**	541,117	(20.6)	**406,113**	559,393	(27.4)
Cash and cash equivalents, end of the period	**267,745**	503,117	(46.8)	**267,745**	503,117	(46.8)

6.1 OPERATING ACTIVITIES

Fiscal 2021 second-quarter cash flows from operating activities increased by 2.3% mainly from:

- higher adjusted EBITDA; and
- the decrease in income taxes paid; partly offset by
- changes in non-cash operating activities primarily due to timing of the payment of trade and other payables; and
- the increase in interest paid.

For the first six months of fiscal 2021, cash flows from operating activities increased by 23.2% mainly from:

- higher adjusted EBITDA;
- changes in non-cash operating activities primarily due to timing of the payment of trade and other payables; and
- the decrease in interest paid; partly offset by
- the increase in income taxes paid, mainly due to the timing of year-end income tax instalments.

6.2 INVESTING ACTIVITIES

For the second quarter and first six months of fiscal 2021, cash flows used in investing activities increased by 355.8% and 170.0% mainly due to the acquisition of DERYtelecom completed during the second quarter of fiscal 2021. The purchase price was financed through a combination of cash on hand and borrowings under Cogeco Communications' Term Revolving Facility.

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				Six months ended			
	February 28, 2021	February 29, 2020	Change	Change in constant currency (1)	**February 28, 2021**	February 29, 2020	Change	Change in constant currency (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	**$**	$	%	%
Canadian broadband services	**57,454**	65,761	(12.6)	(11.5)	**123,064**	140,891	(12.7)	(12.0)
Capital intensity (3)	**16.2 %**	20.4 %			**18.0 %**	21.9 %		
American broadband services	**57,559**	44,948	28.1	32.4	**106,906**	90,781	17.8	20.2
Capital intensity (3)	**20.6 %**	17.0 %			**18.7 %**	17.1 %		
Corporate and eliminations	**201**	131	53.4	53.4	**1,466**	470	—	—
Cogeco Communications	**115,214**	110,840	3.9	6.4	**231,436**	232,142	(0.3)	1.0
Capital intensity (3)	**18.2 %**	18.9 %			**18.5 %**	19.8 %		
Other	**534**	382	39.8	39.8	**803**	1,110	(27.7)	(27.7)
Consolidated	**115,748**	111,222	4.1	6.5	**232,239**	233,252	(0.4)	0.9

(1) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3182 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3203 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 of the MD&A.

Fiscal 2021 second-quarter acquisition of property, plant and equipment increased by 4.1% (6.5% in constant currency), and for the first six months of fiscal 2021, remained comparable to same period of the prior year, with an overall decrease of 0.4% (increase of 0.9% in constant currency), mainly due to:

- higher capital expenditures in the American broadband services segment in order to support the segment's revenue growth driven by increased demand for the high speed Internet product, combined with equipment upgrades, the timing of certain initiatives and accelerated purchases of certain equipment to prevent potential supply chain shortages given the impact of the COVID-19 pandemic; partly offset by
- lower capital expenditures in the Canadian broadband services segment, resulting mainly from the timing of certain initiatives.

For the second quarter and the first six months of fiscal 2021, capital intensity of Cogeco Communications reached 18.2% and 18.5% compared to 18.9% and 19.8% for the same periods of the prior year. Capital intensity decreases for both periods are explained mainly as a result of revenue growth in both the Canadian broadband services and American 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.

6.3 FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

For the second quarter and first six months of fiscal 2021, changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

	Three months ended		Six months ended		
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020	Explanations
(In thousands of Canadian dollars)	**$**	$	**$**	$	
(Decrease) increase in bank indebtedness	**(2,534)**	(12,405)	**(7,610)**	732	Timing of payments made to suppliers.
Net increase under the revolving facilities	**172,973**	2,637	**137,882**	1,302	Mainly related to the DERYtelecom acquisition, which was financed in part through Cogeco Communications' Term Revolving Facility.
Repayment of notes, debentures and credit facilities	**(5,400)**	(52,096)	**(10,954)**	(57,744)	Mainly related to a repayment of US$35 million on the Senior Secured Term Loan B Facility during the second quarter of fiscal 2020.
Repayment of lease liabilities	**(1,400)**	(1,558)	**(2,822)**	(3,123)	Comparable.
Repayment of balance due on business combinations	**—**	—	**(1,258)**	(3,228)	Repayment of the balance related to the FiberLight acquisition.
	163,639	(63,422)	**115,238**	(62,061)	

DIVIDENDS

During the second quarter of fiscal 2021, a quarterly eligible dividend of $0.545 per share was paid to the holders of multiple and subordinate voting shares, totalling $8.6 million, compared to a quarterly eligible dividend of $0.475 per share, or $7.6 million, in the second quarter of fiscal 2020. Dividend payment in the first six months of fiscal 2021 totalled $1.09 per share or $17.3 million compared to $0.95 or $15.1 million in the prior year.

NORMAL COURSE ISSUER BID ("NCIB")

Cogeco

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

During the second quarter and first six months of fiscal 2020, Cogeco had purchased and cancelled 61,415 and 84,855 subordinate voting shares with an average price per share repurchased of $99.55 and $99.32 for a total consideration of $6.1 million and $8.4 million.

Cogeco Communications

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

During the second quarter and first six months of fiscal 2021, Cogeco Communications purchased and cancelled 313,700 and 328,600 subordinate voting shares with a weighted average price per share repurchased of $111.72 and $111.15 for a total consideration of $35.0 million and $36.5 million. During the second quarter and first six months of fiscal 2020, Cogeco Communications had purchased and cancelled 652,400 and 795,500 subordinate voting shares with a weighted average price per share repurchased of $108.50 and $108.71 for a total consideration of $70.8 million and $86.5 million.

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.

6.4 FREE CASH FLOW

	Three months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA (3)	**308,414**	279,609	10.3	11.8	(4,192)
Amortization of deferred transaction costs and discounts on long-term debt	**2,343**	2,258	3.8	7.0	(72)
Share-based payment	**4,278**	2,144	99.5	99.5	—
(Gain) loss on disposals and write-offs of property, plant and equipment and other	**(609)**	256	—	—	—
Defined benefit plans contributions, net of expense	**(3,215)**	581	—	—	—
Integration, restructuring and acquisition costs	**(2,330)**	(5,458)	(57.3)	(56.9)	20
Financial expense (4)	**(32,875)**	(36,538)	(10.0)	(7.6)	889
Current income taxes	**(18,303)**	(5,005)	—	—	98
Acquisition of property, plant and equipment	**(115,748)**	(111,222)	4.1	6.5	2,703
Repayment of lease liabilities	**(1,400)**	(1,558)	(10.1)	(8.8)	21
Free cash flow (3)	**140,555**	125,067	12.4	12.8	(533)

(1) For the three-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2744 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3182 USD/CDN.

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

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

	Six months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA (3)	**629,504**	570,118	10.4	11.2	(4,702)
Amortization of deferred transaction costs and discounts on long-term debt	**4,640**	4,816	(3.7)	(2.0)	(80)
Share-based payment	**5,418**	5,363	1.0	1.0	—
(Gain) loss on disposals and write-offs of property, plant and equipment and other	**(1,177)**	1,240	—	—	—
Defined benefit plans contributions, net of expense	**(2,252)**	1,581	—	—	—
Integration, restructuring and acquisition costs	**(3,511)**	(5,538)	(36.6)	(36.2)	20
Financial expense (4)	**(69,154)**	(76,940)	(10.1)	(8.8)	999
Current income taxes	**(39,616)**	(30,305)	30.7	30.6	(39)
Acquisition of property, plant and equipment	**(232,239)**	(233,252)	(0.4)	0.9	3,094
Repayment of lease liabilities	**(2,822)**	(3,123)	(9.6)	(8.9)	24
Free cash flow (3)	**288,791**	233,960	23.4	23.7	(684)

(1) For the six-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2957 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3203 USD/CDN.

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

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

Fiscal 2021 second-quarter free cash flow increased by 12.4% (12.8% in constant currency) mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense, when excluding the fiscal 2020 non-cash gain on debt modification of $22.9 million; partly offset by
- the increase in current income taxes; and
- the increase in acquisition of property, plant and equipment in the American broadband services segment, partly offset by the decrease in the Canadian broadband services segment.

For the first six months of fiscal 2021, free cash flow increased by 23.4% (23.7% in constant currency) mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense, when excluding the fiscal 2020 non-cash gain on debt modification of $22.9 million; partly offset by
- the increase in current income taxes.

6.5 DIVIDEND DECLARATION

At its April 13, 2021 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.545 per share for multiple voting and subordinate voting shares, payable on May 11, 2021 to shareholders of record on April 27, 2021. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. SEGMENTED OPERATING AND FINANCIAL RESULTS

The Corporation reports its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities, makes decisions about resources to be allocated to the segments and assesses their performance. During fiscal 2021, the Corporation changed the presentation of its operating segments information in order to align with the operating segments presentation of its subsidiary, Cogeco Communications.

7.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**354,902**	322,221	10.1	10.1	—
Operating expenses	**165,194**	151,856	8.8	8.9	(237)
Adjusted EBITDA	**189,708**	170,365	11.4	11.2	237
Adjusted EBITDA margin	**53.5 %**	52.9 %			
Acquisition of property, plant and equipment	**57,454**	65,761	(12.6)	(11.5)	(765)
Capital intensity (3)	**16.2 %**	20.4 %			

(1) For the three-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2744 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3182 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 of the MD&A.

	Six months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**682,911**	643,028	6.2	6.2	—
Operating expenses	**307,089**	301,701	1.8	1.9	(265)
Adjusted EBITDA	**375,822**	341,327	10.1	10.0	265
Adjusted EBITDA margin	**55.0 %**	53.1 %			
Acquisition of property, plant and equipment	**123,064**	140,891	(12.7)	(12.0)	(904)
Capital intensity (3)	**18.0 %**	21.9 %			

(1) For the six-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2957 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3203 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 of the MD&A.

REVENUE

For the second quarter and first six months of fiscal 2021, revenue increased by 10.1% and 6.2%, respectively, as reported and in constant currency mainly as a result of:

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

Excluding the acquisition of DERYtelecom, revenue in constant currency increased by 2.9% and 2.6%, respectively, for the second quarter and the first six months of fiscal 2021.

OPERATING EXPENSES

For the second quarter and first six months of fiscal 2021, operating expenses increased by 8.8% and 1.8% (8.9% and 1.9% in constant currency), respectively, mainly due to higher operating expenses resulting from the DERYtelecom acquisition. In addition, during the first half of fiscal 2021, certain sales and marketing activities were deferred to the second half of the year in the context of the COVID-19 pandemic.

ADJUSTED EBITDA

For the second quarter and first six months of fiscal 2021, adjusted EBITDA increased by 11.4% and 10.1% (11.2% and 10.0% in constant currency), respectively, mainly resulting from revenue growth and the impact of the DERYtelecom acquisition.

Excluding the acquisition of DERYtelecom, adjusted EBITDA in constant currency increased by 4.7% and 6.8%, respectively, for the second quarter and the first six months of fiscal 2021.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

For the second quarter and first six months of fiscal 2021, acquisition of property, plant and equipment decreased by 12.6% and 12.7% (11.5% and 12.0% in constant currency), respectively, resulting mainly from:

- lower purchases of customer premise equipment due to the timing of certain initiatives; and
- lower capitalized installations costs due to increased self installations since the beginning of the COVID-19 pandemic;
- lower costs related to the maintenance, growth and expansion of our network infrastructure due to the timing of certain initiatives, partly offset by additional costs related to DERYtelecom's network infrastructure, as well as other purchases of property, plant and equipment related to the recent DERYtelecom acquisition.

For the second quarter and first six months of fiscal 2021, capital intensity reached 16.2% and 18.0% compared to 20.4% and 21.9% for the same periods of fiscal 2020. Capital intensity decreases for both periods is explained mainly by lower capital expenditures combined with the revenue growth.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended		Net additions (losses) Six months ended		% of penetration [1]	
	February 28, 2021	**February 28, 2021** (2)	February 29, 2020	**February 28, 2021** (2)	February 29, 2020	**February 28, 2021**	February 29, 2020
Primary service units	**2,010,049**	**(4,773)**	(6,592)	**(13,696)**	1,774		
Internet service customers	**905,321**	**4,431**	1,055	**7,663**	7,707	**45.8**	44.9
Video service customers	**687,486**	**(5,029)**	(7,493)	**(11,981)**	(10,750)	**34.8**	36.1
Telephony service customers	**417,242**	**(4,175)**	(154)	**(9,378)**	4,817	**21.1**	21.3

(1) As a percentage of homes passed.

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

INTERNET

For the second quarter and first six months of fiscal 2021, Internet service customers net additions amounted to 4,431 and 7,663, respectively, compared to 1,055 and 7,707 for the same periods of the prior year. The net additions for both periods of fiscal 2021 were mainly resulting from:

- the ongoing interest in high speed offerings due to customers spending more time at home for work, online education and entertainment purposes in the context of the COVID-19 pandemic; partly offset by
- competitive offers in the industry.

VIDEO

For the second quarter and first six months of fiscal 2021, video service customers net losses amounted to 5,029 and 11,981, respectively, compared to 7,493 and 10,750 for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly due to:

- the continuous change in the video consumption environment; and
- highly competitive offers in the industry.

TELEPHONY

For the second quarter and first six months of fiscal 2021, telephony service customers net losses amounted to 4,175 and 9,378, respectively, compared to net losses and net additions of 154 and 4,817, respectively, for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly due to:

- increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

In addition, the growth in the first half of last year included unusual telephony additions as a result of more telephony bundles being actively marketed at that time.

DISTRIBUTION OF CUSTOMERS

At February 28, 2021, 68% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

7.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**279,646**	264,246	5.8	9.5	(9,597)
Operating expenses	**150,117**	145,030	3.5	7.1	(5,168)
Adjusted EBITDA	**129,529**	119,216	8.7	12.4	(4,429)
Adjusted EBITDA margin	**46.3 %**	45.1 %			
Acquisition of property, plant and equipment	**57,559**	44,948	28.1	32.4	(1,938)
Capital intensity (3)	**20.6 %**	17.0 %			

(1) For the three-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2744 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3182 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 of the MD&A.

	Six months ended				
	February 28, 2021 (1)	February 29, 2020	Change	Change in constant currency (2)	Foreign exchange impact (2)
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Revenue	**570,550**	530,266	7.6	9.6	(10,768)
Operating expenses	**302,495**	289,400	4.5	6.5	(5,801)
Adjusted EBITDA	**268,055**	240,866	11.3	13.4	(4,967)
Adjusted EBITDA margin	**47.0 %**	45.4 %			
Acquisition of property, plant and equipment	**106,906**	90,781	17.8	20.2	(2,190)
Capital intensity (3)	**18.7 %**	17.1 %			

(1) For the six-month period ended February 28, 2021, the average foreign exchange rate used for translation was 1.2957 USD/CDN.

(2) Fiscal 2021 actuals are translated at the average foreign exchange rate of fiscal 2020, which was 1.3203 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 of the MD&A.

REVENUE

For the second quarter and first six months of fiscal 2021, revenue increased by 5.8% and 7.6% (9.5% and 9.6% in constant currency), respectively. In local currency, revenue amounted to US$219.4 million and US$440.3 million compared to US$200.5 million and US$401.6 million for the same periods of fiscal 2020. The increases resulted mainly from:

- a higher Internet service customer base;
- rate increases implemented for certain services; and
- the impact of the Thames Valley Communications acquisition completed on March 10, 2020.

Excluding the acquisition of Thames Valley Communications, revenue in constant currency increased by 8.0% and 8.1%, respectively, for the second quarter and the first six months of fiscal 2021.

OPERATING EXPENSES

For the second quarter and first six months of fiscal 2021, operating expenses increased by 3.5% and 4.5% (7.1% and 6.5% in constant currency), respectively, mainly due to:

- higher customer levels combined with annual video programming rate increases;
- higher operating expenses resulting from the impact of the Thames Valley Communications acquisition; and
- higher compensation expenses and costs related to additional headcount to support growth.

In addition, during the first half of fiscal 2021, certain sales and marketing activities were deferred to the second half of the year in the context of the COVID-19 pandemic.

ADJUSTED EBITDA

For the second quarter and first six months of fiscal 2021, adjusted EBITDA increased by 8.7% and 11.3% (12.4% and 13.4% in constant currency), respectively. In local currency, adjusted EBITDA amounted to US$101.6 million and US$206.8 million compared to US$90.4 million and US$182.4 million for the same periods of fiscal 2020.

Excluding the acquisition of Thames Valley Communications, adjusted EBITDA in constant currency increased by 11.0% and 12.0%, respectively, for the second quarter and the first six months of fiscal 2021.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY

For the second quarter and first six months of fiscal 2021, acquisition of property, plant and equipment increased by 28.1% and 17.8% (32.4% and 20.2% in constant currency), respectively, resulting mainly from:

- higher purchases of customer premise equipments and other related costs in order to support increased demand for the high speed Internet product, combined with equipment upgrades and the timing of certain initiatives; and
- accelerated purchases of certain equipment to prevent potential supply chain shortages given the impact of the COVID-19 pandemic.

For the second quarter and first six months of fiscal 2021, capital intensity reached 20.6% and 18.7% compared to 17.0% and 17.1% for the same periods of fiscal 2020. Capital intensity increases for both periods are explained mainly by higher capital expenditures, partly offset by higher revenue.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS

		Net additions (losses) Three months ended		Net additions (losses) Six months ended		% of penetration [1]	
	February 28, 2021	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
Primary service units	**972,353**	**(330)**	3,637	**14,428**	5,761		
Internet service customers	**511,004**	**6,383**	5,770	**18,792**	11,096	**55.0**	51.8
Video service customers	**313,591**	**(4,796)**	(2,386)	**(3,796)**	(6,303)	**33.7**	34.7
Telephony service customers	**147,758**	**(1,917)**	253	**(568)**	968	**15.9**	16.3

(1) As a percentage of homes passed.

INTERNET

For the second quarter and first six months of fiscal 2021, Internet service customers net additions amounted to 6,383 and 18,792, respectively, compared to 5,770 and 11,096 for the same periods of the prior year. The net additions for both periods of fiscal 2021 were mainly resulting from:

- growth in the residential sector primarily resulting from the increased demand for high speed offerings due to customers spending more time at home for work, online education and entertainment purposes in the context of the COVID-19 pandemic;
- increased bulk residential customers' activations related to the Florida expansion initiatives; and
- growth in the commercial sector.

VIDEO

For the second quarter and first six months of fiscal 2021, video service customers net losses amounted to 4,796 and 3,796, respectively, compared to 2,386 and 6,303 for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly due to:

- a new emphasis on offers that are Internet led and the cessation of all video-only new offers;
- a changing video consumption environment; and
- competitive offers in the industry; partly offset by
- increased bulk residential customers' activations related to the Florida expansion initiatives.

TELEPHONY

For the second quarter and first six months of fiscal 2021, telephony service customers net losses amounted to 1,917 and 568, respectively, compared to net additions of 253 and 968 for the same periods of the prior year. The net losses for both periods of fiscal 2021 were mainly due to:

- increasing mobile wireless penetration in the United States and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only; partly offset by
- growth in the business sectors.

At February 28, 2021, 50% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

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:

(In thousands of Canadian dollars)	February 28, 2021 $	August 31, 2020 $	Change $	Explanations
Current assets				
Cash and cash equivalents	267,745	406,113	(138,368)	Refer to the "Cash flows analysis" section. Mainly due to the acquisition of DERYtelecom completed during the second quarter of fiscal 2021, which was financed through a combination of cash on hand and borrowings under the Term Revolving Facility.
Trade and other receivables	126,942	97,414	29,528	Mainly related to an increase of accounts receivable related to the DERYtelecom acquisition completed during the second quarter of fiscal 2021, as well as the timing of collection of trade accounts receivable.
Income taxes receivable	3,774	4,835	(1,061)	Not significant.
Prepaid expenses and other	41,743	30,197	11,546	Mainly related to the increase in prepayments for annual maintenance agreements.
Derivative financial instruments	2,399	—	2,399	Not significant.
	442,603	538,559	(95,956)	
Current liabilities				
Bank indebtedness	—	7,610	(7,610)	Timing of payments made to suppliers.
Trade and other payables	251,776	226,247	25,529	Mainly related to a higher level of trade and other payables resulting from the DERYtelecom acquisition and timing of payments made to suppliers.
Provisions	38,200	34,114	4,086	Not significant.
Income tax liabilities	19,690	40,040	(20,350)	Related to the payment of income tax instalments, partly offset by the current income taxes expense for the six-month period.
Contract liabilities and other liabilities	53,384	47,387	5,997	Mainly from the DERYtelecom acquisition.
Derivative financial instruments	—	4,374	(4,374)	Not significant.
Current portion of long-term debt	264,146	32,914	231,232	Mainly related to the Senior Secured Debentures Series 3 maturing in February 2022 and the Unsecured Debentures maturing in November 2021, which were classified as current.
	627,196	392,686	234,510	
Working capital (deficiency) surplus	(184,593)	145,873	(330,466)	

8.2 OTHER SIGNIFICANT CHANGES

(In thousands of Canadian dollars)	February 28, 2021 $	August 31, 2020 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,334,647**	2,124,214	210,433	Mainly related to the acquisition of DERYtelecom and capital investments during the first half of fiscal 2021, partly offset by the depreciation expense of the period, as well as the depreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,854,781**	2,886,556	(31,775)	Related to the depreciation of the US dollar against the Canadian dollar and amortization for the period, partly offset by intangible assets acquired as part of the acquisition of DERYtelecom.
Goodwill	**1,509,793**	1,409,036	100,757	Related to the DERYtelecom acquisition, partly offset by the depreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	**3,017,862**	3,192,301	(174,439)	Mainly related to the classification of the Senior Secured Debentures Series 3 and the Unsecured Debentures as current portion of long-term debt, the decrease in amounts borrowed under the Corporation's Term Revolving Facility, combined with the depreciation of the US dollar against the Canadian dollar and the quarterly repayment on the Senior Secured Term Loan B Facility, partly offset by the acquisition of DERYtelecom which was financed in part with Cogeco Communications' Term Revolving Facility.
Derivative financial instruments	**50,825**	67,375	(16,550)	Increase in market interest rates and the depreciation of the US dollar against the Canadian dollar.
Pension plan liabilities and accrued employee benefits	**11,146**	23,307	(12,161)	Actuarial gains recorded in the first half of fiscal 2021.
Deferred tax liabilities	**658,734**	631,128	27,606	Timing of reversals of temporary differences, partly offset by the depreciation of the US dollar against the Canadian dollar.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at March 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 $
Common shares		
Multiple voting shares	**1,602,217**	**10**
Subordinate voting shares	**14,399,638**	**115,237**

8.4 FINANCING

In the normal course of business, Cogeco has incurred financial obligations, primarily in the form of long-term debt, lease contracts and guarantees. Cogeco's obligations, as reported in the 2020 Annual Report, have not materially changed since August 31, 2020.

At February 28, 2021, the Corporation had used $6.0 million of its $100 million Term Revolving Facility and an amount of $180.2 million was used from Cogeco Communications' Term Revolving Facility of $750 million, for remaining availabilities of $94.0 million and $569.8 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $190.3 million (US$150 million), of which $3.1 million (US$2.4 million) was used at February 28, 2021 for a remaining availability of $187.2 million (US$147.6 million).

8.5 COGECO COMMUNICATIONS' CREDIT RATINGS

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

At February 28, 2021	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	**BBB-**	**BBB (low)**	**NR**
Atlantic Broadband			
First Lien Credit Facilities	**BB**	**NR**	**B1**

NR : Not rated

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

8.6 FINANCIAL 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, 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 regards to the derivative financial instruments by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. At February 28, 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 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.

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 February 28, 2021, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, Cogeco Communications' US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 28, 2021:

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

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $12.6 million based on the outstanding debt and swap agreements at February 28, 2021.

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase the annual financial expense by approximately $8.4 million based on the outstanding debt and swap agreements at February 28, 2021.

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

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at February 28, 2021 was $1.2685 ($1.3042 at August 31, 2020) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $93 million.

8.7 FOREIGN CURRENCY

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

	Three months ended				Six months ended			
	February 28, 2021	February 29, 2020	Change	Change	**February 28, 2021**	February 29, 2020	Change	Change
	$	$	$	%	**$**	$	$	%
US dollar vs Canadian dollar	**1.2744**	1.3182	(0.04)	(3.3)	**1.2957**	1.3203	(0.02)	(1.9)

The following table highlights in Canadian dollars, the impact of a $0.02 variation of the Canadian dollar against the US dollar on Cogeco's segmented and consolidated operating results for the six-month period ended February 28, 2021:

	Canadian broadband services	**American broadband services**	**Consolidated** (1)
Six months ended February 28, 2021	Exchange rate impact	Exchange rate impact	Exchange rate impact
(In thousands of Canadian dollars)	**$**	**$**	**$**
Revenue	**—**	**(10,768)**	**(10,768)**
Operating expenses	**(265)**	**(5,801)**	**(6,066)**
Adjusted EBITDA	**265**	**(4,967)**	**(4,702)**
Acquisition of property, plant and equipment	**(904)**	**(2,190)**	**(3,094)**
Free cash flow			**(684)**

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

9. CONTROLS AND PROCEDURES

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

On September 1, 2020, the Corporation's subsidiary, Atlantic Broadband, implemented a new financial system. In addition, a new human capital management system was implemented on January 1, 2021 by the Corporation and its subsidiaries. These implementations resulted in changes to internal controls related to financial reporting for the three and six-month periods ended February 28, 2021.

The CEO and CFO, supported by management, evaluated the design of the Corporation's DC&P and ICFR at February 28, 2021, and concluded that they are adequate.

10. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco can be found in the 2020 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2020 Annual Report, which are hereby incorporated by reference.

Potential impact of a new US administration on our business

It is understood that the newly elected US administration intends to increase the corporate tax rate and potentially add a minimum corporate tax on book income. If these changes were to be implemented, the Corporation would incur a one-time non-cash deferred tax expense on the re-evaluation of the deferred tax liabilities and its future tax expenses and cash tax outflows would increase.

As for regulatory changes in our industry, on March 31, 2021, United States President Biden introduced an infrastructure plan, which includes the potential for increased regulation of broadband services, subject to approval by Congress and/or the Federal Communications Commission.

11. ACCOUNTING POLICIES

11.1 ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Amendments to IFRS 3

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

11.2 NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Amendments to IAS 1

In February 2021, the IASB amended IAS 1, *Presentation of financial statements,* to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is in the process of determining the extent of the impact on its consolidated financial statements disclosure.

12. NON-IFRS FINANCIAL MEASURES

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

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

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

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

12.1 ADJUSTED EBITDA RECONCILIATION

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**110,156**	113,384	**230,603**	207,600
Income taxes	**34,965**	23,708	**72,604**	55,256
Financial expense	**32,875**	13,640	**69,154**	54,042
Depreciation and amortization	**128,088**	123,419	**253,632**	247,682
Integration, restructuring and acquisition costs	**2,330**	5,458	**3,511**	5,538
Adjusted EBITDA	**308,414**	279,609	**629,504**	570,118

12.2 FREE CASH FLOW RECONCILIATION

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
(In thousands of Canadian dollars)	**$**	$	**$**	$
Cash flows from operating activities	**241,619**	236,117	**477,151**	387,188
Amortization of deferred transaction costs and discounts on long-term debt	**2,343**	2,258	**4,640**	4,816
Changes in non-cash operating activities	**8,350**	(8,816)	**27,612**	77,840
Income taxes paid	**16,529**	18,879	**58,717**	36,100
Current income taxes	**(18,303)**	(5,005)	**(39,616)**	(30,305)
Interest paid	**40,040**	30,952	**64,502**	71,636
Financial expense (1)	**(32,875)**	(36,538)	**(69,154)**	(76,940)
Acquisition of property, plant and equipment	**(115,748)**	(111,222)	**(232,239)**	(233,252)
Repayment of lease liabilities	**(1,400)**	(1,558)	**(2,822)**	(3,123)
Free cash flow	**140,555**	125,067	**288,791**	233,960

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

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

	Fiscal 2021		Fiscal 2020				Fiscal 2019	
Three months ended	**February 28, 2021**	**November 30, 2020**	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019	May 31, 2019
(In thousands of Canadian dollars, except per share data)	**$**	**$**	$	$	$	$	$	$
Operations								
Revenue	**653,156**	**646,355**	624,195	626,013	610,797	618,469	610,510	617,617
Adjusted EBITDA	**308,414**	**321,090**	299,925	298,444	279,609	290,509	280,981	289,935
Integration, restructuring and acquisition costs	**2,330**	**1,181**	6,012	12	5,458	80	839	1,155
Profit for the period from continuing operations	**110,156**	**120,447**	96,737	97,496	113,384	94,216	95,193	102,559
Profit for the period from discontinued operations	**—**	**—**	—	—	—	—	1,920	82,451
Profit for the period	**110,156**	**120,447**	96,737	97,496	113,384	94,216	97,113	185,010
Profit for the period from continuing operations attributable to owners of the Corporation	**33,737**	**40,489**	30,707	31,118	34,975	31,284	30,798	33,744
Profit for the period attributable to owners of the Corporation	**33,737**	**40,489**	30,707	31,118	34,975	31,284	31,445	59,883
Cash flow								
Cash flows from operating activities	**241,619**	**235,532**	262,365	292,075	236,117	151,071	314,905	267,388
Acquisition of property, plant and equipment	**115,748**	**116,491**	130,210	123,778	111,222	122,030	146,599	97,169
Free cash flow (1)	**140,555**	**148,236**	111,012	119,153	125,067	108,893	87,611	140,393
Per share data (2)								
Earnings per share								
Basic								
From continuing operations	**2.12**	**2.55**	1.93	1.96	2.19	1.96	1.91	2.09
From discontinued operations	**—**	**—**	—	—	—	—	0.04	1.62
From continuing and discontinued operations	**2.12**	**2.55**	1.93	1.96	2.19	1.96	1.95	3.71
Diluted								
From continuing operations	**2.11**	**2.53**	1.92	1.94	2.18	1.94	1.89	2.07
From discontinued operations	**—**	**—**	—	—	—	—	0.04	1.61
From continuing and discontinued operations	**2.11**	**2.53**	1.92	1.94	2.18	1.94	1.93	3.68
Dividends per share	**0.545**	**0.545**	0.475	0.475	0.475	0.475	0.43	0.43

(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.

13.1 SEASONAL VARIATIONS

Cogeco's operating results are not generally subject to material seasonal fluctuations except as follows. 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 a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several towns with educational institutions. In the American broadband services segment, certain areas are also subject to seasonal fluctuations during the winter and summer seasons.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six-month periods ended February 28, 2021

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

		Three months ended		Six months ended	
	Notes	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*3*	**653,156**	610,797	**1,299,511**	1,229,266
Operating expenses	*6*	**344,742**	331,188	**670,007**	659,148
Integration, restructuring and acquisition costs	*4*	**2,330**	5,458	**3,511**	5,538
Depreciation and amortization	*7*	**128,088**	123,419	**253,632**	247,682
Financial expense	*8*	**32,875**	13,640	**69,154**	54,042
Profit before income taxes		**145,121**	137,092	**303,207**	262,856
Income taxes	*9*	**34,965**	23,708	**72,604**	55,256
Profit for the period		**110,156**	113,384	**230,603**	207,600
Profit for the period attributable to:					
Owners of the Corporation		**33,737**	34,975	**74,226**	66,259
Non-controlling interest		**76,419**	78,409	**156,377**	141,341
		110,156	113,384	**230,603**	207,600
Earnings per share					
Basic	*10*	**2.12**	2.19	**4.67**	4.15
Diluted	*10*	**2.11**	2.18	**4.64**	4.12

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**110,156**	113,384	**230,603**	207,600
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	**11,781**	(24,958)	**20,173**	(9,829)
Related income taxes	**(3,122)**	6,589	**(5,345)**	2,604
	8,659	(18,369)	**14,828**	(7,225)
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**(40,844)**	19,538	**(52,400)**	18,869
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**10,920**	(5,458)	**13,923**	(5,224)
Related income taxes	**112**	(68)	**137**	(68)
	(29,812)	14,012	**(38,340)**	13,577
	(21,153)	(4,357)	**(23,512)**	6,352
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**6,432**	(7,479)	**11,724**	(714)
Related income taxes	**(1,705)**	2,053	**(3,108)**	260
	4,727	(5,426)	**8,616**	(454)
	(16,426)	(9,783)	**(14,896)**	5,898
Comprehensive income for the period	**93,730**	103,601	**215,707**	213,498
Comprehensive income for the period attributable to:				
Owners of the Corporation	**32,872**	28,675	**75,904**	66,640
Non-controlling interest	**60,858**	74,926	**139,803**	146,858
	93,730	103,601	**215,707**	213,498

COGECO INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Equity attributable to owners of the Corporation					
(In thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Accumulated other comprehensive income (loss) $	Retained earnings $	Equity attributable to non-controlling interest $	Total shareholders' equity $
	(Note 12)		*(Note 13)*			
Balance at August 31, 2019	106,106	9,165	10,116	629,381	1,869,111	2,623,879
Profit for the period	—	—	—	66,259	141,341	207,600
Other comprehensive income (loss) for the period	—	—	831	(450)	5,517	5,898
Comprehensive income for the period	—	—	831	65,809	146,858	213,498
Share-based payment	—	2,255	—	—	2,234	4,489
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(270)	—	—	5,614	5,344
Dividends (Note 12 C))	—	—	—	(15,149)	(38,599)	(53,748)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(15,519)	15,519	—
Purchase and cancellation of subordinate voting shares	(686)	—	—	(7,742)	—	(8,428)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,801)	—	—	—	—	(2,801)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	2,325	(1,494)	—	(831)	—	—
Purchase and cancellation of subordinate voting shares by a subsidiary	—	—	—	(20,583)	(65,894)	(86,477)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(5,643)	(5,643)
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(941)	—	(227)	1,168	—
Total distributions to shareholders	(1,162)	(450)	—	(60,051)	(85,601)	(147,264)
Balance at February 29, 2020	104,944	8,715	10,947	635,139	1,930,368	2,690,113
Balance at August 31, 2020	**105,019**	**11,120**	**(2,445)**	**647,807**	**1,944,598**	**2,706,099**
Profit for the period	**—**	**—**	**—**	**74,226**	**156,377**	**230,603**
Other comprehensive income (loss) for the period	**—**	**—**	**(4,214)**	**5,892**	**(16,574)**	**(14,896)**
Comprehensive income (loss) for the period	**—**	**—**	**(4,214)**	**80,118**	**139,803**	**215,707**
Share-based payment	**—**	**1,781**	**—**	**—**	**1,822**	**3,603**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(75)**	**—**	**—**	**1,512**	**1,437**
Dividends (Note 12 C))	**—**	**—**	**—**	**(17,293)**	**(40,940)**	**(58,233)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**(6,534)**	**6,534**	**—**
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	**—**	**—**	**—**	**(8,990)**	**(27,535)**	**(36,525)**
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	**—**	**(1,571)**	**—**	**(52)**	**1,623**	**—**
Total contributions by (distributions to) shareholders	**2,129**	**(3,054)**	**—**	**(32,883)**	**(61,423)**	**(95,231)**
Balance at February 28, 2021	**107,148**	**8,066**	**(6,659)**	**695,042**	**2,022,978**	**2,826,575**

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

(In thousands of Canadian dollars)	*Notes*	**February 28, 2021** $	August 31, 2020 $
Assets			
Current			
Cash and cash equivalents	*14 B)*	**267,745**	406,113
Trade and other receivables		**126,942**	97,414
Income taxes receivable		**3,774**	4,835
Prepaid expenses and other		**41,743**	30,197
Derivative financial instruments		**2,399**	—
		442,603	538,559
Non-current			
Other assets		**45,230**	45,465
Property, plant and equipment		**2,334,647**	2,124,214
Intangible assets		**2,854,781**	2,886,556
Goodwill		**1,509,793**	1,409,036
Deferred tax assets		**16,001**	20,866
		7,203,055	7,024,696
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**—**	7,610
Trade and other payables		**251,776**	226,247
Provisions		**38,200**	34,114
Income tax liabilities		**19,690**	40,040
Contract liabilities and other liabilities		**53,384**	47,387
Derivative financial instruments		**—**	4,374
Current portion of long-term debt	*11*	**264,146**	32,914
		627,196	392,686
Non-current			
Long-term debt	*11*	**3,017,862**	3,192,301
Derivative financial instruments		**50,825**	67,375
Contract liabilities and other liabilities		**10,717**	11,800
Pension plan liabilities and accrued employee benefits		**11,146**	23,307
Deferred tax liabilities		**658,734**	631,128
		4,376,480	4,318,597
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*12 B)*	**107,148**	105,019
Share-based payment reserve		**8,066**	11,120
Accumulated other comprehensive loss	*13*	**(6,659)**	(2,445)
Retained earnings		**695,042**	647,807
		803,597	761,501
Equity attributable to non-controlling interest		**2,022,978**	1,944,598
		2,826,575	2,706,099
		7,203,055	7,024,696

Contingencies (Note 17)
Subsequent events (Note 18)

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

	Notes	Three months ended February 28, 2021	Three months ended February 29, 2020	Six months ended February 28, 2021	Six months ended February 29, 2020
(In thousands of Canadian dollars)		$	$	$	$
Cash flows from operating activities					
Profit for the period		110,156	113,384	230,603	207,600
Adjustments for:					
Depreciation and amortization	*7*	128,088	123,419	253,632	247,682
Financial expense	*8*	32,875	13,640	69,154	54,042
Income taxes	*9*	34,965	23,708	72,604	55,256
Share-based payment		4,278	2,144	5,418	5,363
(Gain) loss on disposals and write-offs of property, plant and equipment and other		(609)	256	(1,177)	1,240
Defined benefit plans contributions, net of expense		(3,215)	581	(2,252)	1,581
		306,538	277,132	627,982	572,764
Changes in non-cash operating activities	*14 A)*	(8,350)	8,816	(27,612)	(77,840)
Interest paid		(40,040)	(30,952)	(64,502)	(71,636)
Income taxes paid		(16,529)	(18,879)	(58,717)	(36,100)
		241,619	236,117	477,151	387,188
Cash flows from investing activities					
Acquisition of property, plant and equipment		(115,748)	(111,222)	(232,239)	(233,252)
Business combinations, net of cash and cash equivalents acquired	5	(384,296)	—	(394,296)	—
Proceeds on disposals of property, plant and equipment		839	1,699	1,914	1,894
		(499,205)	(109,523)	(624,621)	(231,358)
Cash flows from financing activities					
(Decrease) increase in bank indebtedness		(2,534)	(12,405)	(7,610)	732
Net increase under the revolving facilities		172,973	2,637	137,882	1,302
Repayment of notes, debentures and credit facilities		(5,400)	(52,096)	(10,954)	(57,744)
Repayment of lease liabilities		(1,400)	(1,558)	(2,822)	(3,123)
Repayment of balance due on business combinations		—	—	(1,258)	(3,228)
Increase in deferred transaction costs		—	(582)	—	(582)
Purchase and cancellation of subordinate voting shares		—	(6,114)	—	(8,428)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*12 B)*	—	—	(1,074)	(2,801)
Dividends paid on multiple and subordinate voting shares	*12 C)*	(8,640)	(7,550)	(17,293)	(15,149)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		1,165	849	1,437	5,344
Purchase and cancellation of subordinate voting shares by a subsidiary		(35,046)	(70,787)	(36,525)	(86,477)
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		—	—	(4,439)	(5,643)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	*12 C)*	(20,438)	(19,179)	(40,940)	(38,599)
		100,680	(166,785)	16,404	(214,396)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		(4,996)	2,191	(7,302)	2,290
Net change in cash and cash equivalents		(161,902)	(38,000)	(138,368)	(56,276)
Cash and cash equivalents, beginning of the period		429,647	541,117	406,113	559,393
Cash and cash equivalents, end of the period		267,745	503,117	267,745	503,117

NATURE OF OPERATIONS

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

Its Cogeco Communications Inc. ("Cogeco Communications") subsidiary provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks, operating in Québec and Ontario, Canada, under the Cogeco Connexion name, and in the United States under the Atlantic Broadband brand (in 11 states along the East Coast, from Maine to Florida).

Its Cogeco Media subsidiary owns and operates 23 radio stations with complementary radio formats and extensive coverage serving a wide range of audiences mainly across the province of Québec, as well as Cogeco News, its news agency.

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 2020 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 2020 annual consolidated financial statements. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements. Certain comparative amounts in the condensed interim consolidated financial statements have been reclassified in order to conform to the fiscal 2021 consolidated financial statements presentation.

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 a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several towns with educational institutions. In the American broadband services segment, certain areas are also subject to seasonal fluctuations during the winter and summer seasons.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on April 13, 2021.

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

2. ACCOUNTING POLICY DEVELOPMENTS

A) ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Amendments to IFRS 3

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

B) NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Amendments to IAS 1

In February 2021, the IASB amended IAS 1, *Presentation of financial statements,* to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation is in the process of determining the extent of the impact on its consolidated financial statements disclosure.

3. REVENUE

										Three months ended
	Cogeco Communications									
	Canadian broadband services		American broadband services		Sub-total		Other		Consolidated	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Residential [(1)]	**317,947**	288,338	**242,145**	224,689	**560,092**	513,027	**—**	—	**560,092**	513,027
Commercial	**36,648**	33,434	**33,453**	32,222	**70,101**	65,656	**—**	—	**70,101**	65,656
Other	**307**	449	**4,048**	7,335	**4,355**	7,784	**18,608**	24,330	**22,963**	32,114
	354,902	322,221	**279,646**	264,246	**634,548**	586,467	**18,608**	24,330	**653,156**	610,797

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

										Six months ended
	Cogeco Communications									
	Canadian broadband services		American broadband services		Sub-total		Other		Consolidated	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Residential [(1)]	**611,373**	575,092	**491,010**	452,003	**1,102,383**	1,027,095	**—**	—	**1,102,383**	1,027,095
Commercial	**70,665**	67,397	**67,870**	64,222	**138,535**	131,619	**—**	—	**138,535**	131,619
Other	**873**	539	**11,670**	14,041	**12,543**	14,580	**46,050**	55,972	**58,593**	70,552
	682,911	643,028	**570,550**	530,266	**1,253,461**	1,173,294	**46,050**	55,972	**1,299,511**	1,229,266

(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 Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 11 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Pennsylvania, South Carolina, Virginia and West Virginia.

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

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

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

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

						Three months ended February 28, 2021
	Cogeco Communications					
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total	Other	Consolidated
	$	$	$	$	$	$
Revenue [(1)]	354,902	279,646	—	634,548	18,608	653,156
Operating expenses	165,194	150,117	6,390	321,701	23,041	344,742
Management fees – Cogeco Inc.	—	—	5,853	5,853	(5,853)	—
Segment profit (loss)	189,708	129,529	(12,243)	306,994	1,420	308,414
Integration, restructuring and acquisition costs [(2)]				2,330	—	2,330
Depreciation and amortization				126,854	1,234	128,088
Financial expense				31,839	1,036	32,875
Profit before income taxes				145,971	(850)	145,121
Income taxes				35,412	(447)	34,965
Profit for the period				110,559	(403)	110,156
Acquisition of property, plant and equipment	57,454	57,559	201	115,214	534	115,748

(1) Revenue by geographic market includes $373,510 in Canada and $279,646 in the United States.

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

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

	Three months ended February 29, 2020					
	Cogeco Communications					
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total	Other	Consolidated
	$	$	$	$	$	$
Revenue (1)	322,221	264,246	—	586,467	24,330	610,797
Operating expenses	151,856	145,030	6,555	303,441	27,747	331,188
Management fees – Cogeco Inc.	—	—	5,654	5,654	(5,654)	—
Segment profit (loss)	170,365	119,216	(12,209)	277,372	2,237	279,609
Integration, restructuring and acquisition costs (2)				5,458	—	5,458
Depreciation and amortization				122,237	1,182	123,419
Financial expense				12,165	1,475	13,640
Profit before income taxes				137,512	(420)	137,092
Income taxes				23,501	207	23,708
Profit for the period				114,011	(627)	113,384
Acquisition of property, plant and equipment	65,761	44,948	131	110,840	382	111,222

(1) Revenue by geographic market includes $346,551 in Canada and $264,246 in the United States.
(2) Comprised primarily of costs associated with organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications, which was completed on March 10, 2020.

	Six months ended February 28, 2021					
	Cogeco Communications					
	Canadian broadband services	**American broadband services**	**Corporate and eliminations**	**Sub-total**	**Other**	**Consolidated**
	$	**$**	**$**	**$**	**$**	**$**
Revenue (1)	**682,911**	**570,550**	**—**	**1,253,461**	**46,050**	**1,299,511**
Operating expenses	**307,089**	**302,495**	**14,085**	**623,669**	**46,338**	**670,007**
Management fees – Cogeco Inc.	**—**	**—**	**11,705**	**11,705**	**(11,705)**	**—**
Segment profit (loss)	**375,822**	**268,055**	**(25,790)**	**618,087**	**11,417**	**629,504**
Integration, restructuring and acquisition costs (2)				**3,545**	**(34)**	**3,511**
Depreciation and amortization				**251,104**	**2,528**	**253,632**
Financial expense				**67,049**	**2,105**	**69,154**
Profit before income taxes				**296,389**	**6,818**	**303,207**
Income taxes				**70,934**	**1,670**	**72,604**
Profit for the period				**225,455**	**5,148**	**230,603**
Acquisition of property, plant and equipment	**123,064**	**106,906**	**1,466**	**231,436**	**803**	**232,239**

(1) Revenue by geographic market includes $728,961 in Canada and $570,550 in the United States.
(2) Comprised primarily of costs related to the acquisition and integration of DERYtelecom, which was completed on December 14, 2020.

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

	Six months ended February 29, 2020					
	Cogeco Communications					
	Canadian broadband services	American broadband services	Corporate and eliminations	Sub-total	Other	Consolidated
	$	$	$	$	$	$
Revenue (1)	643,028	530,266	—	1,173,294	55,972	1,229,266
Operating expenses	301,701	289,400	11,672	602,773	56,375	659,148
Management fees – Cogeco Inc.	—	—	11,044	11,044	(11,044)	—
Segment profit (loss)	341,327	240,866	(22,716)	559,477	10,641	570,118
Integration, restructuring and acquisition costs (2)				5,519	19	5,538
Depreciation and amortization				245,372	2,310	247,682
Financial expense				51,435	2,607	54,042
Profit before income taxes				257,151	5,705	262,856
Income taxes				53,432	1,824	55,256
Profit for the period				203,719	3,881	207,600
Acquisition of property, plant and equipment	140,891	90,781	470	232,142	1,110	233,252

(1) Revenue by geographic market includes $699,000 in Canada and $530,266 in the United States.

(2) Comprised primarily of costs associated with organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications, which was completed on March 10, 2020.

5. BUSINESS COMBINATION

Acquisition of DERYtelecom

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

The Corporation is currently assessing the fair value of the assets acquired and the liabilities assumed at the date of acquisition, for which the valuation process of certain assets remains to be finalized. The preliminary allocation of the purchase price was based on the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition, which is subject to material adjustments until the fair value assessment is completed. 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 DERYtelecom 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 assets acquired and the liabilities assumed at the date of acquisition is as follows:

	At February 28, 2021 Preliminary
	$
Purchase price	
Consideration paid	**403,000**
Preliminary working capital adjustments	**(8,500)**
	394,500
Net assets acquired	
Cash and cash equivalents acquired	**204**
Trade and other receivables	**5,093**
Prepaid expenses and other	**1,456**
Property, plant and equipment	**235,001**
Intangible assets	**41,350**
Goodwill	**138,320**
Trade and other payables	**(17,358)**
Provisions	**(1,657)**
Contract liabilities and other liabilities	**(6,615)**
Long-term debt	**(1,294)**
	394,500

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

In connection with this acquisition, the Corporation incurred acquisition-related costs of $2.9 million, recognized within *Integration, restructuring and acquisition costs* in the Corporation's consolidated statement of profit and loss.

During the three and six-month periods ended February 28, 2021, the Corporation recognized $23.3 million of revenue related to the operations generated by the acquisition of DERYtelecom. The results of operations of DERYtelecom are reported in the Canadian broadband services operating segment.

Had the business combination been effective at September 1, 2020, the consolidated revenue of the Corporation would have been $1.331 billion for the six-month period ended February 28, 2021. Management considers the "pro forma" supplemental information to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. The "pro forma" supplemental information is based on estimates and assumptions that management believes to be reasonable.

6. OPERATING EXPENSES

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Salaries, employee benefits and outsourced services	**117,847**	112,710	**226,449**	224,196
Service delivery costs	**175,238**	165,635	**343,573**	330,562
Customer related costs	**22,193**	24,937	**43,123**	49,426
Other external purchases	**29,464**	27,906	**56,862**	54,964
	344,742	331,188	**670,007**	659,148

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

7. DEPRECIATION AND AMORTIZATION

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Depreciation of property, plant and equipment (1)	**118,427**	109,153	**229,136**	219,108
Amortization of intangible assets	**9,661**	14,266	**24,496**	28,574
	128,088	123,419	**253,632**	247,682

(1) Includes depreciation of right-of-use assets amounting to $1.9 million and $3.8 million ($2.1 million and $4.1 million in 2020) for the three and six-month periods of fiscal 2021.

8. FINANCIAL EXPENSE

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Interest on long-term debt, excluding interest on lease liabilities	**32,713**	39,711	**66,764**	80,543
Interest on lease liabilities	**567**	594	**1,152**	1,241
Gain on debt modification (1)	**—**	(22,898)	**—**	(22,898)
Net foreign exchange (gain) loss	**(1,471)**	2	**(662)**	(2)
Amortization of deferred transaction costs	**205**	230	**435**	715
Capitalized borrowing costs	**(41)**	(142)	**(91)**	(293)
Other	**902**	(3,857)	**1,556**	(5,264)
	32,875	13,640	**69,154**	54,042

(1) On February 3, 2020, Cogeco Communications amended its Senior Secured Term Loan B Facility and the most significant change consisted in the reduction of the interest rate by 0.25%. As a result, the Corporation recognized a gain on debt modification of $22.9 million in fiscal 2020.

9. INCOME TAXES

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Current	**18,303**	5,005	**39,616**	30,305
Deferred	**16,662**	18,703	**32,988**	24,951
	34,965	23,708	**72,604**	55,256

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

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Profit before income taxes	**145,121**	137,092	**303,207**	262,856
Combined Canadian income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %
Income taxes at combined Canadian income tax rate	**38,457**	36,330	**80,350**	69,657
Difference in operations' statutory income tax rates	**981**	403	**1,580**	1,217
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**148**	(724)	**369**	(1,075)
Tax impacts related to foreign operations	**(4,892)**	(6,103)	**(10,035)**	(12,613)
Other	**271**	(6,198)	**340**	(1,930)
Income taxes at effective income tax rate	**34,965**	23,708	**72,604**	55,256
Effective income tax rate	**24.1%**	17.3%	**23.9%**	21.0%

10. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Profit for the period attributable to owners of the Corporation	**33,737**	34,975	**74,226**	66,259
Weighted average number of multiple and subordinate voting shares outstanding	**15,900,808**	15,938,785	**15,892,119**	15,958,847
Effect of dilutive incentive share units	**49,350**	62,850	**53,591**	63,030
Effect of dilutive performance share units	**48,302**	67,492	**50,114**	65,788
Weighted average number of diluted multiple and subordinate voting shares outstanding	**15,998,460**	16,069,127	**15,995,824**	16,087,665

11. LONG-TERM DEBT

	February 28, 2021	August 31, 2020
	$	$
Notes, debentures and credit facilities	**3,219,055**	3,157,678
Lease liabilities	**60,745**	62,681
Balance due on business combinations	**2,200**	4,856
Other	**8**	—
	3,282,008	3,225,215
Less current portion	**264,146**	32,914
	3,017,862	3,192,301

(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		February 28, 2021	August 31, 2020
		%		$	$
Corporation					
Term Revolving Facility					
Revolving loan	February 2025	1.42	(3)	**5,993**	49,899
Unsecured Debentures (1)	November 2021	6.50		**35,292**	35,268
Subsidiaries					
Term Revolving Facility					
Revolving loan – US$142 million (2)	January 2025	1.31	(3)	**180,127**	—
Senior Secured Notes					
Series A - US$25 million	September 2024	4.14		**31,653**	32,538
Series B - US$150 million	September 2026	4.29		**189,806**	195,123
Senior Secured Notes - US$215 million	June 2025	4.30		**272,080**	279,687
Senior Secured Debentures Series 3	February 2022	4.93		**199,783**	199,671
Senior Secured Debentures Series 4	May 2023	4.18		**299,199**	299,027
First Lien Credit Facilities					
Senior Secured Term Loan B Facility - US$1,618.3 million (US$1,626.8 million at August 31, 2020)	January 2025	2.11	(3) (4)	**2,005,122**	2,066,465
				3,219,055	3,157,678
Less current portion				**256,639**	22,171
				2,962,416	3,135,507

(1) In April 2020, the Corporation had consented to a moratorium on interest payments for one semester initiated by one of the lenders. Therefore, the interest accrued between November 7, 2019 and May 6, 2020 for that lender had been capitalized and will be repaid at the maturity of the unsecured debentures on November 8, 2021.

(2) An amount of US$142 million drawn under Cogeco Communications' Term Revolving Facility was hedged until March 31, 2021, using a cross-currency swap agreement which sets the amount redeemable at maturity at $179.1 million and the effective interest rate on the Canadian dollar equivalent at 1.3%.

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

(4) A US subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of US$770 million of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate into fixed rates ranging from 2.017% to 2.262% for maturities between January 31, 2023 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 3.07%.

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

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

	February 28, 2021	August 31, 2020
	$	$
1,602,217 multiple voting shares	10	10
14,399,638 subordinate voting shares	115,237	115,237
	115,247	115,247
50,149 subordinate voting shares held in trust under the Incentive Share Unit Plan (60,511 at August 31, 2020)	(4,047)	(4,938)
50,898 subordinate voting shares held in trust under the Performance Share Unit Plan (66,443 at August 31, 2020)	(4,052)	(5,290)
	107,148	105,019

During the first six months of fiscal 2021, 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, 2020	60,511	4,938
Subordinate voting shares acquired	13,713	1,074
Subordinate voting shares distributed to employees	(24,075)	(1,965)
Balance at February 28, 2021	50,149	4,047

During the first six months of fiscal 2021, 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, 2020	66,443	5,290
Subordinate voting shares distributed to employees	(15,545)	(1,238)
Balance at February 28, 2021	50,898	4,052

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

C) DIVIDENDS

For the six-month period ended February 28, 2021, quarterly eligible dividends of $0.545 per share, for a total of $1.09 per share or $17.3 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.475 per share, for a total of $0.95 per share or $15.1 million, for the six-month period ended February 29, 2020.

For the six-month period ended February 28, 2021, quarterly eligible dividends of $0.64 per share, for a total of $1.28 per share or $40.9 million, were paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest, compared to quarterly eligible dividends of $0.58 per share, for a total of $1.16 per share or $38.6 million, for the six-month period ended February 29, 2020.

		Six months ended
	February 28, 2021	February 29, 2020
	$	$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	**1,746**	1,622
Dividends on subordinate voting shares	**15,547**	13,527
	17,293	15,149
Attributable to non-controlling interest		
Dividends on subordinate voting shares	**40,940**	38,599

At its April 13, 2021 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.545 per share for multiple and subordinate voting shares, payable on May 11, 2021 to shareholders of record on April 27, 2021.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Communications, offer Employee Stock Purchase Plans for the benefit of their employees and those of their subsidiaries, and Stock Option Plans for their executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation and its subsidiary, Cogeco Communications, offer Incentive Share Unit Plans ("ISU Plans") and Performance Share Unit Plans ("PSU Plans") for their executive officers and designated employees, and Deferred Share Unit Plans ("DSU Plans") for members of the Board of Directors. A detailed description of these plans can be found in the 2020 annual consolidated financial statements of the Corporation.

For the six-month period ended February 28, 2021, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at February 28, 2021 and August 31, 2020.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at February 28, 2021:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2020	**786,799**	**78.49**
Granted	**153,425**	**94.27**
Exercised [(1)]	**(19,985)**	**71.89**
Cancelled	**(32,045)**	**88.79**
Outstanding at February 28, 2021	**888,194**	**81.00**
Exercisable at February 28, 2021	**414,319**	**67.55**

(1) The weighted average share price for options exercised during the six-month period was $105.99.

The weighted average fair value of stock options granted by Cogeco Communications for the six-month period ended February 28, 2021 was $14.74 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	**2.76**
Expected volatility	**24.79**
Risk-free interest rate	**0.42**
Expected life (in years)	**5.9**

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

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at February 28, 2021:

Outstanding at August 31, 2020	59,400
Granted (1)	14,825
Distributed	(24,075)
Cancelled	(800)
Outstanding at February 28, 2021	**49,350**

(1) The weighted average fair value of the ISUs granted during the six-month period was $80.35.

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at February 28, 2021:

Outstanding at August 31, 2020	76,141
Granted (1)	24,900
Distributed	(25,519)
Cancelled	(4,397)
Outstanding at February 28, 2021	**71,125**

(1) The weighted average fair value of the ISUs granted during the six-month period was $94.23.

Under the PSU Plan of the Corporation, the following PSUs were granted and are outstanding at February 28, 2021:

Outstanding at August 31, 2020	65,063
Granted (1)	12,225
Distributed	(15,545)
Cancelled	(13,825)
Dividend equivalents	605
Outstanding at February 28, 2021	**48,523**

(1) The weighted average fair value of the PSUs granted during the six-month period was $80.35.

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at February 28, 2021:

Outstanding at August 31, 2020	112,886
Granted (1)	32,325
Distributed	(33,015)
Cancelled	(15,215)
Dividend equivalents	1,248
Outstanding at February 28, 2021	**98,229**

(1) The weighted average fair value of the PSUs granted during the six-month period was $94.26.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at February 28, 2021:

Outstanding at August 31, 2020	38,320
Issued (1)	8,045
Dividend equivalents	525
Outstanding at February 28, 2021	**46,890**

(1) The weighted average fair value of the DSUs issued during the six-month period was $81.99.

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at February 28, 2021:

Outstanding at August 31, 2020	50,958
Issued (1)	8,512
Dividend equivalents	672
Outstanding at February 28, 2021	**60,142**

(1) The weighted average fair value of the DSUs issued during the period was $98.48.

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

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Stock options	**381**	449	**994**	918
ISUs	**864**	987	**1,705**	1,694
PSUs	**990**	925	**904**	1,877
DSUs	**2,043**	(217)	**1,815**	874
	4,278	2,144	**5,418**	5,363

13. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2019	(10,740)	20,856	10,116
Other comprehensive income (loss)	(2,370)	3,201	831
Balance at February 29, 2020	(13,110)	24,057	10,947
Balance at August 31, 2020	**(16,780)**	**14,335**	**(2,445)**
Other comprehensive income (loss)	**4,853**	**(9,067)**	**(4,214)**
Balance at February 28, 2021	**(11,927)**	**5,268**	**(6,659)**

14. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Trade and other receivables	**(7,858)**	(2,039)	**(19,899)**	(10,027)
Prepaid expenses and other	**1,593**	4,404	**(10,480)**	(9,366)
Other assets	**(446)**	(1,658)	**(1,160)**	(4,414)
Trade and other payables	**(6,800)**	7,880	**4,297**	(55,524)
Provisions	**1,510**	(4,560)	**1,385**	(6,387)
Contract liabilities and other liabilities	**3,651**	4,789	**(1,755)**	7,878
	(8,350)	8,816	**(27,612)**	(77,840)

B) CASH AND CASH EQUIVALENTS

	February 28, 2021	August 31, 2020
	$	$
Cash	**89,028**	406,113
Cash equivalents (1)	**178,717**	—
	267,745	406,113

(1) Comprised of high interest bank deposits.

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

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, 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 regards to the derivative financial instruments by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. At February 28, 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 with reputable financial institutions, for which management believes the risk of loss to be remote.

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

Liquidity risk

At February 28, 2021, the Corporation had used $6.0 million of its $100 million Term Revolving Facility and an amount of $180.2 million was used from Cogeco Communications' Term Revolving Facility of $750 million, for remaining availabilities of $94.0 million and $569.8 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $190.3 million (US$150 million), of which $3.1 million (US$2.4 million) was used at February 28, 2021 for a remaining availability of $187.2 million (US$147.6 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 February 28, 2021, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, Cogeco Communications' US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 28, 2021:

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

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $12.6 million based on the outstanding debt and swap agreements at February 28, 2021.

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

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase the annual financial expense by approximately $8.4 million based on the outstanding debt and swap agreements at February 28, 2021.

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

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at February 28, 2021 was $1.2685 ($1.3042 at August 31, 2020) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollar would decrease other comprehensive income by approximately $93 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	February 28, 2021		August 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Notes, debentures and credit facilities	3,219,055	3,355,334	3,157,678	3,311,359

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 growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt, the issuance or repurchase of equity and distributions to shareholders.

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

At February 28, 2021 and August 31, 2020, 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:

	February 28, 2021	August 31, 2020
Net indebtedness (1) / adjusted EBITDA (2)	2.5	2.4
Adjusted EBITDA (2) / financial expense (2)	8.2	7.5

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended February 28, 2021, which includes 2.5 months of DERYtelecom operations, and for the year ended August 31, 2020. Financial expense for the year ended August 31, 2020 excludes the gain on debt modification of $22.9 million, which is consistent with the covenants calculation.

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

16. RELATED PARTY TRANSACTIONS

Cogeco is the parent company of Cogeco Communications and, as of February 28, 2021, held 33% of Cogeco Communications' equity shares, representing 83% 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 and six-month periods ended February 28, 2021, management fees paid by Cogeco Communications amounted to $5.9 million and $11.7 million, respectively, compared to $5.7 million and $11.0 million for the same periods of fiscal 2020.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the six-month periods ended February 28, 2021 and February 29, 2020, Cogeco Communications granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, and issued DSUs to Board directors of Cogeco, as shown in the following table:

	Six months ended	
	February 28, 2021	February 29, 2020
Stock options	**69,200**	110,875
PSUs	**10,375**	14,375
DSUs	**792**	1,847

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
	$	$	**$**	$
Stock options	**266**	261	**611**	570
ISUs	**—**	9	**6**	22
PSUs	**275**	385	**125**	697
DSUs	**213**	11	**188**	143
	754	666	**930**	1,432

17. CONTINGENCIES

CRTC's wholesale Internet services 2019 rate decision

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, the Corporation, together with other telecommunications service providers (the "Telecommunications Service Providers"), filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. While leave to appeal and an interlocutory stay of the CRTC order were both granted, the FCA ultimately dismissed the appeal and lifted the stay on September 10, 2020. On November 12, 2020, the Telecommunications Service Providers sought leave to appeal the Federal Court of Appeal's decision to the Supreme Court of Canada. On February 25, 2021, the Supreme Court of Canada dismissed the Telecommunications Service Providers' application for leave to appeal.

In parallel, on December 13, 2019, the Telecommunications Service Providers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the order. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition, on November 13, 2019, the Telecommunications Service Providers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Governor in Council rendered an order on August 15, 2020, which stated that the rates set by the CRTC did not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

Due to the stay issued by the CRTC and the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has not recorded the impact of the reduced rates as at February 28, 2021.

18. SUBSEQUENT EVENTS

3500 MHz spectrum auction

As published by the Government of Canada, Cogeco Connexion has filed an application to participate in the auction for the spectrum in the 3500 MHz band. On April 6, 2021, the Corporation issued an unsecured letter of credit to Innovation, Science and Economic Development Canada ("ISED") as a financial deposit with respect to the upcoming 3500 MHz spectrum auction. Under the published ISED's bidder participation rules, the Corporation is forbidden to disclose the amount of its issued letter of credit, as it could be interpreted as a signal of the Corporation's bidding intentions. The auction is scheduled to start on June 15, 2021.

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

On March 22, 2021, Cogeco Communications announced that Cogeco Connexion will carry out 13 high-speed Internet network expansion projects in several regions of Québec, in collaboration with the provincial and federal governments. These regional infrastructure projects represent an investment of approximately $240 million, of which $208 million will come from the provincial and federal governments, in the form of government subsidies.

Once these projects are completed, more than 54,000 homes and businesses will be connected to Cogeco Connexion's high-speed Internet services, including 35,880 primary residences identified by the Government of Québec as part of *Opération haute vitesse* (Operation High-Speed). These digital infrastructure investment projects are scheduled to be completed by September 2022. On March 26, 2021, Cogeco Connexion received $187.5 million of the $208 million expected government subsidies, to be used to pay for a portion of the 13 high-speed Internet network expansion projects. The amount of subsidies may vary depending on actual construction scope and costs. The projects are also subject to penalties, except for events out of Cogeco Connexion's control, if their delivery extends beyond September 2022.

PRIMARY SERVICE UNIT STATISTICS

	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020	February 29, 2020
CONSOLIDATED					
Primary service units	**2,982,402**	2,763,466	2,757,631	2,739,903	2,719,347
Internet service customers	**1,416,325**	1,319,869	1,304,228	1,281,762	1,253,183
Video service customers	**1,001,077**	930,684	936,636	939,453	945,085
Telephony service customers	**565,000**	512,913	516,767	518,688	521,079
CANADA					
Primary service units	**2,010,049**	1,790,783	1,799,706	1,802,631	1,812,140
Internet service customers	**905,321**	815,248	812,016	803,073	795,950
Penetration as a percentage of homes passed	**45.8%**	45.8%	45.7%	45.3%	44.9%
Video service customers	**687,486**	612,297	619,249	627,608	638,833
Penetration as a percentage of homes passed	**34.8%**	34.4%	34.9%	35.4%	36.1%
Telephony service customers	**417,242**	363,238	368,441	371,950	377,357
Penetration as a percentage of homes passed	**21.1%**	20.4%	20.7%	21.0%	21.3%
UNITED STATES					
Primary service units	**972,353**	972,683	957,925	937,272	907,207
Internet service customers	**511,004**	504,621	492,212	478,689	457,233
Penetration as a percentage of homes passed	**55.0%**	54.4%	53.3%	52.2%	51.8%
Video service customers	**313,591**	318,387	317,387	311,845	306,252
Penetration as a percentage of homes passed	**33.7%**	34.3%	34.4%	34.0%	34.7%
Telephony service customers	**147,758**	149,675	148,326	146,738	143,722
Penetration as a percentage of homes passed	**15.9%**	16.1%	16.1%	16.0%	16.3%