COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three and six-month periods ended February 29, 2024

Financial highlights

Three and six months ended	February 29, 2024	February 28, 2023	Change	Change in constant currency [1] [2]	February 29, 2024	February 28, 2023	Change	Change in constant currency [1] [2]
(In thousands of Canadian dollars, except % and per share data)	$	$	%	%	$	$	%	%
Operations								
Revenue	**730,501**	736,646	(0.8)	(0.7)	**1,478,190**	1,498,946	(1.4)	(1.6)
Adjusted EBITDA [2]	**347,112**	351,215	(1.2)	(1.0)	**706,072**	718,438	(1.7)	(1.9)
Adjusted EBITDA margin [2]	**47.5 %**	47.7 %			**47.8 %**	47.9 %		
Acquisition, integration, restructuring and other costs [3]	**885**	6,952	(87.3)		**3,501**	9,629	(63.6)	
Profit for the period	**96,562**	104,262	(7.4)		**192,314**	224,637	(14.4)	
Profit for the period attributable to owners of the Corporation	**93,681**	98,378	(4.8)		**183,174**	209,882	(12.7)	
Adjusted profit attributable to owners of the Corporation [2][4]	**94,054**	103,488	(9.1)		**197,780**	216,959	(8.8)	
Cash flow								
Cash flows from operating activities	**285,434**	203,043	40.6		**522,416**	397,202	31.5	
Free cash flow [2]	**100,155**	117,939	(15.1)	(15.4)	**237,748**	223,067	6.6	6.3
Free cash flow, excluding network expansion projects [2]	**124,545**	160,181	(22.2)	(22.5)	**293,798**	331,143	(11.3)	(11.5)
Acquisition of property, plant and equipment	**180,247**	172,967	4.2		**333,796**	407,604	(18.1)	
Net capital expenditures [2][5]	**170,769**	156,125	9.4	9.8	**317,196**	353,096	(10.2)	(10.3)
Net capital expenditures, excluding network expansion projects [2]	**146,379**	113,883	28.5	29.0	**261,146**	245,020	6.6	6.5
Capital intensity [2]	**23.4 %**	21.2 %			**21.5 %**	23.6 %		
Capital intensity, excluding network expansion projects [2]	**20.0 %**	15.5 %			**17.7 %**	16.3 %		
Per share data [6]								
Earnings per share								
Basic	**2.21**	2.21	—		**4.23**	4.66	(9.2)	
Diluted	**2.20**	2.19	0.5		**4.21**	4.64	(9.3)	
Adjusted diluted [2][4]	**2.21**	2.31	(4.3)		**4.55**	4.79	(5.0)	
Dividends per share	**0.854**	0.776	10.1		**1.708**	1.552	10.1	

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the comparable period of the prior year. For the three and six-month periods ended February 28, 2023, the average foreign exchange rates used for translation were 1.3488 USD/CDN and 1.3489 USD/CDN, respectively.

(2) Adjusted EBITDA and net capital expenditures are total of segments measures. Adjusted EBITDA margin and capital intensity are supplementary financial measures. Adjusted profit attributable to owners of the Corporation, free cash flow, free cash flow, excluding network expansion projects and net capital expenditures, excluding network expansion projects are non-IFRS financial measures. Change in constant currency, capital intensity, excluding network expansion projects and adjusted diluted earnings per share are non-IFRS ratios. These indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS and other financial measures" section of the MD&A, including reconciliation to the most directly comparable IFRS financial measures.

(3) For the three and six-month periods ended February 29, 2024, acquisition, integration, restructuring and other costs mostly related to costs associated with the configuration and customization related to cloud computing and other arrangements, partly offset by a $4.2 million reversal of a charge, recognized during the second quarter following the Copyright Board decision issued in January 2024 on the redetermination of the 2014-2018 royalty rates. For the three and six-month periods ended February 28, 2023, acquisition, integration, restructuring and other costs resulted mostly from a $5.1 million retroactive adjustment recognized during the second quarter following the Copyright Board preliminary conclusions on the redetermination of the 2014-2018 royalty rates.

(4) Excludes the impact of acquisition, integration, restructuring and other costs, and gains/losses on debt modification and/or extinguishment, net of tax and non-controlling interest.

(5) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including the utilization of those received in advance.

(6) Per multiple and subordinate voting share.

As at *(In thousands of Canadian dollars)*	February 29, 2024 $	August 31, 2023 $
Financial condition		
Cash and cash equivalents	**81,190**	362,921
Total assets	**9,614,606**	9,768,370
Long-term debt		
Current	**70,948**	41,765
Non-current	**4,833,884**	4,979,241
Net indebtedness [1]	**4,909,734**	4,749,214
Equity attributable to owners of the Corporation	**2,937,011**	2,957,797

(1) Net indebtedness is a capital management measure. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section of the MD&A.

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COGECO COMMUNICATIONS

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

Three and six-month periods ended February 29, 2024

1. Forward-looking statements

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements relating to the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, purchase price allocation, tax rates, weighted average cost of capital, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate objectives and strategies" section of the Corporation's 2023 annual MD&A and of the current MD&A, and the "Fiscal 2024 financial guidelines" section of the Corporation's 2023 annual MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as general market conditions, competitive risks (including changing competitive ecosystems and disruptive competitive strategies adopted by our competitors), business risks, regulatory risks, technology risks (including cybersecurity), financial risks (including variations in currency and interest rates), economic conditions (including inflation pressuring revenue, reduced consumer spending and increasing costs), talent management risks (including highly competitive market for limited pool of digitally skilled employees), human-caused and natural threats to the Corporation's network (including increased frequency of extreme weather events with the potential to disrupt operations), infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks, litigation risks and public health and safety, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and main risk factors" section of the Corporation's 2023 annual MD&A and of the current MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A and the forward-looking statements contained in this MD&A represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three and six-month periods ended February 29, 2024 prepared in accordance with International Financial Reporting Standards ("IFRS") and the Corporation's 2023 Annual Report.

In preparing this MD&A, the Corporation has taken into account information available up to April 11, 2024, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its 2023 Annual Report and Annual Information Form, is available on SEDAR+ at www.sedarplus.ca or on the Corporation's website at corpo.cogeco.com.

2. Overview of the business

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

2.1 Corporate objectives and strategies

Strategy for growth

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

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

Growth vectors

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

1

PURSUE NETWORK EXPANSION to reduce the digital divide

2

EVOLVE OUR WIRELINE NETWORK to meet increasing demand using a flexible and balanced technological approach

3

MAKE ACCRETIVE & COMPLEMENTARY ACQUISITIONS to expand our footprint and broaden our capabilities and service offerings

4

EXPAND IN NEW CUSTOMER SEGMENTS with a multi-brand approach to serve new demographics and grow our operations

5

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

For details on the Corporation's key areas of focus within the fiscal 2024 strategic plan, please refer to the "Corporate objectives and strategies" section of the Corporation's 2023 annual MD&A, available on SEDAR+ at www.sedarplus.ca and on the Corporation's website at corpo.cogeco.com.

2.2 Business developments

Frédéric Perron appointed as President and Chief Executive Officer of Cogeco and Cogeco Communications

On March 11, 2024, Frédéric Perron was appointed by the Boards of Directors of Cogeco and Cogeco Communications as President and Chief Executive Officer and Director of both companies, succeeding Philippe Jetté who is retiring. Mr. Perron previously held the position of President of Cogeco Connexion, the Corporation's Canadian telecommunications business.

Breezeline to launch mobile service in the United States in the spring, expanding its service offerings

On March 14, 2024, Cogeco Communications announced that Breezeline will be adding mobile phone services to its product offering. Breezeline Mobile will enable the Corporation to offer its U.S. customers additional bundling opportunities, bolstering the Corporation's already robust value proposition and further enhancing its competitive position in the United States. Breezeline Mobile will be available to Breezeline's broadband customers starting this spring through a Mobile Virtual Network Operator ("MVNO") agreement with an industry-leading mobile network and a national technology service company. Breezeline Mobile will be rolled-out on a state-by-state basis beginning this spring across Breezeline's existing footprint, where it will be offered as a bundle to Breezeline's customers who also subscribe to home broadband service.

Issuance of $275 million senior unsecured notes

On February 27, 2024, Cogeco Communications completed, pursuant to a private offering, the issuance of $275 million senior unsecured notes, bearing interest at 6.125% and maturing in February 2029. Cogeco Communications used the net proceeds of the offering to repay existing indebtedness and for other general corporate purposes. The senior unsecured notes are direct and unsubordinated unsecured debt obligations of Cogeco Communications and rank equally and *pari passu* with all other unsecured senior indebtedness of Cogeco Communications.

Acquisition of Niagara Regional Broadband Network

On February 5, 2024, Cogeco Connexion acquired Niagara Regional Broadband Network ("NRBN"), an Internet, video and phone service provider serving the Niagara Region. The sellers, the City of Niagara Falls and the Town of Niagara-on-the-Lake, will both remain minority shareholders in the company. This acquisition will strengthen the Corporation's presence in the Niagara Region and allow Cogeco Communications to support the continued growth of NRBN.

Further details on the NRBN acquisition, including the preliminary purchase price allocation, can be found in Note 5 of the Corporation's condensed interim consolidated financial statements.

Share repurchases

On December 13, 2023, the Corporation repurchased for cancellation 2,266,537 subordinate voting shares, or 5.1% of total shares outstanding at the time, as part of a series of transactions related to Rogers Communications Inc.'s sale of its entire holdings in Cogeco and Cogeco Communications. In addition to generating free cash flow per share accretion, the transactions increased the Corporation's public float by 29.5% at the time.

2.3 Operating environment

The Corporation operates in an industry which provides important services for residential and commercial consumers, and which is known for its resiliency during various economic cycles. However, as a result of greater competitive intensity, lower video subscriptions and inflation on other consumer goods, the Corporation expects continued pressure on its revenue and operating costs, which are being partially addressed through proactive cost mitigation measures.

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

2.4 Key performance indicators

The Corporation measures its financial performance, with regard to its corporate objectives, by monitoring revenue, adjusted EBITDA [(1)], net capital expenditures [(1)], capital intensity [(1)] and free cash flow [(1)] on a constant currency basis [(1)]. The Corporation also measures net capital expenditures, capital intensity and free cash flow excluding network expansion projects [(1)] as it provides a common basis for comparing the net capital expenditures to historical net capital expenditures prior to the acceleration of the network expansion projects and for assessing the impact of the network expansion projects on the net capital expenditures, capital intensity and free cash flow.

Overview

For the first half of fiscal 2024, Cogeco Communications' financial results were as expected. While the American telecommunications segment continued to face headwinds from the macroeconomic and nationwide competitive environments, subscriber metrics have shown an improvement from the prior year and its cost reduction initiatives and operating efficiencies have positively contributed to adjusted EBITDA margin. As for the Canadian telecommunications segment, it performed solidly in the first six months, marked by continued growth in its Internet customer base driven by a mix of new customers added under our Cogeco brand, which include fibre-to-the-home network expansions, and our digital oxio brand on and off footprint.

During the first six months of fiscal 2024, the decrease in revenue on a constant currency basis compared to the prior year was primarily due to revenue growth in the Canadian telecommunications segment being offset by a decline in the American telecommunications segment resulting from lower video subscriptions and a lower customer base over the past year. The decrease in adjusted EBITDA on a constant currency basis compared to last year was in line with our expectations and was primarily due to higher corporate costs resulting from the timing of certain operating expenses, including in relation to the Corporation's plan to offer mobile services in Canada, and a decline in the American telecommunications segment, while adjusted EBITDA remained stable in the Canadian telecommunications segment.

During the first six months of fiscal 2024, both the Canadian and American telecommunications segments continued their network expansion activities, connecting more homes and businesses to their fibre-to-the-home networks. The Corporation added more than 32,000 homes passed during the first six months of fiscal 2024. These fibre-to-the-home network expansion projects are increasing the Corporation's footprint in the provinces of Québec and Ontario and in several areas adjacent to Breezeline's network in the United States.

As for the remainder of the fiscal year, management does not expect the recent acquisition of NRBN to have a material impact on the Corporation's previously issued financial guidelines. Furthermore, as the financial guidelines already reflected Breezeline's plan to offer mobility services in the United States, the recent announcement to launch mobile service in the United States in the spring also does not have a material impact on the Corporation's previously issued financial guidelines. Accordingly, Cogeco Communications maintains its fiscal 2024 financial guidelines as issued on November 1, 2023.

For further details on the Corporation's operating results for the first six months of fiscal 2024, please refer to the "Consolidated operating and financial results", the "Segmented operating and financial results" and the "Cash flows analysis" sections.

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(1) Adjusted EBITDA and net capital expenditures are total of segments measures. Capital intensity is a supplementary financial measure. Constant currency basis, net capital expenditures, excluding network expansion projects, free cash flow and free cash flow, excluding network expansion projects are non-IFRS financial measures. Change in constant currency and capital intensity, excluding network expansion projects, are non-IFRS ratios. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

3. Consolidated operating and financial results

3.1 Operating results

Three months ended	February 29, 2024			February 28, 2023	Change	
(In thousands of Canadian dollars, except percentages)	**Actual** [1]	Foreign exchange impact	**In constant currency** [2]	Actual	**Actual**	**In constant currency**
	$	$	**$**	$	**%**	**%**
Revenue	**730,501**	971	**731,472**	736,646	**(0.8)**	**(0.7)**
Operating expenses	**378,151**	554	**378,705**	380,031	**(0.5)**	**(0.3)**
Management fees – Cogeco Inc.	**5,238**	—	**5,238**	5,400	**(3.0)**	**(3.0)**
Adjusted EBITDA	**347,112**	417	**347,529**	351,215	**(1.2)**	**(1.0)**
Adjusted EBITDA margin	**47.5 %**			47.7 %		

(1) For fiscal 2024 second-quarter, the average foreign exchange rate used for translation was 1.3452 USD/CDN.

(2) Fiscal 2024 second-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3488 USD/CDN.

Six months ended	February 29, 2024			February 28, 2023	Change	
(In thousands of Canadian dollars, except percentages)	**Actual** [1]	Foreign exchange impact	**In constant currency** [2]	Actual	**Actual**	**In constant currency**
	$	$	**$**	$	**%**	**%**
Revenue	**1,478,190**	(3,491)	**1,474,699**	1,498,946	**(1.4)**	**(1.6)**
Operating expenses	**761,642**	(1,953)	**759,689**	769,708	**(1.0)**	**(1.3)**
Management fees – Cogeco Inc.	**10,476**	—	**10,476**	10,800	**(3.0)**	**(3.0)**
Adjusted EBITDA	**706,072**	(1,538)	**704,534**	718,438	**(1.7)**	**(1.9)**
Adjusted EBITDA margin	**47.8 %**			47.9 %		

(1) For fiscal 2024 first six months, the average foreign exchange rate used for translation was 1.3553 USD/CDN.

(2) Fiscal 2024 first six months in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

Revenue

Three months ended	**February 29, 2024**	February 28, 2023	Change	Change in constant currency	Foreign exchange impact [1]
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian telecommunications	**373,479**	368,334	1.4	1.4	—
American telecommunications	**357,022**	368,312	(3.1)	(2.8)	971
	730,501	736,646	(0.8)	(0.7)	971

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

Six months ended	February 29, 2024	February 28, 2023	Change	Change in constant currency	Foreign exchange impact [(1)]
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian telecommunications	**749,927**	740,418	1.3	1.3	—
American telecommunications	**728,263**	758,528	(4.0)	(4.5)	(3,491)
	1,478,190	1,498,946	(1.4)	(1.6)	(3,491)

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

For the second quarter and the first six months of fiscal 2024, revenue decreased by 0.8% and 1.4% (0.7% and 1.6% in constant currency), respectively. The decrease in constant currency for both periods is primarily attributable to:

- lower video subscriptions and a lower customer base over the past year in the American telecommunications segment, with an increasing proportion of customers only subscribing to Internet services, offset in part by a higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds; partly offset by
- revenue growth in the Canadian telecommunications segment, driven mostly by the oxio acquisition completed on March 3, 2023 as well as the cumulative effect of high-speed Internet service additions over the past year.

In addition, the decrease in revenue for the first six months of fiscal 2024 is also explained by the timing of price increases introduced in the fiscal 2023 first-quarter at Breezeline which gave rise to a more challenging comparison between both periods in the American telecommunications segment.

Operating expenses

Three months ended	February 29, 2024	February 28, 2023	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian telecommunications	**174,720**	170,289	2.6	2.6	63
American telecommunications	**190,672**	202,254	(5.7)	(5.5)	487
Corporate and eliminations	**12,759**	7,488	70.4	70.4	4
	378,151	380,031	(0.5)	(0.3)	554

Six months ended	February 29, 2024	February 28, 2023	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian telecommunications	**354,814**	343,740	3.2	3.2	(128)
American telecommunications	**383,743**	409,964	(6.4)	(6.8)	(1,829)
Corporate and eliminations	**23,085**	16,004	44.2	44.3	4
	761,642	769,708	(1.0)	(1.3)	(1,953)

For the second quarter of fiscal 2024, operating expenses remained stable as reported and in constant currency, mainly due to:

- reduced operating expenses in the American telecommunications segment, which were mostly due to reduced video service costs resulting from a decline in subscriptions, cost reduction initiatives and operating efficiencies; offset by
- higher corporate costs, primarily due to the timing of certain operating expenses, including in relation to its plan to offer mobile services in Canada; and
- higher operating expenses in the Canadian telecommunications segment, mainly due to the oxio acquisition completed on March 3, 2023 and higher sales and other operating expenses to drive and support customer growth.

For the first six months of fiscal 2024, operating expenses decreased by 1.0% (1.3% in constant currency), mainly as a result of reduced operating expenses in the American telecommunications segment, partly offset by higher operating expenses in the Canadian telecommunications segment and higher corporate costs, all due to the same factors noted above.

Management fees

For the second quarter and the first six months of fiscal 2024, management fees paid to Cogeco Inc. ("Cogeco") were $5.2 million and $10.5 million, respectively, compared to $5.4 million and $10.8 million for the same periods of fiscal 2023. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

Adjusted EBITDA

Three months ended	**February 29, 2024**	February 28, 2023	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian telecommunications	**198,759**	198,045	0.4	0.3	(63)
American telecommunications	**166,350**	166,058	0.2	0.5	484
Corporate and eliminations	**(17,997)**	(12,888)	(39.6)	(39.7)	(4)
	347,112	351,215	(1.2)	(1.0)	417

Six months ended	**February 29, 2024**	February 28, 2023	Change	Change in constant currency	Foreign exchange impact
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Canadian telecommunications	**395,113**	396,678	(0.4)	(0.4)	128
American telecommunications	**344,520**	348,564	(1.2)	(1.6)	(1,662)
Corporate and eliminations	**(33,561)**	(26,804)	(25.2)	(25.2)	(4)
	706,072	718,438	(1.7)	(1.9)	(1,538)

For the second quarter of fiscal 2024, adjusted EBITDA decreased by 1.2% (1.0% in constant currency), mainly due to higher corporate costs, as explained above, while adjusted EBITDA remained stable in both the Canadian and American telecommunications segments.

For the first six months of fiscal 2024, adjusted EBITDA decreased by 1.7% (1.9% in constant currency), mainly as a result of:

- higher corporate costs; and
- lower adjusted EBITDA in the American telecommunications segment due to lower revenue, partly offset by a better product mix of higher margin services and lower operating expenses driven by cost reduction initiatives and operating efficiencies; while
- adjusted EBITDA remained stable in the Canadian telecommunications segment, mainly due to revenue growth being offset by higher sales and other operating expenses to drive and support customer growth.

3.2 Acquisition, integration, restructuring and other costs

For the second quarter and the first six months of fiscal 2024, acquisition, integration, restructuring and other costs amounted to $0.9 million and $3.5 million, respectively, mostly related to:

- costs associated with the configuration and customization related to cloud computing and other arrangements, including certain costs associated with Breezeline's launch of mobile service in the United States expected in the spring; partly offset by
- a $4.2 million reversal of a charge, recognized during the second quarter following the Copyright Board decision issued in January 2024 on the redetermination of the 2014-2018 royalty rates (refer to the "Contractual obligations, guarantees and contingencies" section for further details).

For the second quarter and the first six months of fiscal 2023, acquisition, integration, restructuring and other costs amounted to $7.0 million and $9.6 million, respectively, mainly related to:

- a $5.1 million retroactive adjustment recognized during the second quarter following the Copyright Board preliminary conclusions on the redetermination of the 2014-2018 royalty rates;
- costs related to the ongoing integration of past acquisitions; and
- costs associated with the configuration and customization related to cloud computing arrangements.

3.3 Depreciation and amortization

For the second quarter and the first six months of fiscal 2024, depreciation and amortization expense amounted to $163.7 million and $322.9 million, respectively, an increase of 6.2% and 4.3%, respectively, compared to the same periods of the prior year, mainly due to a higher level of capital assets in the Canadian telecommunications segment.

3.4 Financial expense

	Three months ended			Six months ended		
	February 29, 2024	February 28, 2023	Change	**February 29, 2024**	February 28, 2023	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**70,906**	62,767	13.0	**139,967**	118,162	18.5
Interest on lease liabilities	**539**	430	25.3	**981**	828	18.5
Loss on debt extinguishment [1]	**—**	—	—	**16,880**	—	—
Net foreign exchange loss (gain)	**(1,828)**	163	—	**(3,409)**	2,583	—
Amortization of deferred transaction costs related to the revolving facilities	**159**	170	(6.5)	**657**	334	96.7
Interest and other income	**(1,810)**	(2,424)	(25.3)	**(3,994)**	(4,092)	(2.4)
Other	**197**	10	—	**375**	220	70.5
Financial expense	**68,163**	61,116	11.5	**151,457**	118,035	28.3
Adjusted financial expense [2]	**68,163**	61,116	11.5	**134,577**	118,035	14.0

(1) In connection with the prepayment of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility in September 2023.

(2) Adjusted financial expense, which excludes gains/losses on debt modification and/or extinguishment, is a non-IFRS financial measure. This indicated term does not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on this financial measure, please consult the "Non-IFRS and other financial measures" section.

For the second quarter of fiscal 2024, financial expense increased by 11.5%, mainly due to:

- higher interest expense following the refinancing and from rising interest rates on the floating interest rate portion of the Senior Secured Term Loan B Facility; and
- higher usage under the Term Revolving Facility and rising interest rates compared to last year.

For the first six months of fiscal 2024, financial expense increased by 28.3%, mostly due to:

- a non-cash loss on debt extinguishment of $16.9 million recognized in the first quarter of fiscal 2024 following the prepayment of the US$1.6 billion Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility in September 2023;
- higher interest expense following the refinancing and from rising interest rates on the floating interest rate portion of the Senior Secured Term Loan B Facility; and
- higher usage under the Term Revolving Facility and rising interest rates compared to last year.

Excluding the non-cash loss on debt extinguishment recognized in the first quarter, financial expense for the first six months of fiscal 2024 increased by 14.0%.

3.5 Income taxes

	Three months ended			Six months ended		
(In thousands of Canadian dollars, except percentages)	**February 29, 2024**	February 28, 2023	Change	**February 29, 2024**	February 28, 2023	Change
	$	$	%	**$**	$	%
Current	**9,189**	12,039	(23.7)	**16,417**	20,415	(19.6)
Deferred	**8,631**	12,654	(31.8)	**19,501**	36,231	(46.2)
Income taxes	**17,820**	24,693	(27.8)	**35,918**	56,646	(36.6)
Effective income tax rate	**15.6 %**	19.1 %	(18.3)	**15.7 %**	20.1 %	(21.9)

For the second quarter and the first six months of fiscal 2024, income tax expense decreased by 27.8% and 36.6%, respectively, mainly due to:

- the decrease in profit before income taxes, which, for the first six months of fiscal 2024, was partly due to the $16.9 million non-cash loss on debt extinguishment recognized in the first quarter of fiscal 2024; and
- higher tax benefits related to financing costs in connection with past acquisitions.

Current income taxes were lower in the second quarter and the first six months of fiscal 2024 compared to the same periods of the prior year, mainly resulting from higher tax benefits related to financing costs in connection with past acquisitions, partly offset by the variation in temporary differences.

3.6 Profit for the period

(In thousands of Canadian dollars, except percentages and earnings per share)	Three months ended			Six months ended		
	February 29, 2024	February 28, 2023	Change	**February 29, 2024**	February 28, 2023	Change
	$	$	%	**$**	$	%
Profit for the period	**96,562**	104,262	(7.4)	**192,314**	224,637	(14.4)
Profit for the period attributable to owners of the Corporation	**93,681**	98,378	(4.8)	**183,174**	209,882	(12.7)
Profit for the period attributable to non-controlling interest [1]	**2,881**	5,884	(51.0)	**9,140**	14,755	(38.1)
Adjusted profit attributable to owners of the Corporation [2]	**94,054**	103,488	(9.1)	**197,780**	216,959	(8.8)
Basic earnings per share	**2.21**	2.21	—	**4.23**	4.66	(9.2)
Diluted earnings per share	**2.20**	2.19	0.5	**4.21**	4.64	(9.3)
Adjusted diluted earnings per share [2]	**2.21**	2.31	(4.3)	**4.55**	4.79	(5.0)

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

(2) Adjusted profit attributable to owners of the Corporation is a non-IFRS financial measure. Adjusted diluted earnings per share is a non-IFRS ratio. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

For the second quarter of fiscal 2024, profit for the period and profit for the period attributable to owners of the Corporation decreased by 7.4% and 4.8%, respectively, mainly as a result of:

- higher depreciation and amortization expense;
- higher financial expense; and
- lower adjusted EBITDA; partly offset by
- lower income tax expense; and
- lower acquisition, integration, restructuring and other costs.

For the first six months of fiscal 2024, profit for the period and profit for the period attributable to owners of the Corporation decreased by 14.4% and 12.7%, respectively, mostly resulting from:

- higher financial expense, mainly due to a pre-tax $16.9 million non-cash loss on debt extinguishment recognized in the first quarter of fiscal 2024;
- higher depreciation and amortization expense; and
- lower adjusted EBITDA; partly offset by
- lower income tax expense; and
- lower acquisition, integration, restructuring and other costs.

For the second quarter and the first six months of fiscal 2024, adjusted profit attributable to owners of the Corporation, which excludes the impact of acquisition, integration, restructuring and other costs, and the non-cash loss on debt extinguishment recognized in the first quarter of fiscal 2024, both net of tax and non-controlling interest, decreased by 9.1% and 8.8%, respectively, compared to the same periods of the prior year.

4. Segmented operating and financial results

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

4.1 Canadian telecommunications

Operating and financial results

Three months ended	February 29, 2024			February 28, 2023	Change	
(In thousands of Canadian dollars, except percentages)	Actual [1] $	Foreign exchange impact $	In constant currency [2] $	Actual $	Actual %	In constant currency %
Revenue	**373,479**	—	**373,479**	368,334	**1.4**	**1.4**
Operating expenses	**174,720**	63	**174,783**	170,289	**2.6**	**2.6**
Adjusted EBITDA	**198,759**	(63)	**198,696**	198,045	**0.4**	**0.3**
Adjusted EBITDA margin	**53.2 %**			53.8 %		
Net capital expenditures	**106,345**	428	**106,773**	81,383	**30.7**	**31.2**
Capital intensity	**28.5 %**			22.1 %		

(1) For fiscal 2024 second-quarter, the average foreign exchange rate used for translation was 1.3452 USD/CDN.

(2) Fiscal 2024 second-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3488 USD/CDN.

Six months ended	February 29, 2024			February 28, 2023	Change	
(In thousands of Canadian dollars, except percentages)	Actual [1] $	Foreign exchange impact $	In constant currency [2] $	Actual $	Actual %	In constant currency %
Revenue	**749,927**	—	**749,927**	740,418	**1.3**	**1.3**
Operating expenses	**354,814**	(128)	**354,686**	343,740	**3.2**	**3.2**
Adjusted EBITDA	**395,113**	128	**395,241**	396,678	**(0.4)**	**(0.4)**
Adjusted EBITDA margin	**52.7 %**			53.6 %		
Net capital expenditures	**194,181**	40	**194,221**	196,621	**(1.2)**	**(1.2)**
Capital intensity	**25.9 %**			26.6 %		

(1) For fiscal 2024 first six months, the average foreign exchange rate used for translation was 1.3553 USD/CDN.

(2) Fiscal 2024 first six months in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

Revenue

For the second quarter and the first six months of fiscal 2024, revenue increased by 1.4% and 1.3%, respectively, as reported and in constant currency, mainly as a result of:

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

Operating expenses

For the second quarter and the first six months of fiscal 2024, operating expenses increased by 2.6% and 3.2%, respectively, as reported and in constant currency, mainly due to:

- the oxio acquisition completed on March 3, 2023; and
- higher sales and other operating expenses to drive and support customer growth; partly offset by
- lower technology licensing costs and the timing of certain operating expenses.

Adjusted EBITDA

For the second quarter and the first six months of fiscal 2024, adjusted EBITDA remained stable as reported and in constant currency, mainly due to revenue growth being offset by higher sales and other operating expenses to drive and support customer growth.

Net capital expenditures and capital intensity

For the second quarter of fiscal 2024, net capital expenditures increased by 30.7% (31.2% in constant currency), mostly due to higher costs in relation to customer premise equipment.

For the first six months of fiscal 2024, net capital expenditures decreased by 1.2% as reported and in constant currency, mostly due to reduced spending during the first quarter of fiscal 2024 resulting from the completion of several rural fibre-to-the-home network expansion projects, mainly in Québec, partly offset by higher costs in relation to customer premise equipment, as explained above.

For the second quarter and the first six months of fiscal 2024, capital intensity was 28.5% and 25.9%, respectively, compared to 22.1% and 26.6% for the same periods of the prior year. The capital intensity increase for the second quarter is mainly due to higher net capital expenditures, while the decrease for the first six months is explained by revenue growth combined with overall lower net capital expenditures.

Primary service units and customer statistics

		Net additions (losses)		Net additions (losses)	
		Three months ended		Six months ended	
	February 29, 2024 (1)	**February 29, 2024** (1)	February 28, 2023	**February 29, 2024** (1)	February 28, 2023
Primary service units	**1,870,524**	**(2,720)**	1,369	**(4,272)**	(9,710)
Internet service customers	**874,401**	**8,933**	7,799	**19,698**	10,262
Video service customers	**618,478**	**(8,194)**	(4,335)	**(16,258)**	(12,596)
Phone service customers	**377,645**	**(3,459)**	(2,095)	**(7,712)**	(7,376)

(1) Considering the detailed calculation of the primary service units acquired from the recent Niagara Regional Broadband Network acquisition is not yet finalized, the number of units presented does not include those acquired from it.

Primary service units

Internet

Fiscal 2024 second-quarter and first six months Internet service customers net additions of 8,933 and 19,698, respectively, resulted from new customers added under the Cogeco brand, which include new customers from fibre-to-the-home network expansions, and the digital oxio brand on and off footprint.

Video

Fiscal 2024 second-quarter and first six months video service customers net losses of 8,194 and 16,258, respectively, were mainly due to ongoing changes in video consumption trends, further impacted by the current sustained inflationary environment, with an increasing proportion of customers only subscribing to Internet services, partly offset by additions in network expansion areas.

Phone

Fiscal 2024 second-quarter and first six months phone service customers net losses of 3,459 and 7,712, respectively, were mainly due to a higher mobile phone substitution, further impacted by the current sustained inflationary environment, partly offset by additions in network expansion areas.

Distribution of customers

On February 29, 2024, 59% of the Canadian telecommunications segment's customers subscribed to "double play" or "triple play" bundled services.

Homes passed

For the second quarter and the first six months of fiscal 2024, homes passed additions were 14,608 and 22,377, respectively.

4.2 American telecommunications

Operating and financial results

Three months ended			February 29, 2024	February 28, 2023		Change
(In thousands of Canadian dollars, except percentages)	Actual [1]	Foreign exchange impact	In constant currency [2]	Actual	Actual	In constant currency
	$	$	$	$	%	%
Revenue	357,022	971	357,993	368,312	(3.1)	(2.8)
Operating expenses	190,672	487	191,159	202,254	(5.7)	(5.5)
Adjusted EBITDA	166,350	484	166,834	166,058	0.2	0.5
Adjusted EBITDA margin	46.6 %			45.1 %		
Net capital expenditures	62,855	167	63,022	73,091	(14.0)	(13.8)
Capital intensity	17.6 %			19.8 %		

(1) For fiscal 2024 second-quarter, the average foreign exchange rate used for translation was 1.3452 USD/CDN.

(2) Fiscal 2024 second-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3488 USD/CDN.

Six months ended			February 29, 2024	February 28, 2023		Change
(In thousands of Canadian dollars, except percentages)	Actual [1]	Foreign exchange impact	In constant currency [2]	Actual	Actual	In constant currency
	$	$	$	$	%	%
Revenue	728,263	(3,491)	724,772	758,528	(4.0)	(4.5)
Operating expenses	383,743	(1,829)	381,914	409,964	(6.4)	(6.8)
Adjusted EBITDA	344,520	(1,662)	342,858	348,564	(1.2)	(1.6)
Adjusted EBITDA margin	47.3 %			46.0 %		
Net capital expenditures	118,708	(505)	118,203	153,499	(22.7)	(23.0)
Capital intensity	16.3 %			20.2 %		

(1) For fiscal 2024 first six months, the average foreign exchange rate used for translation was 1.3553 USD/CDN.

(2) Fiscal 2024 first six months in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

Revenue

For the second quarter and the first six months of fiscal 2024, revenue decreased by 3.1% and 4.0% (2.8% and 4.5% in constant currency), respectively, as expected. The decrease in constant currency in both periods mainly resulted from:

- lower video subscriptions and a lower customer base over the past year, with an increasing proportion of customers only subscribing to Internet services; partly offset by
- higher revenue per customer and a better product mix resulting from customers subscribing to increasingly fast Internet speeds.

In addition, the decrease in revenue for the first six months of fiscal 2024 is also explained by the timing of price increases introduced in the fiscal 2023 first-quarter which gave rise to a more challenging comparison between both periods.

In local currency, revenue amounted to US$265.4 million and US$537.3 million, respectively, compared to US$273.1 million and US$562.3 million for the same periods of fiscal 2023.

Operating expenses

For the second quarter and the first six months of fiscal 2024, operating expenses decreased by 5.7% and 6.4% (5.5% and 6.8% in constant currency), respectively. The decrease in constant currency in both periods is mainly due to:

- reduced video service costs resulting from a decline in subscriptions; and
- cost reduction initiatives and operating efficiencies.

Adjusted EBITDA

For the second quarter of fiscal 2024, adjusted EBITDA remained stable as reported and in constant currency, mainly due to a better product mix of higher margin services and lower operating expenses driven by cost reduction initiatives and operating efficiencies, partially offset by a lower customer base. For the first six months of fiscal 2024, adjusted EBITDA decreased by 1.2% (1.6% in constant currency), mainly due to lower revenue resulting from a lower customer base, as explained above, partly offset by a better product mix, cost reduction initiatives and operating efficiencies.

In local currency, adjusted EBITDA amounted to US$123.7 million and US$254.2 million, respectively, compared to US$123.1 million and US$258.4 million for the same periods of fiscal 2023.

Net capital expenditures and capital intensity

For the second quarter and the first six months of fiscal 2024, net capital expenditures decreased by 14.0% and 22.7% (13.8% and 23.0% in constant currency), respectively, mainly resulting from lower spending due to the timing of network expansion projects, partly offset by IPTV equipment upgrades in specific markets.

In local currency, net capital expenditures amounted to US$46.7 million and US$87.6 million, respectively, compared to US$54.2 million and US$113.8 million for the same periods of fiscal 2023.

For the second quarter and the first six months of fiscal 2024, capital intensity was 17.6% and 16.3%, respectively, compared to 19.8% and 20.2% for the same periods of fiscal 2023. Capital intensity decrease for both periods is mainly explained by reduced capital spending, as explained above.

Primary service units and customer statistics

		Net additions (losses)		Net additions (losses)	
		Three months ended		Six months ended	
	February 29, 2024	February 29, 2024	February 28, 2023 [1]	February 29, 2024	February 28, 2023 [1]
Primary service units	**1,066,847**	**(10,966)**	(18,347)	**(31,884)**	(53,507)
Internet service customers	**660,227**	**(3,059)**	(4,951)	**(11,535)**	(19,919)
Video service customers	**274,939**	**(5,206)**	(8,943)	**(13,942)**	(22,354)
Phone service customers	**131,681**	**(2,701)**	(4,453)	**(6,407)**	(11,234)

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

Primary service units

Internet

Fiscal 2024 second-quarter and first six months Internet service customers net losses were 3,059 and 11,535, respectively, of which 2,540 and 6,422 were in Ohio. The improvement in net losses over last year was primarily due to improved customer management in the Ohio market resulting from investments made in the network infrastructure and the proactive replacement of customer IPTV video equipment. Internet customer variations in other regions also reflect a more competitive environment, partially offset by new customers gained from fibre-to-the-home network expansions.

Video

Fiscal 2024 second-quarter and first six months video service customers net losses of 5,206 and 13,942, respectively, which improved compared to last year, were mainly due to:

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

Phone

Fiscal 2024 second-quarter and first six months phone service customers net losses of 2,701 and 6,407, respectively, were mainly due to:

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

Distribution of customers

On February 29, 2024, 32% of the American telecommunications segment's customers subscribed to "double play" or "triple play" bundled services. In recent years, the customer mix from double and triple play bundles has decreased, which is in line with the segment's Internet led strategy of focusing on higher margin Internet service.

Homes passed

For the second quarter and the first six months of fiscal 2024, homes passed additions were 4,028 and 9,725, respectively.

5. Related party transactions

As referred to in the "Business developments" section, on December 13, 2023, Cogeco and Cogeco Communications entered into a series of transactions pursuant to the sale by Rogers Communications Inc. of its entire holdings in both companies. Cogeco sold to Cogeco Communications 2,266,537 subordinate voting shares of its holdings in Cogeco Communications for $116.5 million, following the conversion and cancellation of an equivalent number of Cogeco Communications multiple voting shares. The subordinate voting shares were repurchased for cancellation, and represented approximately 5.1% of all outstanding Cogeco Communications shares. As of February 29, 2024, Cogeco held 28.4% of the Corporation's equity shares, representing 79.9% of the votes attached to the Corporation's voting shares.

Cogeco provides executive and administrative services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three and six-month periods ended February 29, 2024, management fees paid to Cogeco amounted to $5.2 million and $10.5 million, respectively, compared to $5.4 million and $10.8 million for the same periods of fiscal 2023.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. The following table provides the number of stock options, incentive share units ("ISUs") and performance share units ("PSUs") granted during the six-month periods ended February 29, 2024 and February 28, 2023 to these executive officers, as executive officers of Cogeco Communications, as well as deferred share units ("DSUs") issued to Board directors of Cogeco, the value of which was charged back to Cogeco.

Six months ended *(In number of units)*	**February 29, 2024**	February 28, 2023
Stock options	**169,799**	79,348
ISUs	**974**	—
PSUs	**26,444**	14,283
DSUs	**2,368**	—

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

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars)	**$**	$	**$**	$
Stock options	**103**	241	**325**	596
PSUs	**244**	237	**343**	380
ISUs and DSUs	**2**	—	**2**	(100)
	349	478	**670**	876

6. Cash flow analysis

	Three months ended			Six months ended		
	February 29, 2024	February 28, 2023	Change	**February 29, 2024**	February 28, 2023	Change
(In thousands of Canadian dollars, except percentages)	**$**	$	%	**$**	$	%
Cash flows from operating activities	**285,434**	203,043	40.6	**522,416**	397,202	31.5
Cash flows used in investing activities	**(274,635)**	(172,308)	59.4	**(427,749)**	(406,608)	5.2
Cash flows used in financing activities	**(13,931)**	(87,288)	(84.0)	**(375,525)**	(16,584)	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(240)**	1,847	—	**(873)**	8,142	—
Net change in cash and cash equivalents	**(3,372)**	(54,706)	(93.8)	**(281,731)**	(17,848)	—
Cash and cash equivalents, beginning of the period	**84,562**	407,757	(79.3)	**362,921**	370,899	(2.2)
Cash and cash equivalents, end of the period	**81,190**	353,051	(77.0)	**81,190**	353,051	(77.0)

6.1 Operating activities

For the second quarter and the first six months of fiscal 2024, cash flows from operating activities increased by 40.6% and 31.5%, respectively, mainly from:

- changes in other non-cash operating activities, primarily due to the timing of payments of trade and other payables and the collection of trade accounts receivable;
- lower income taxes paid, mainly due to income tax refunds received; and
- lower acquisition, integration, restructuring and other costs; partly offset by
- higher interest paid; and
- lower adjusted EBITDA.

6.2 Investing activities

For the second quarter of fiscal 2024, cash flows used in investing activities increased by 59.4%, mainly as a result of:

- cash flows used in connection with the acquisition of Niagara Regional Broadband Network, which was completed on February 5, 2024;
- a $38.1 million deposit paid in January 2024 in order to secure 99 spectrum licences in the 3800 MHz spectrum auction; and
- the increase in acquisition of property, plant and equipment.

For the first six months of fiscal 2024, cash flows used in investing activities increased by 5.2%, mainly due to:

- cash flows used in connection with the acquisition of Niagara Regional Broadband Network, which was completed on February 5, 2024; and
- a $38.1 million deposit paid in January 2024 in order to secure 99 spectrum licences in the 3800 MHz spectrum auction; partly offset by
- the decrease in acquisition of property, plant and equipment.

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

(In thousands of Canadian dollars, except percentages)	Three months ended February 29, 2024	February 28, 2023	Change	Change in constant currency	Six months ended February 29, 2024	February 28, 2023	Change	Change in constant currency
	$	$	%	%	**$**	$	%	%
Acquisition of property, plant and equipment	**180,247**	172,967	4.2		**333,796**	407,604	(18.1)	
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the period	**(9,478)**	(16,842)	(43.7)		**(16,600)**	(54,508)	(69.5)	
Net capital expenditures	**170,769**	156,125	9.4	9.8	**317,196**	353,096	(10.2)	(10.3)
Capital intensity	**23.4 %**	21.2 %			**21.5 %**	23.6 %		
Net capital expenditures, excluding network expansion projects [1]	**146,379**	113,883	28.5	29.0	**261,146**	245,020	6.6	6.5
Capital intensity, excluding network expansion projects [1]	**20.0 %**	15.5 %			**17.7 %**	16.3 %		

(1) Net capital expenditures, excluding network expansion projects is a non-IFRS financial measure. Capital intensity, excluding network expansion projects is a non-IFRS ratio. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

For the second quarter of fiscal 2024, net capital expenditures increased by 9.4% (9.8% in constant currency) and capital intensity was 23.4% compared to 21.2% for the same period of the prior year, mainly due to:

- higher spending in the Canadian telecommunications segment mostly due to higher costs in relation to customer premise equipment; partly offset by
- lower spending in the American telecommunications segment, mainly resulting from lower spending due to the timing of network expansion projects, partly offset by IPTV equipment upgrades in specific markets.

For the first six months of fiscal 2024, net capital expenditures decreased by 10.2% (10.3% in constant currency) and capital intensity was 21.5% compared to 23.6% for the same period of the prior year, mostly due to:

- lower spending in both the Canadian and American telecommunications segments during the first quarter of fiscal 2024 following the completion, or near completion, as well as the timing of several fibre-to-the-home network expansion projects; partly offset by
- higher costs in relation to customer premise equipment in the Canadian telecommunications segment during the second quarter of fiscal 2024, as explained above.

For the second quarter and the first six months of fiscal 2024, excluding network expansion projects, net capital expenditures increased by 28.5% and 6.6% (29.0% and 6.5% in constant currency), respectively, while capital intensity was 20.0% and 17.7%, respectively, compared to 15.5% and 16.3% for the same periods of the prior year.

6.3 Financing activities

Issuance and repayment of debt

For the second quarter and the first six months of fiscal 2024, changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

	Three months ended		Six months ended		
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023	Explanations
(In thousands of Canadian dollars)	**$**	$	**$**	$	
Increase (decrease) in bank indebtedness	**1,557**	—	**172**	(8,633)	Related to the timing of payments made to suppliers.
Net increase (decrease) under revolving facilities	**(120,479)**	(277,372)	**33,515**	(110,184)	Mainly related to funds drawn under the revolving facilities during the first quarter of fiscal 2024, which were repaid in part during the second quarter of fiscal 2024.
Issuance of long-term debt, net of discounts and transaction costs	**270,719**	298,056	**1,926,927**	298,056	Mainly related to the issuance of two Term B loans, a US$775 million 7-year loan and a US$475 million 5-year loan, in connection with the refinancing of the First Lien Credit Facilities in September 2023, and the issuance of the $275 million Senior Unsecured Notes in February 2024. Last year's debt issuance was related to the issuance of $300 million senior secured notes.
Repayment of notes and credit facilities	**(3,053)**	(8,846)	**(2,132,268)**	(17,626)	Mainly related to the reimbursement of Tranche 1 of the Senior Secured Term Loan B Facility in September 2023, and the quarterly repayments of the Senior Secured Term Loan B Facility.
Repayment of lease liabilities	**(2,078)**	(1,657)	**(3,882)**	(2,998)	Comparable.
Increase in deferred transaction costs	**(119)**	(338)	**(1,920)**	(338)	Related to the amendment of the Senior Secured Revolving Facility in September 2023.
	146,547	9,843	**(177,456)**	158,277	

Dividends

During the second quarter of fiscal 2024, a quarterly eligible dividend of $0.854 per share was paid to the holders of multiple and subordinate voting shares, totalling $35.8 million, compared to a quarterly eligible dividend of $0.776 per share, or $34.3 million, in the second quarter of fiscal 2023. Dividend payment in the first six months of fiscal 2024 totalled $1.708 per share, or $73.6 million, compared to $1.552 per share, or $69.4 million, in the prior year.

Purchase of subordinate voting shares for cancellation from Cogeco

On December 13, 2023, following the share buyback transaction (refer to the "Business developments" section), the Corporation repurchased for cancellation 2,266,537 of its subordinate voting shares for $116.5 million. During the second quarter of fiscal 2024, the Corporation paid $3.1 million of costs related to this transaction.

Normal course issuer bid ("NCIB")

	Commencement date	**Expiry**	**Maximum subordinate voting shares for repurchase**	**Number of shares repurchased at February 29, 2024**
2023 NCIB	May 4, 2023	May 3, 2024	1,776,125	—
2022 NCIB	May 4, 2022	May 3, 2023	1,960,905	1,825,168
2021 NCIB	May 4, 2021	May 3, 2022	2,068,000	1,175,925

The following table provides the NCIB purchases for the three and six-month periods ended February 29, 2024 and February 28, 2023:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	**$**	$	**$**	$
Subordinate voting shares purchased and cancelled	**—**	845,198	**—**	1,357,368
Weighted average purchase price per share	**—**	75.43	**—**	74.43
Purchase costs	**—**	63,750	**—**	101,033

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

6.4 Free cash flow

Three months ended	**February 29, 2024** [1]	February 28, 2023	Change	Change in constant currency [2]	Foreign exchange impact [2]
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA	**347,112**	351,215	(1.2)	(1.0)	417
Share-based payment	**2,497**	1,590	57.0		
Gain on disposals and write-offs of property, plant and equipment	**(471)**	(170)	—		
Defined benefit plans expense, net of contributions	**94**	165	(43.0)		
Acquisition, integration, restructuring and other costs	**(885)**	(6,952)	(87.3)		
Financial expense	**(68,163)**	(61,116)	11.5		
Amortization of deferred transaction costs and discounts on long-term debt [3]	**2,007**	3,028	(33.7)		
Current income taxes	**(9,189)**	(12,039)	(23.7)		
Net capital expenditures	**(170,769)**	(156,125)	9.4		
Repayment of lease liabilities	**(2,078)**	(1,657)	25.4		
Free cash flow	**100,155**	117,939	(15.1)	(15.4)	(344)
Free cash flow, excluding network expansion projects [4]	**124,545**	160,181	(22.2)	(22.5)	(333)

(1) For fiscal 2024 second-quarter, the average foreign exchange rate used for translation was 1.3452 USD/CDN.

(2) Fiscal 2024 second-quarter in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3488 USD/CDN.

(3) Included within financial expense.

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

Six months ended	February 29, 2024 [1]	February 28, 2023	Change	Change in constant currency [2]	Foreign exchange impact [2]
(In thousands of Canadian dollars, except percentages)	**$**	$	%	%	$
Adjusted EBITDA	**706,072**	718,438	(1.7)	(1.9)	(1,538)
Share-based payment	**2,952**	2,935	0.6		
Gain on disposals and write-offs of property, plant and equipment	**(584)**	(240)	—		
Defined benefit plans expense, net of contributions	**200**	35	—		
Acquisition, integration, restructuring and other costs	**(3,501)**	(9,629)	(63.6)		
Financial expense	**(151,457)**	(118,035)	28.3		
Loss on debt extinguishment [3]	**16,880**	—	—		
Amortization of deferred transaction costs and discounts on long-term debt [3]	**4,681**	6,072	(22.9)		
Current income taxes	**(16,417)**	(20,415)	(19.6)		
Net capital expenditures	**(317,196)**	(353,096)	(10.2)		
Repayment of lease liabilities	**(3,882)**	(2,998)	29.5		
Free cash flow	**237,748**	223,067	6.6	6.3	(520)
Free cash flow, excluding network expansion projects [4]	**293,798**	331,143	(11.3)	(11.5)	(671)

(1) For fiscal 2024 first six months, the average foreign exchange rate used for translation was 1.3553 USD/CDN.

(2) Fiscal 2024 first six months in constant currency is translated at the average foreign exchange rate of the comparable period of fiscal 2023, which was 1.3489 USD/CDN.

(3) Included within financial expense.

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

For the second quarter of fiscal 2024, free cash flow decreased by 15.1% (15.4% in constant currency). The variation in constant currency is mainly due to:

- higher net capital expenditures in the Canadian telecommunications segment, offset in part by lower net capital expenditures in the American telecommunications segment;
- higher financial expense; and
- lower adjusted EBITDA; partly offset by
- lower acquisition, integration, restructuring and other costs.

For the first six months of fiscal 2024, free cash flow increased by 6.6% (6.3% in constant currency). The variation in constant currency is mostly due to:

- lower net capital expenditures, mostly in the American telecommunications segment; and
- lower acquisition, integration, restructuring and other costs; partly offset by
- higher financial expense, net of the pre-tax $16.9 million non-cash loss on debt extinguishment recognized in the first quarter of fiscal 2024; and
- lower adjusted EBITDA.

Excluding network expansion projects, the second-quarter and the first six months of fiscal 2024 free cash flow amounted to $124.5 million and $293.8 million ($124.2 million and $293.1 million in constant currency), respectively, a decrease of 22.2% and 11.3% (22.5% and 11.5% in constant currency), respectively, compared to $160.2 million and $331.1 million for the same periods of the prior year.

6.5 Dividend declaration

At its April 11, 2024 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.854 per share for multiple and subordinate voting shares, payable on May 9, 2024 to shareholders of record on April 25, 2024. 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. Financial position

7.1 Working capital

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

The variations are as follows:

(In thousands of Canadian dollars)	**February 29, 2024**	August 31, 2023	Change	Explanations
	$	$	$	
Current assets				
Cash and cash equivalents	**81,190**	362,921	(281,731)	Refer to the "Cash flows analysis" section.
Trade and other receivables	**120,438**	118,951	1,487	Not significant.
Income taxes receivable	**9,229**	27,347	(18,118)	Mainly due to income tax refunds received and amounts applied against income tax instalments.
Prepaid expenses and other	**50,554**	41,818	8,736	Mainly related to the increase in prepayments for annual services agreements.
Derivative financial instruments	**9,178**	5,355	3,823	Not significant.
	270,589	556,392	(285,803)	
Current liabilities				
Bank indebtedness	**22,574**	22,402	172	Refer to the "Cash flows analysis" section.
Trade and other payables	**297,450**	319,225	(21,775)	Mainly related to the timing of payments made to suppliers.
Provisions	**22,152**	32,734	(10,582)	Mainly related to the payment of certain programming and restructuring costs previously recognized, and the reversal of previously recognized provisions following the Copyright Board decision issued in January 2024 in regard to the 2014-2018 retransmission tariffs.
Income tax liabilities	**2,308**	413	1,895	Not significant.
Contract liabilities and other liabilities	**61,919**	61,760	159	Not significant.
Government subsidies received in advance	**13,027**	29,262	(16,235)	Mainly related to the fibre-to-the-home network construction progress in Québec.
Derivative financial instruments	**—**	2,345	(2,345)	Not significant.
Current portion of long-term debt	**70,948**	41,765	29,183	Related to the reclassification of the US$25 million Senior Secured Notes Series A as current and to the quarterly repayments of the Senior Secured Term Loan B Facility.
	490,378	509,906	(19,528)	
Working capital surplus (deficiency)	**(219,789)**	46,486	(266,275)	

7.2 Other significant changes

(In thousands of Canadian dollars)	**February 29, 2024** **$**	August 31, 2023 $	Change $	Explanations
Non-current assets				
Other assets	**149,492**	96,862	52,630	Mainly related to the $38.1 million deposit paid in January 2024 in order to secure 99 spectrum licences in the 3800 MHz spectrum auction and an increase in sales commissions.
Property, plant and equipment	**3,323,734**	3,229,515	94,219	Mainly related to capital investments made during the first six months of fiscal 2024 and the acquisition of Niagara Regional Broadband Network, partly offset by the depreciation expense for the period.
Intangible assets	**3,651,503**	3,661,906	(10,403)	Mainly related to the amortization expense for the period, partly offset by intangible assets acquired as part of the acquisition of Niagara Regional Broadband Network.
Goodwill	**2,141,371**	2,117,756	23,615	Mainly related to the acquisition of Niagara Regional Broadband Network.
Derivative financial instruments	**74,156**	100,792	(26,636)	Mainly related to changes in market interest rates and to the interest swap tranches maturing in November 2024 classified as current.
Non-current liabilities				
Long-term debt	**4,833,884**	4,979,241	(145,357)	Mainly related to the First Lien Credit Facilities, which were refinanced in September 2023, and to the reclassification of the US$25 million Senior Secured Notes Series A as current, partly offset by the issuance of the $275 million Senior Unsecured Notes and the balance due on the Niagara Regional Broadband Network acquisition.
Deferred tax liabilities	**846,591**	829,615	16,976	Mainly related to the timing of temporary differences.

8. Capital resources and liquidity

8.1 Capital structure

The following table summarizes certain key ratios used to monitor and manage the Corporation's capital structure. Net indebtedness reflects the US denominated debt converted at the exchange rate at the end of the period, while adjusted EBITDA and adjusted financial expense reflect the average exchange rate throughout the corresponding 12-month period.

	February 29, 2024	August 31, 2023
Net indebtedness / adjusted EBITDA ratio (1) (2)	**3.5**	3.3
Adjusted EBITDA / adjusted financial expense ratio (1) (2)	**5.3**	5.6

(1) Net indebtedness to adjusted EBITDA ratio and adjusted EBITDA to adjusted financial expense ratio are capital management measures. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

(2) Calculated on a 12-month trailing basis.

At February 29, 2024, the Corporation's weighted average cost of indebtedness, excluding the amortization of deferred transaction costs and commitment fees but including the impact of interest rate swaps, was 5.7%. The overall debt's weighted average term to maturity was 5.2 years.

Considering the lower share count following the share buyback transaction in December 2023, management anticipates that dividends will represent a payout of 39% of free cash flow [i] in fiscal 2024, or 27% when excluding network expansions [i], compared to 33% and 23%, respectively, in fiscal 2023. The increase in the payout ratios compared to the prior year is partially due to investments in network expansions, in Ontario and the United States, and in anticipation of a launch of mobile services.

(i) Free cash flow dividend payout ratios for fiscal 2024 are based on the mid-point of the financial guidelines. Free cash flow dividend payout ratio and free cash flow, excluding network expansion projects, dividend payout ratio are non-IFRS ratios. These indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more information on these financial measures, please consult the "Non-IFRS and other financial measures" section.

The table below summarizes the Corporation's available liquidity:

(In thousands of Canadian dollars)	**At February 29, 2024** **$**	At August 31, 2023 $
Cash and cash equivalents	**81,190**	362,921
Cash with restrictions on use [1]	**(13,027)**	(29,262)
Amounts available under revolving credit facilities [2]	**676,842**	574,183
Available liquidity [3]	**745,005**	907,842

(1) Included within cash and cash equivalents (see Note 15 D) of the Corporation's condensed interim consolidated financial statements).

(2) Total amount available under the $750 million Term Revolving Facility and the US$250 million (US$150 million at August 31, 2023) Senior Secured Revolving Facility (see Note 16 A) of the Corporation's condensed interim consolidated financial statements).

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

8.2 Outstanding share data

A description of Cogeco Communications' share data at March 31, 2024 is presented in the table below. Additional details are provided in Note 13 B) of the condensed interim consolidated financial statements.

(In thousands of Canadian dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	**12,000,871**	**75,217**
Subordinate voting shares	**30,221,070**	**779,272**
Options to purchase subordinate voting shares		
Outstanding options	**1,084,400**	
Exercisable options	**612,690**	

8.3 Financing

On February 27, 2024, Cogeco Communications completed, pursuant to a private offering, the issuance of $275 million senior unsecured notes, bearing interest at 6.125% and maturing in February 2029. Cogeco Communications used the net proceeds of the offering to repay existing indebtedness and for other general corporate purposes. The senior unsecured notes are direct and unsubordinated unsecured debt obligations of Cogeco Communications and rank equally and *pari passu* with all other unsecured senior indebtedness of Cogeco Communications.

On December 13, 2023, Cogeco Communications initially financed a $116.5 million share buyback transaction and related transaction costs and expenses through a drawdown on its existing term revolving facility. On December 11, 2023, in order to maintain its borrowing capacity, Cogeco Communications entered into a $125 million non-revolving term credit facility, which was then cancelled on March 1, 2024, following the issuance of the $275 million senior unsecured notes.

On September 29, 2023, a US$775 million 7-year Term Loan B - Tranche 3 was issued following the amendment of Cogeco Communications' First Lien Credit Facility related to its U.S. subsidiaries, in addition to a US$475 million 5-year Farm Credit Term Loan B and increasing the credit limit of the Senior Secured Revolving Facility from US$150 million to US$250 million and extending the maturity date to September 2028. The Corporation then reimbursed the US$1.6 billion Tranche 1 of the Senior Secured Term Loan B Facility using the proceeds from the newly issued Term B loans, together with US$150 million drawn on the Senior Secured Revolving Facility and US$200 million of cash on hand.

8.4 Credit ratings

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

At February 29, 2024	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes	**BBB-**	**BBB (low) (stable)**	**NR**
Senior Unsecured Notes	**BB+**	**BB (high) (stable)**	**NR**
Corporate credit issuer rating	**BB+ (negative outlook)**	**BB (high) (stable)**	**NR**
U.S. subsidiaries			
First Lien Credit Facilities	**BB**	**NR**	**B1 (negative outlook)**
Corporate credit issuer rating	**BB (negative outlook)**	**NR**	**B1 (negative outlook)**

NR : Not rated

In December 2023, S&P lowered the Corporation's corporate credit issuer rating outlook to "negative" following the share buyback transaction (refer to the "Business developments" section).

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

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

8.5 Financial risk management

Management's objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate, foreign exchange and market risks which are described in the Corporation's 2023 annual consolidated financial statements.

Credit risk

The lowest credit rating of the counterparties to the derivative financial instruments agreements at February 29, 2024 is "A" by Standard & Poor's rating services ("S&P"). Management monitors its exposure to financial institutions which is primarily in the form of deposits, derivatives and revolver commitments.

Liquidity risk

On February 29, 2024, the Corporation had used $301.3 million of its $750 million Term Revolving Facility for a remaining availability of $448.7 million. In addition, the U.S. subsidiaries benefit from a Senior Secured Revolving Facility of $339.3 million (US$250 million), of which $111.1 million (US$81.9 million) was used at February 29, 2024 for a remaining availability of $228.1 million (US$168.1 million).

An unsecured letter of credit facility was put in place in connection with the 3800 MHz spectrum auction (refer to the "Contractual obligations, guarantees and contingencies" section).

Interest rate risk

On February 29, 2024, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 29, 2024:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate [1]	Maturity	Hedged item
Cash flow [2] [3]	US$550 million	Term SOFR	2.01% - 4.18%	November 2024 - February 2029	Senior Secured Term Loan B - Tranche 3
Cash flow	US$800 million	Term SOFR with a 39 bps floor	1.17% - 1.44%	October 2025 - July 2027	Senior Secured Term Loan B - Tranche 2

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

(2) Following the early repayment of Tranche 1 in September 2023, the debt associated with the hedged variable interest cash flows was replaced by Tranche 3 of the Senior Secured Term Loan B Facility.

(3) Interest rate swaps amounting to US$290 million matured in January 2024, while new US$300 million interest rate swaps were entered into, for a total hedge amount of US$550 million.

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 $14.5 million based on the outstanding debt and swap agreements at February 29, 2024.

8.6 Foreign currency

For the three and six-month periods ended February 29, 2024 and February 28, 2023, the average rates prevailing used to convert the operating results of the American telecommunications segment were as follows:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
US dollar vs Canadian dollar	**1.3452**	1.3488	**1.3553**	1.3489

8.7 Contractual obligations, guarantees and contingencies

A) Contractual obligations and guarantees

3800 MHz spectrum auction

On November 30, 2023, Innovation, Science and Economic Development Canada ("ISED") announced the provisional spectrum licence winners in the 3800 MHz spectrum auction. The Corporation, through its wholly-owned subsidiary Elite General Partnership, secured 99 spectrum licences in urban and rural markets, including the greater Toronto, Montréal, Québec City and Ottawa areas, for a total purchase price of $190.3 million. With this acquisition, the Corporation will hold spectrum covering 100% of its Canadian broadband network footprint.

The required deposit of $38.1 million, representing 20% of the total purchase price, was paid to ISED on January 16, 2024. The final payment is expected to be paid on or before May 29, 2024. The unsecured letter of credit issued to ISED in July 2023 as a pre-auction deposit will remain outstanding until the final payment is made.

Performance and payment bonds

On February 29, 2024, the Corporation had $157.9 million of performance and payment bonds outstanding, issued in accordance with the rules established by Infrastructure Ontario in connection with Ontario's Accelerated High Speed Internet Program (AHSIP).

B) Contingencies

Royalties payable for retransmission of distant television signals

On July 22, 2021, the Federal Court of Appeal issued a decision in response to two applications for judicial review filed by six broadcasting distribution undertakings ("BDUs") (including the Corporation) and nine collective societies challenging a decision by the Copyright Board setting the quantum of royalties payable for the retransmission of distant Canadian and U.S. television over-the-air signals in Canada, for the 2014-2018 period. The Federal Court of Appeal identified errors made in the Copyright Board's initial rate decision and directed the Copyright Board to correct these errors. On January 12, 2024, the Copyright Board issued its decision on the redetermination of the 2014-2018 royalty rates, which resulted in a reduction of these rates for the years 2015-2018 on a retroactive basis. On February 9, 2024, the copyright collectives made an application seeking judicial review of the Copyright Board's redetermination decision. If the Copyright Board's redetermination decision is not upheld, the Corporation could become subject to higher royalty rates for the 2016-2018 period.

The Copyright Board will be setting the rates for subsequent tariff periods (2019-2023 and 2024-2028) in a proceeding that could start later in 2024. Any decision from the Copyright Board that would align with the copyright collectives' proposed tariff rates for either of such subsequent periods could result in the Corporation being subject to higher royalty rates.

The Corporation had previously recognized a provision in the amount of $11.5 million for the 2014-2018 and 2019-2023 tariff periods. As a result of the Copyright Board's January 2024 redetermination decision, a $4.2 million reversal of this previously recognized provision was recognized during the second quarter of fiscal 2024 within *Acquisition, integration, restructuring and other costs*.

9. Sustainability strategy

At Cogeco, we take pride in pursuing our sustainability agenda through the implementation of leading practices. Our sustainability strategy is based on a long-standing tradition of social engagement and community involvement, a commitment to digital inclusion and climate action as well as a robust diversity, equity and inclusion program. It forms an integral part of the Corporation's business strategy as we acknowledge the fundamental role that corporations must play in addressing the most pressing environmental, social and economic challenges of our time, as well as our responsibility towards effective monitoring and management of our sustainability-related risks and opportunities to ensure long-term and resilient value creation.

On March 20, 2024, Cogeco unveiled its 2023 Sustainability report, which details its sustainability strategy, commitments, initiatives, and performance. The report was prepared using the international standards of the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). Cogeco's 2023 Sustainability Report and detailed KPIs found in Cogeco's ESG data supplement are both available on the Corporation's website at corpo.cogeco.com, under "Sustainability - Sustainability Practices".

Concurrently on March 20, 2024, Cogeco also published its third Climate Action Plan and TCFD Report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The report describes how the impacts of climate change are systematically considered and integrated into Cogeco's business strategy and related decisions. It also presents the measures put in place to support the transition to a resilient, low-carbon economy. Cogeco's 2023 Climate Action Plan and TCFD Report is also available on the Corporation's website at corpo.cogeco.com, under "Sustainability - Sustainability Practices".

10. Controls and procedures

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

The CEO and CFO, supported by management, evaluated the design of the Corporation's DC&P and ICFR at February 29, 2024, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and six-month periods ended February 29, 2024.

11. Uncertainties and main risk factors

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2023 annual MD&A, available on SEDAR+ at www.sedarplus.ca and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2023 annual MD&A, which are hereby incorporated by reference.

Review of the wholesale high-speed access framework

On March 8, 2023, the CRTC launched a consultation to review its existing framework for wholesale high-speed access ("HSA") services. The CRTC is seeking comments on several issues, including its preliminary views that (i) the provision of aggregated wholesale HSA services should be mandated; (ii) access to fibre-to-the-premises ("FTTP") facilities should be provided over these services; and (iii) the provision of FTTP facilities over aggregated wholesale high-speed access services should be mandated on a temporary and expedited basis. The CRTC is also seeking comments on whether retail regulation should be considered to address concerns regarding market concentration and the potential exercise of market power. Concurrently with the launch of the consultation, the CRTC determined that the current rates for aggregated wholesale HSA services would be made interim, and directed incumbents to file tariff applications with new proposed rates for these services. The CRTC also applied an immediate interim reduction to existing rates that reflects a 10% decrease in the capacity rates incumbents can charge to wholesale-based competitors, until revised final rates are established.

On November 6, 2023, the CRTC issued a decision requiring Bell and Telus to provide temporary wholesale access to their FTTP facilities in Ontario and Québec by May 7, 2024. The decision also sets the interim rates that competitors will pay when selling services over these facilities. This temporary access is to be made available until the conclusion of the CRTC's broader review of the wholesale high-speed access framework. Cable carriers, including Cogeco Communications, are not required to implement this temporary mandate, as the CRTC found that they already service the majority of wholesale-based competitors via their hybrid fibre-coaxial networks and that, given the temporary nature of the interim FTTP access mandate, it would be neither efficient nor proportionate to mandate cable carriers to implement it. Bell has been granted leave to appeal the CRTC's decision to the Federal Court of Appeal, and is also appealing the decision to the Governor-in-Council.

A decision by the CRTC on its broader review of the wholesale HSA framework that would result in greater regulation of wholesale HSA services, the implementation of final aggregated wholesale HSA rates that are significantly below the final rates established in Telecom Decision 2021-181, or the introduction of regulatory measures at the retail level, could have a material adverse effect on the Corporation's business, financial condition and results of operations.

12. Accounting policy developments

The following new standard and amendments to standards were issued by the IASB and were not yet applied in preparing the condensed interim consolidated financial statements.

IFRS 18, *Presentation and Disclosure in Financial Statements*	In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies: • improved comparability in the statement of profit or loss by introducing three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit; • enhanced transparency of management-defined performance measures by requiring companies to disclose explanations of those company-specific measures that are related to the income statement; and • enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements presentation and disclosure.
Supplier Finance Arrangements - Amendments to IAS 7, *Statement of Cash Flows*, and IFRS 7, *Financial Instruments: Disclosures*	In May 2023, the IASB issued *Supplier Finance Arrangements*, which amended IAS 7 and IFRS 7, introducing new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not expect these amendments to have a material impact on its consolidated financial statements.

13. Non-IFRS and other financial measures

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

Financial measures presented on a constant currency basis for the three and six-month periods ended February 29, 2024 are translated at the average foreign exchange rate of the comparable periods of the prior year, which were 1.3488 USD/CDN and 1.3489 USD/CDN, respectively.

Non-IFRS financial measures

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

Specified financial measures	Usefulness	Calculation	Most directly comparable IFRS financial measures
Adjusted profit attributable to owners of the Corporation	Adjusted profit attributable to owners of the Corporation is a measure used by management to assess the Corporation's performance before the impact of impairment of assets, acquisition, integration, restructuring and other costs, and loss (gain) on debt modification and/or extinguishment, net of tax and non-controlling interest for these items. Adjusted profit attributable to owners of the Corporation excludes certain items that management believes could affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance. Excluding the impact of these items does not imply they are non-recurring.	Profit for the period attributable to owners of the Corporation add: - impairment of assets, if any; - acquisition, integration, restructuring and other costs; - loss (gain) on debt modification and/or extinguishment, if any; - tax impact for the above items; and - non-controlling interest for the above items.	Profit for the period attributable to owners of the Corporation
Adjusted financial expense	Adjusted financial expense is a measure used by management to calculate certain covenant ratios and to assess the Corporation's ability to service its debt.	Financial expense deduct: - loss (gain) on debt modification and/or extinguishment, if any.	Financial expense
Constant currency basis and foreign exchange impact	The Corporation presents certain financial measures in constant currency to enable an improved understanding of its underlying financial performance, undistorted by the effect of changes in foreign exchange rates, in order to facilitate period-to-period comparisons. Financial measures presented on a constant currency basis include financial guidelines and certain historical financial measures, including revenue, operating expenses, adjusted EBITDA, net capital expenditures and free cash flow.	Financial guidelines presented on a constant currency basis are obtained by translating expected financial results denominated in US dollars at the foreign exchange rates of the prior fiscal year. Historical financial measures presented on a constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. Foreign exchange impact represents the quantification of such impact.	Revenue, operating expenses, adjusted EBITDA and net capital expenditures. For free cash flow, refer to the definition below for the most directly comparable IFRS financial measure.
Organic revenue in constant currency and adjusted EBITDA in constant currency	Organic revenue in constant currency and adjusted EBITDA in constant currency are used by management to analyze the Corporation's revenue and adjusted EBITDA growth excluding the effect of changes in foreign exchange rates and the impact of acquisitions, in order to facilitate period-to-period comparisons. Management believes these measures are used by certain investors and analysts to evaluate the Corporation's performance.	Revenue in constant currency (as calculated per above) deduct: - impact of acquisitions. Adjusted EBITDA in constant currency (as calculated per above) deduct: - impact of acquisitions.	Revenue and adjusted EBITDA.

Specified financial measures	Usefulness	Calculation	Most directly comparable IFRS financial measures
Free cash flow and free cash flow, excluding network expansion projects	Free cash flow and free cash flow, excluding network expansion projects are used by management to measure the Corporation's ability to repay debt, distribute capital to its shareholders and finance its growth. Management believes these measures are used by certain investors and analysts to value the Corporation's business and its underlying assets, and to assess the Corporation's financial strength and performance. Free cash flow excludes certain items that management believes could affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance. During the first quarter of fiscal 2024, the Corporation updated the free cash flow calculation to exclude loss (gain) on debt modification and/or extinguishment, as applicable, following the reimbursement of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility. Excluding these items does not imply they are non-recurring. The Corporation also measures free cash flow, excluding network expansion projects as it provides a common basis for comparing the impact of the net capital expenditures to the impact of the historical net capital expenditures prior to the acceleration of the network expansion projects. In addition, management believes this helps certain investors and analysts to assess the impact of the network expansion projects on the Corporation's free cash flow. Excluding the impact of net capital expenditure in connection with network expansion projects does not imply it is non-recurring.	Free cash flow: - Adjusted EBITDA add: - amortization of deferred transaction costs and discounts on long-term debt; - loss (gain) on debt modification and/or extinguishment; - share-based payment; - loss (gain) on disposals and write-offs of property, plant and equipment; and - defined benefit plans expense, net of contributions deduct: - acquisition, integration, restructuring and other costs; - financial expense; - current income taxes; - net capital expenditures; and - repayment of lease liabilities. Free cash flow, excluding network expansion projects: - Free cash flow add: - net capital expenditures in connection with network expansion projects.	Cash flows from operating activities
Net capital expenditures, excluding network expansion projects	Net capital expenditures, excluding network expansion projects is a measure used by management to assess the Corporation's total capital investments, without taking into consideration capitalized investments in network expansion projects, as it provides a common basis for comparing the net capital expenditures to historical net capital expenditures prior to the acceleration of the network expansion projects. In addition, management believes this helps certain investors and analysts to assess the impact of the network expansion projects on the net capital expenditures. This measure is also used in the calculation of the capital intensity and free cash flow, excluding network expansion projects. Excluding the impact of net capital expenditure in connection with network expansion projects does not imply it is non-recurring.	Net capital expenditures deduct: - net capital expenditures in connection with network expansion projects.	Acquisition of property, plant and equipment
Available liquidity	Management uses available liquidity to assess Cogeco Communications' ability to meet its financial obligations and ensure there is sufficient liquidity to support its capital requirements, including development of the business by acquisition and other growth opportunities. Available liquidity is presented on a consolidated basis, including the liquidity of distinct borrowing structures for the Canadian and American telecommunications segments. Management believes this measure is used by certain investors and analysts to assess Cogeco Communications' financial strength.	Cash and cash equivalents deduct: - cash with restrictions on use add: - amounts available under revolving credit facilities.	Cash and cash equivalents

Adjusted profit attributable to owners of the Corporation

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period attributable to owners of the Corporation	**93,681**	98,378	**183,174**	209,882
Acquisition, integration, restructuring and other costs	**885**	6,952	**3,501**	9,629
Loss on debt extinguishment [1]	**—**	—	**16,880**	—
Tax impact for the above items	**(219)**	(1,842)	**(5,380)**	(2,552)
Non-controlling interest impact for the above items	**(293)**	—	**(395)**	—
Adjusted profit attributable to owners of the Corporation	**94,054**	103,488	**197,780**	216,959

(1) Included within financial expense.

Adjusted financial expense

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars)	**$**	$	**$**	$
Financial expense	**68,163**	61,116	**151,457**	118,035
Loss on debt extinguishment	**—**	—	**(16,880)**	—
Adjusted financial expense	**68,163**	61,116	**134,577**	118,035

Constant currency basis and foreign exchange impact reconciliation

Consolidated

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

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

Three months ended	**February 29, 2024**			February 28, 2023	**Change**	
	Actual	Foreign exchange impact	**In constant currency**	Actual	**Actual**	**In constant currency**
(In thousands of Canadian dollars, except percentages)	**$**	$	**$**	$	**%**	**%**
Free cash flow	**100,155**	(344)	**99,811**	117,939	**(15.1)**	**(15.4)**
Net capital expenditures	**170,769**	596	**171,365**	156,125	**9.4**	**9.8**

Six months ended	**February 29, 2024**			February 28, 2023	**Change**	
	Actual	Foreign exchange impact	**In constant currency**	Actual	**Actual**	**In constant currency**
(In thousands of Canadian dollars, except percentages)	**$**	$	**$**	$	**%**	**%**
Free cash flow	**237,748**	(520)	**237,228**	223,067	**6.6**	**6.3**
Net capital expenditures	**317,196**	(464)	**316,732**	353,096	**(10.2)**	**(10.3)**

Segmented

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

Free cash flow reconciliation

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars)	**$**	$	**$**	$
Cash flows from operating activities	**285,434**	203,043	**522,416**	397,202
Changes in other non-cash operating activities	**2,253**	69,619	**55,188**	134,035
Income taxes paid (received)	**(7,628)**	22,860	**(4,725)**	69,478
Current income taxes	**(9,189)**	(12,039)	**(16,417)**	(20,415)
Interest paid	**68,288**	50,326	**132,260**	110,824
Financial expense	**(68,163)**	(61,116)	**(151,457)**	(118,035)
Loss on debt extinguishment [1]	**—**	—	**16,880**	—
Amortization of deferred transaction costs and discounts on long-term debt [1]	**2,007**	3,028	**4,681**	6,072
Net capital expenditures [2]	**(170,769)**	(156,125)	**(317,196)**	(353,096)
Repayment of lease liabilities	**(2,078)**	(1,657)	**(3,882)**	(2,998)
Free cash flow	**100,155**	117,939	**237,748**	223,067

(1) Included within financial expense.

(2) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including the utilization of those received in advance.

Available liquidity reconciliation

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

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

Net capital expenditures

Three months ended	**February 29, 2024**			February 28, 2023	**Change**	
	Actual	Foreign exchange impact	**In constant currency**	Actual	**Actual**	**In constant currency**
(In thousands of Canadian dollars, except percentages)	**$**	$	**$**	$	**%**	**%**
Net capital expenditures	**170,769**	596	**171,365**	156,125	**9.4**	**9.8**
Net capital expenditures in connection with network expansion projects	**24,390**	11	**24,401**	42,242	**(42.3)**	**(42.2)**
Net capital expenditures, excluding network expansion projects	**146,379**	585	**146,964**	113,883	**28.5**	**29.0**

Six months ended	February 29, 2024			February 28, 2023	Change	
	Actual	Foreign exchange impact	In constant currency	Actual	Actual	In constant currency
(In thousands of Canadian dollars, except percentages)	$	$	$	$	%	%
Net capital expenditures	**317,196**	(464)	**316,732**	353,096	**(10.2)**	**(10.3)**
Net capital expenditures in connection with network expansion projects	**56,050**	(151)	**55,899**	108,076	**(48.1)**	**(48.3)**
Net capital expenditures, excluding network expansion projects	**261,146**	(313)	**260,833**	245,020	**6.6**	**6.5**

Free cash flow

Three months ended	February 29, 2024			February 28, 2023	Change	
	Actual	Foreign exchange impact	In constant currency	Actual	Actual	In constant currency
(In thousands of Canadian dollars, except percentages)	$	$	$	$	%	%
Free cash flow	**100,155**	(344)	**99,811**	117,939	**(15.1)**	**(15.4)**
Net capital expenditures in connection with network expansion projects	**24,390**	11	**24,401**	42,242	**(42.3)**	**(42.2)**
Free cash flow, excluding network expansion projects	**124,545**	(333)	**124,212**	160,181	**(22.2)**	**(22.5)**

Six months ended	February 29, 2024			February 28, 2023	Change	
	Actual	Foreign exchange impact	In constant currency	Actual	Actual	In constant currency
(In thousands of Canadian dollars, except percentages)	$	$	$	$	%	%
Free cash flow	**237,748**	(520)	**237,228**	223,067	**6.6**	**6.3**
Net capital expenditures in connection with network expansion projects	**56,050**	(151)	**55,899**	108,076	**(48.1)**	**(48.3)**
Free cash flow, excluding network expansion projects	**293,798**	(671)	**293,127**	331,143	**(11.3)**	**(11.5)**

Non-IFRS ratios

The following financial measures used by the Corporation do not have standardized definitions prescribed by IFRS and therefore, may not be comparable to similar measures disclosed by other companies.

Specified financial measures	Usefulness	Calculation
Adjusted diluted earnings per share	Adjusted diluted earnings per share is a measure used by management to assess the Corporation's performance before the impact of impairment of assets, acquisition, integration, restructuring and other costs, and loss (gain) on debt modification and/or extinguishment, net of tax and non-controlling interest for the above items. Adjusted diluted earnings per share excludes certain items that management believes could affect the comparability of the Corporation's financial results and could potentially distort the analysis of trends in business performance. Excluding the impact of these items does not imply they are non-recurring.	Adjusted profit attributable to owners of the Corporation divided by the weighted average number of diluted multiple and subordinate voting shares outstanding. Adjusted profit attributable to owners of the Corporation is a non-IFRS financial measure. For more details on this financial measure, please refer to the "Non-IFRS financial measures" sub-section.

Specified financial measures	Usefulness	Calculation
Change in constant currency	The Corporation presents changes of certain financial measures in constant currency to enable an improved understanding of its underlying financial performance, undistorted by the effects of changes in foreign exchange rates, in order to facilitate period-to-period comparisons.	Change in constant currency, expressed as a percentage of the variation between the periods presented, is obtained by translating financial results from the current periods denominated in US dollars using the foreign exchange rates of the comparable periods of the prior year. Constant currency basis is a non-IFRS financial measure. For more details on this financial measure, please refer to the "Non-IFRS financial measures" sub-section.
Organic revenue growth in constant currency and organic adjusted EBITDA growth in constant currency	Organic revenue growth in constant currency and organic adjusted EBITDA growth in constant currency are used by management to analyze the Corporation's revenue and adjusted EBITDA growth excluding the effect of changes in foreign exchange rates and the impact of acquisitions, in order to facilitate period-to-period comparisons. Management believes these measures are used by certain investors and analysts to evaluate the Corporation's performance.	Revenue and adjusted EBITDA changes in constant currency (as calculated above), expressed as a percentage of the variation between the periods presented, adjusted for the impact of acquisitions. Constant currency basis is a non-IFRS financial measure. For more details on this financial measure, please refer to the "Non-IFRS financial measures" sub-section.
Capital intensity, excluding network expansion projects	Capital intensity, excluding network expansion projects is used by management to assess the Corporation's investment in capital expenditures and to make certain decisions, without taking into consideration capitalized investments in network expansion projects, in order to support a certain level of revenue. The Corporation measures capital intensity, excluding network expansion projects, as it provides a common basis for comparing the impact of the net capital expenditures to the impact of the historical net capital expenditures prior to the acceleration of the network expansion projects. In addition, management believes this helps certain investors and analysts to assess the impact of the network expansion projects on the Corporation's capital intensity ratio. Excluding the impact of net capital expenditures in connection with network expansion projects does not imply it is non-recurring.	Net capital expenditures, excluding network expansion projects divided by revenue. Net capital expenditures, excluding network expansion projects is a non-IFRS financial measure. For more details on this financial measure, please refer to the "Non-IFRS financial measures" sub-section.
Capital intensity in constant currency and capital intensity, excluding network expansion projects in constant currency	The Corporation presents certain financial measures on a constant currency basis, including capital intensity in constant currency and capital intensity, excluding network expansion projects in constant currency, to facilitate period-to-period comparisons, undistorted by the effects of changes in foreign exchange rate.	Capital intensity in constant currency is calculated as net capital expenditures in constant currency divided by revenue in constant currency. Capital intensity, excluding network expansion projects in constant currency is calculated as net capital expenditures, excluding network expansion projects in constant currency divided by revenue in constant currency. Constant currency basis, including net capital expenditures in constant currency, net capital expenditures, excluding network expansion projects in constant currency and revenue in constant currency are non-IFRS financial measures. For more details on these non-IFRS financial measures, please refer to the "Non-IFRS financial measures" sub-section.
Free cash flow dividend payout ratio and free cash flow, excluding network expansion projects, dividend payout ratio	Management believes certain investors use free cash flow dividend payout ratio and free cash flow, excluding network expansion projects, dividend payout ratio, to assess the Corporation's financial strength and performance by demonstrating the sustainability of the Corporation's dividend payments.	Dividends declared for the year on multiple and subordinate voting shares divided by free cash flow and by free cash flow, excluding network expansion projects. Free cash flow and free cash flow, excluding network expansion projects are non-IFRS financial measures. For more details on these financial measures, please refer to the "Non-IFRS financial measures" sub-section.

Total of segments measures

The following financial measures used by Cogeco Communications are total of segments measures as reported in Note 4 of the condensed interim consolidated financial statements. Reconciliations between these specified financial measures to the most directly comparable IFRS financial measures are provided below.

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

Adjusted EBITDA reconciliation

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**96,562**	104,262	**192,314**	224,637
Income taxes	**17,820**	24,693	**35,918**	56,646
Financial expense	**68,163**	61,116	**151,457**	118,035
Depreciation and amortization	**163,682**	154,192	**322,882**	309,491
Acquisition, integration, restructuring and other costs	**885**	6,952	**3,501**	9,629
Adjusted EBITDA	**347,112**	351,215	**706,072**	718,438

Net capital expenditures reconciliation

For the reconciliation of net capital expenditures to the most directly comparable IFRS financial measure, refer to sub-section 6.2 "Investing activities".

Capital management measures

The following financial measures used by Cogeco Communications are capital management measures, as disclosed within the notes to the Corporation's consolidated financial statements and/or condensed interim consolidated financial statements.

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

Supplementary financial measures

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

14. Supplementary quarterly financial information

	Fiscal 2024				Fiscal 2023			Fiscal 2022
Three months ended	**February 29, 2024**	**November 30, 2023**	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022	May 31, 2022
(In thousands of Canadian dollars, except % and per share data)	**$**	**$**	$	$	$	$	$	$
Operations								
Revenue	**730,501**	**747,689**	743,397	741,785	736,646	762,300	725,446	728,118
Adjusted EBITDA	**347,112**	**358,960**	351,300	351,328	351,215	367,223	347,074	347,614
Adjusted EBITDA margin	**47.5 %**	**48.0 %**	47.3 %	47.4 %	47.7 %	48.2 %	47.8 %	47.7 %
Acquisition, integration, restructuring and other costs	**885**	**2,616**	15,228	11,368	6,952	2,677	12,593	2,263
Profit for the period	**96,562**	**95,752**	91,797	101,538	104,262	120,375	111,829	105,406
Profit for the period attributable to owners of the Corporation	**93,681**	**89,493**	86,499	95,892	98,378	111,504	104,937	100,250
Adjusted profit attributable to owners of the Corporation	**94,054**	**103,726**	97,175	103,826	103,488	113,471	113,478	101,717
Cash flow								
Cash flows from operating activities	**285,434**	**236,982**	281,326	284,377	203,043	194,159	319,137	353,001
Free cash flow	**100,155**	**137,593**	87,916	104,422	117,939	105,128	34,452	104,795
Acquisition of property, plant and equipment	**180,247**	**153,549**	205,570	189,656	172,967	234,637	243,589	197,345
Net capital expenditures	**170,769**	**146,427**	176,617	169,793	156,125	196,971	223,509	182,181
Capital intensity	**23.4 %**	**19.6 %**	23.8 %	22.9 %	21.2 %	25.8 %	30.8 %	25.0 %
Per share data [1]								
Earnings per share								
Basic	**2.21**	**2.02**	1.95	2.17	2.21	2.45	2.29	2.17
Diluted	**2.20**	**2.01**	1.95	2.16	2.19	2.44	2.28	2.16
Adjusted diluted	**2.21**	**2.33**	2.19	2.34	2.31	2.48	2.46	2.19
Dividends per share	**0.854**	**0.854**	0.776	0.776	0.776	0.776	0.705	0.705

(1) Per multiple and subordinate voting share.

14.1 Seasonal variations

Cogeco Communications' operating results are not generally subject to material seasonal fluctuations.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six-month periods ended February 29, 2024

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

		Three months ended		Six months ended	
	Notes	**February 29, 2024**	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*3*	**730,501**	736,646	**1,478,190**	1,498,946
Operating expenses	*6*	**378,151**	380,031	**761,642**	769,708
Management fees – Cogeco Inc.	*17*	**5,238**	5,400	**10,476**	10,800
Acquisition, integration, restructuring and other costs	*7*	**885**	6,952	**3,501**	9,629
Depreciation and amortization		**163,682**	154,192	**322,882**	309,491
Financial expense	*8*	**68,163**	61,116	**151,457**	118,035
Profit before income taxes		**114,382**	128,955	**228,232**	281,283
Income taxes	*9*	**17,820**	24,693	**35,918**	56,646
Profit for the period		**96,562**	104,262	**192,314**	224,637
Profit for the period attributable to:					
Owners of the Corporation		**93,681**	98,378	**183,174**	209,882
Non-controlling interest		**2,881**	5,884	**9,140**	14,755
		96,562	104,262	**192,314**	224,637
Earnings per share					
Basic	*10*	**2.21**	2.21	**4.23**	4.66
Diluted	*10*	**2.20**	2.19	**4.21**	4.64

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

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**96,562**	104,262	**192,314**	224,637
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	**(9,844)**	6,895	**(24,759)**	33,961
Related income taxes	**7,779**	(1,827)	**11,731**	(8,999)
	(2,065)	5,068	**(13,028)**	24,962
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**(1,860)**	17,301	**6,841**	83,230
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**468**	(3,939)	**(1,521)**	(19,423)
Related income taxes	**668**	(21)	**(30)**	(84)
	(724)	13,341	**5,290**	63,723
	(2,789)	18,409	**(7,738)**	88,685
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**728**	(472)	**297**	1,334
Related income taxes	**(193)**	125	**(79)**	(354)
	535	(347)	**218**	980
	(2,254)	18,062	**(7,520)**	89,665
Comprehensive income for the period	**94,308**	122,324	**184,794**	314,302
Comprehensive income for the period attributable to:				
Owners of the Corporation	**91,836**	112,929	**174,282**	282,683
Non-controlling interest	**2,472**	9,395	**10,512**	31,619
	94,308	122,324	**184,794**	314,302

COGECO COMMUNICATIONS 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 13)		*(Note 14)*			
Balance at August 31, 2022	930,974	19,965	129,606	1,670,535	438,051	3,189,131
Profit for the period	—	—	—	209,882	14,755	224,637
Other comprehensive income for the period	—	—	71,821	980	16,864	89,665
Comprehensive income for the period	—	—	71,821	210,862	31,619	314,302
Issuance of subordinate voting shares under the Stock Option Plan	1,437	—	—	—	—	1,437
Share-based payment (Notes 13 D) and 17)	—	3,386	—	—	—	3,386
Share-based payment previously recorded in share-based payment reserve for options exercised	250	(250)	—	—	—	—
Dividends (Note 13 C))	—	—	—	(69,376)	—	(69,376)
Purchase and cancellation of subordinate voting shares under Normal Course Issuer Bid	(38,294)	—	—	(62,739)	—	(101,033)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,889)	—	—	—	—	(5,889)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	5,027	(5,992)	—	965	—	—
Total distributions to shareholders	(37,469)	(2,856)	—	(131,150)	—	(171,475)
Balance at February 28, 2023	893,505	17,109	201,427	1,750,247	469,670	3,331,958
Balance at August 31, 2023	**896,414**	**19,896**	**175,905**	**1,865,582**	**477,981**	**3,435,778**
Profit for the period	**—**	**—**	**—**	**183,174**	**9,140**	**192,314**
Other comprehensive income (loss) for the period	**—**	**—**	**(9,110)**	**218**	**1,372**	**(7,520)**
Comprehensive income (loss) for the period	**—**	**—**	**(9,110)**	**183,392**	**10,512**	**184,794**
Issuance of subordinate voting shares under the Stock Option Plan	**200**	**—**	**—**	**—**	**—**	**200**
Share-based payment (Notes 13 D) and 17)	**—**	**2,458**	**—**	**—**	**—**	**2,458**
Share-based payment previously recorded in share-based payment reserve for options exercised	**42**	**(42)**	**—**	**—**	**—**	**—**
Dividends (Note 13 C))	**—**	**—**	**—**	**(73,621)**	**—**	**(73,621)**
Purchase of subordinate voting shares for cancellation from Cogeco Inc. (Note 13 B))	**(58,444)**	**—**	**—**	**(58,056)**	**—**	**(116,500)**
Transaction costs and income taxes related to the share buyback from Cogeco Inc.	**—**	**—**	**—**	**(2,603)**	**—**	**(2,603)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,002)**	**—**	**—**	**—**	**—**	**(5,002)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**4,353**	**(4,694)**	**—**	**341**	**—**	**—**
Total distributions to shareholders	**(58,851)**	**(2,278)**	**—**	**(133,939)**	**—**	**(195,068)**
Balance at February 29, 2024	**837,563**	**17,618**	**166,795**	**1,915,035**	**488,493**	**3,425,504**

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

(In thousands of Canadian dollars)	*Notes*	**February 29, 2024** **$**	August 31, 2023 $
Assets			
Current			
Cash and cash equivalents	*15 D)*	**81,190**	362,921
Trade and other receivables		**120,438**	118,951
Income taxes receivable		**9,229**	27,347
Prepaid expenses and other		**50,554**	41,818
Derivative financial instruments		**9,178**	5,355
		270,589	556,392
Non-current			
Other assets	*11*	**149,492**	96,862
Property, plant and equipment		**3,323,734**	3,229,515
Intangible assets		**3,651,503**	3,661,906
Goodwill	*5*	**2,141,371**	2,117,756
Derivative financial instruments		**74,156**	100,792
Deferred tax assets		**3,761**	5,147
		9,614,606	9,768,370
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**22,574**	22,402
Trade and other payables		**297,450**	319,225
Provisions		**22,152**	32,734
Income tax liabilities		**2,308**	413
Contract liabilities and other liabilities		**61,919**	61,760
Government subsidies received in advance		**13,027**	29,262
Derivative financial instruments		**—**	2,345
Current portion of long-term debt	*12*	**70,948**	41,765
		490,378	509,906
Non-current			
Long-term debt	*12*	**4,833,884**	4,979,241
Derivative financial instruments		**547**	—
Contract liabilities and other liabilities		**11,691**	8,314
Pension plan liabilities and accrued employee benefits		**6,011**	5,516
Deferred tax liabilities		**846,591**	829,615
		6,189,102	6,332,592
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*13 B)*	**837,563**	896,414
Share-based payment reserve		**17,618**	19,896
Accumulated other comprehensive income	*14*	**166,795**	175,905
Retained earnings		**1,915,035**	1,865,582
		2,937,011	2,957,797
Equity attributable to non-controlling interest		**488,493**	477,981
		3,425,504	3,435,778
		9,614,606	9,768,370

Commitments, guarantees and contingencies (Note 18)

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

	Notes	Three months ended February 29, 2024	Three months ended February 28, 2023	Six months ended February 29, 2024	Six months ended February 28, 2023
(In thousands of Canadian dollars)		$	$	$	$
Cash flows from operating activities					
Profit for the period		**96,562**	104,262	**192,314**	224,637
Adjustments for:					
Depreciation and amortization		**163,682**	154,192	**322,882**	309,491
Financial expense	*8*	**68,163**	61,116	**151,457**	118,035
Income taxes	*9*	**17,820**	24,693	**35,918**	56,646
Share-based payment		**2,497**	1,590	**2,952**	2,935
Gain on disposals and write-offs of property, plant and equipment		**(471)**	(170)	**(584)**	(240)
Defined benefit plans expense, net of contributions		**94**	165	**200**	35
		348,347	345,848	**705,139**	711,539
Changes in other non-cash operating activities	*15 A)*	**(2,253)**	(69,619)	**(55,188)**	(134,035)
Interest paid		**(68,288)**	(50,326)	**(132,260)**	(110,824)
Income taxes received (paid)		**7,628**	(22,860)	**4,725**	(69,478)
		285,434	203,043	**522,416**	397,202
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(180,247)**	(172,967)	**(333,796)**	(407,604)
Payment of spectrum licences deposits	*11*	**(38,058)**	—	**(38,058)**	—
Business combinations	*5*	**(57,974)**	—	**(57,974)**	—
Subsidies received in advance		**—**	182	**183**	363
Proceeds on disposals of property, plant and equipment and other		**1,644**	477	**1,896**	633
		(274,635)	(172,308)	**(427,749)**	(406,608)
Cash flows from financing activities					
Increase (decrease) in bank indebtedness		**1,557**	—	**172**	(8,633)
Net increase (decrease) under revolving facilities		**(120,479)**	(277,372)	**33,515**	(110,184)
Issuance of long-term debt, net of discounts and transaction costs		**270,719**	298,056	**1,926,927**	298,056
Repayment of notes and credit facilities		**(3,053)**	(8,846)	**(2,132,268)**	(17,626)
Repayment of lease liabilities		**(2,078)**	(1,657)	**(3,882)**	(2,998)
Increase in deferred transaction costs		**(119)**	(338)	**(1,920)**	(338)
Issuance of subordinate voting shares	*13 B)*	**—**	882	**200**	1,437
Purchase of subordinate voting shares for cancellation from Cogeco Inc.	*13 B)*	**(116,500)**	—	**(116,500)**	—
Transaction costs related to the share buyback from Cogeco Inc.		**(3,146)**	—	**(3,146)**	—
Purchase and cancellation of subordinate voting shares under Normal Course Issuer Bid	*13 B)*	**—**	(63,750)	**—**	(101,033)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*13 B)*	**(5,002)**	—	**(5,002)**	(5,889)
Dividends paid	*13 C)*	**(35,830)**	(34,263)	**(73,621)**	(69,376)
		(13,931)	(87,288)	**(375,525)**	(16,584)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(240)**	1,847	**(873)**	8,142
Net change in cash and cash equivalents		**(3,372)**	(54,706)	**(281,731)**	(17,848)
Cash and cash equivalents, beginning of the period		**84,562**	407,757	**362,921**	370,899
Cash and cash equivalents, end of the period	*15 D)*	**81,190**	353,051	**81,190**	353,051

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

1. Nature of operations

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

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which as of February 29, 2024 held 28.4% of the Corporation's equity shares, representing 79.9% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA". The Corporation's registered office is located at 1 Place Ville Marie, Suite 3301, Montréal, Québec, H3B 3N2.

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 its quarterly results.

2. Basis of presentation and accounting policy developments

A) 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 were approved and authorized for issuance by the Board of Directors of the Corporation on April 11, 2024. These condensed interim consolidated financial statements have been prepared with the same accounting policies and methods of computation followed by the Corporation in its 2023 annual consolidated financial statements. These condensed interim consolidated financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Corporation's 2023 annual consolidated financial statements. Certain comparative amounts in the condensed interim consolidated financial statements have been reclassified in order to conform to the fiscal 2024 consolidated financial statements presentation.

Financial information is presented in Canadian dollars, unless otherwise indicated.

B) Foreign currency translation

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

	Closing rates as of		Average rates for the three months ended		Average rates for the six months ended	
	February 29, 2024	August 31, 2023	**February 29, 2024**	February 28, 2023	**February 29, 2024**	February 28, 2023
US dollar vs Canadian dollar	**1.3570**	1.3531	**1.3452**	1.3488	**1.3553**	1.3489

C) Accounting policy developments

The following new standard and amendments to standards were issued by the IASB and were not yet applied in preparing these condensed interim consolidated financial statements.

IFRS 18, *Presentation and Disclosure in Financial Statements*	In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies: • improved comparability in the statement of profit or loss by introducing three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit; • enhanced transparency of management-defined performance measures by requiring companies to disclose explanations of those company-specific measures that are related to the income statement; and • enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements presentation and disclosure.
Supplier Finance Arrangements - Amendments to IAS 7, *Statement of Cash Flows*, and IFRS 7, *Financial Instruments: Disclosures*	In May 2023, the IASB issued *Supplier Finance Arrangements*, which amended IAS 7 and IFRS 7, introducing new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not expect these amendments to have a material impact on its consolidated financial statements.

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

3. Revenue

	Canadian telecommunications		American telecommunications		Consolidated	
Three months ended	**February 29, 2024**	February 28, 2023	**February 29, 2024**	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$	**$**	$
Residential [1]	**311,011**	307,574	**309,584**	318,939	**620,595**	626,513
Commercial	**45,680**	43,233	**43,783**	44,254	**89,463**	87,487
Other	**16,788**	17,527	**3,655**	5,119	**20,443**	22,646
	373,479	368,334	**357,022**	368,312	**730,501**	736,646

	Canadian telecommunications		American telecommunications		Consolidated	
Six months ended	**February 29, 2024**	February 28, 2023	**February 29, 2024**	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$	**$**	$
Residential [1]	**626,211**	619,582	**631,663**	655,190	**1,257,874**	1,274,772
Commercial	**90,582**	86,595	**88,928**	89,022	**179,510**	175,617
Other	**33,134**	34,241	**7,672**	14,316	**40,806**	48,557
	749,927	740,418	**728,263**	758,528	**1,478,190**	1,498,946

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

4. Segment information

The Corporation's results are reported in two operating segments: Canadian telecommunications and American telecommunications. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance. The Corporation and its chief operating decision maker assess the performance of each operating segment based on adjusted EBITDA, which is equal to *Revenue* less *Operating expenses*. Transactions between operating segments are measured at the amounts agreed to between the parties.

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

	Three months ended February 29, 2024			
	Canadian telecommunications	**American telecommunications**	**Corporate and eliminations**	**Consolidated**
	$	**$**	**$**	**$**
Revenue	**373,479**	**357,022**	**—**	**730,501**
Operating expenses	**174,720**	**190,672**	**12,759**	**378,151**
Management fees – Cogeco Inc.	**—**	**—**	**5,238**	**5,238**
Adjusted EBITDA	**198,759**	**166,350**	**(17,997)**	**347,112**
Acquisition, integration, restructuring and other costs				**885**
Depreciation and amortization				**163,682**
Financial expense				**68,163**
Profit before income taxes				**114,382**
Income taxes				**17,820**
Profit for the period				**96,562**
Net capital expenditures [1]	**106,345**	**62,855**	**1,569**	**170,769**

	Three months ended February 28, 2023			
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	368,334	368,312	—	736,646
Operating expenses	170,289	202,254	7,488	380,031
Management fees – Cogeco Inc.	—	—	5,400	5,400
Adjusted EBITDA	198,045	166,058	(12,888)	351,215
Acquisition, integration, restructuring and other costs				6,952
Depreciation and amortization				154,192
Financial expense				61,116
Profit before income taxes				128,955
Income taxes				24,693
Profit for the period				104,262
Net capital expenditures [1]	81,383	73,091	1,651	156,125

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

				Six months ended February 29, 2024
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	749,927	728,263	—	1,478,190
Operating expenses	354,814	383,743	23,085	761,642
Management fees – Cogeco Inc.	—	—	10,476	10,476
Adjusted EBITDA	395,113	344,520	(33,561)	706,072
Acquisition, integration, restructuring and other costs				3,501
Depreciation and amortization				322,882
Financial expense				151,457
Profit before income taxes				228,232
Income taxes				35,918
Profit for the period				192,314
Net capital expenditures [(1)]	194,181	118,708	4,307	317,196

				Six months ended February 28, 2023
	Canadian telecommunications	American telecommunications	Corporate and eliminations	Consolidated
	$	$	$	$
Revenue	740,418	758,528	—	1,498,946
Operating expenses	343,740	409,964	16,004	769,708
Management fees – Cogeco Inc.	—	—	10,800	10,800
Adjusted EBITDA	396,678	348,564	(26,804)	718,438
Acquisition, integration, restructuring and other costs				9,629
Depreciation and amortization				309,491
Financial expense				118,035
Profit before income taxes				281,283
Income taxes				56,646
Profit for the period				224,637
Net capital expenditures [(1)]	196,621	153,499	2,976	353,096

(1) Net capital expenditures exclude non-cash acquisitions of right-of-use assets and the purchases of spectrum licences, and are presented net of government subsidies, including subsidies received in advance recognized as a reduction of the cost of property, plant and equipment. Refer to Note 15 B) for a reconciliation of net capital expenditures to cash payments for acquisition of property, plant and equipment as reported in the consolidated statements of cash flows.

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

5. Business combinations

Niagara Regional Broadband Network acquisition

On February 5, 2024, Cogeco Connexion acquired Niagara Regional Broadband Network ("NRBN"), an Internet, video and phone service provider serving the Niagara Region, for a purchase price of $75.1 million, subject to customary post-closing adjustments. The sellers, the City of Niagara Falls and the Town of Niagara-on-the-Lake, will both remain minority shareholders in the company. This acquisition will strengthen the Corporation's presence in the Niagara Region and allow Cogeco Communications to support the continued growth of NRBN.

Cogeco Connexion acquired 67% of the voting rights and 100% of the economic rights with regard to NRBN. Based on the terms of the purchase agreement, Cogeco Connexion controls and receives all of the returns associated to NRBN's operations.

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. 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.

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 29, 2024 Preliminary $
Purchase price	
Cash consideration paid	57,974
Balance due on business combinations	17,094
	75,068
Net assets acquired	
Current assets	589
Property, plant and equipment	58,145
Intangible assets	11,051
Goodwill	18,165
Current liabilities	(3,149)
Deferred tax liabilities	(9,308)
Other long-term liabilities	(425)
	75,068

The amount of goodwill, which is not expected to be deductible for tax purposes, is mainly attributable to the expected growth in both residential and business services, and to the strength of the assembled workforce.

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

6. Operating expenses

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Salaries, employee benefits and outsourced services	**119,803**	121,549	**242,267**	242,852
Service delivery costs	**190,840**	194,682	**380,367**	390,460
Customer related costs	**28,681**	26,794	**59,239**	56,888
Other external purchases	**38,827**	37,006	**79,769**	79,508
	378,151	380,031	**761,642**	769,708

7. Acquisition, integration, restructuring and other costs

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Acquisition and integration costs	**275**	1,398	**454**	1,981
Restructuring costs	**218**	—	**438**	816
Configuration and customization costs related to cloud computing and other arrangements	**4,586**	440	**6,803**	1,718
Costs (reversal) related to litigation and regulatory decisions	**(4,194)**	5,114	**(4,194)**	5,114
	885	6,952	**3,501**	9,629

8. Financial expense

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Interest on long-term debt, excluding interest on lease liabilities	**70,906**	62,767	**139,967**	118,162
Interest on lease liabilities	**539**	430	**981**	828
Loss on debt extinguishment [(1)]	**—**	—	**16,880**	—
Net foreign exchange loss (gain)	**(1,828)**	163	**(3,409)**	2,583
Amortization of deferred transaction costs related to the revolving facilities	**159**	170	**657**	334
Interest and other income	**(1,810)**	(2,424)	**(3,994)**	(4,092)
Other	**197**	10	**375**	220
	68,163	61,116	**151,457**	118,035

(1) In connection with the prepayment of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility in September 2023.

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

9. Income taxes

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Current	**9,189**	12,039	**16,417**	20,415
Deferred	**8,631**	12,654	**19,501**	36,231
	17,820	24,693	**35,918**	56,646

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 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Profit before income taxes	**114,382**	128,955	**228,232**	281,283
Combined Canadian income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %
Income taxes at combined Canadian income tax rate	**30,311**	34,173	**60,481**	74,540
Difference in operations' statutory income tax rates	**281**	257	**126**	15
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**211**	453	**778**	1,004
Tax impacts related to foreign operations	**(12,813)**	(10,971)	**(25,495)**	(20,734)
Other	**(170)**	781	**28**	1,821
Income taxes at effective income tax rate	**17,820**	24,693	**35,918**	56,646
Effective income tax rate	**15.6 %**	19.1 %	**15.7 %**	20.1 %

Pillar Two model rules

The Corporation has retrospectively applied the temporary exception to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes during its third quarter of fiscal 2023. Currently, the Corporation is operating in jurisdictions in which the Pillar Two legislation has not yet been enacted or substantively enacted. The Corporation will continue to monitor the Pillar Two legislation and assess the impact of the remaining targeted disclosure requirements on its consolidated financial statements.

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

10. Earnings per share

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

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Profit for the period attributable to owners of the Corporation	**93,681**	98,378	**183,174**	209,882
Weighted average number of multiple and subordinate voting shares outstanding	**42,353,944**	44,613,424	**43,329,105**	45,044,972
Effect of dilutive stock options [1]	**—**	50,640	**204**	48,597
Effect of dilutive incentive share units	**65,923**	75,309	**63,129**	74,974
Effect of dilutive performance share units	**96,455**	99,972	**92,669**	98,937
Weighted average number of diluted multiple and subordinate voting shares outstanding	**42,516,322**	44,839,345	**43,485,107**	45,267,480

(1) For the three and six-month periods ended February 29, 2024, 1,085,232 stock options (538,190 in 2023) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

11. Other assets

Spectrum licences deposit

On November 30, 2023, Innovation, Science and Economic Development Canada ("ISED") announced the provisional spectrum licence winners in the 3800 MHz spectrum auction. The Corporation, through its wholly-owned subsidiary Elite General Partnership, secured 99 spectrum licences in urban and rural markets, including the greater Toronto, Montréal, Québec City and Ottawa areas, for a total purchase price of $190.3 million.

The required deposit of $38.1 million, representing 20% of the total purchase price, was paid to ISED on January 16, 2024. The final payment is expected to be paid on or before May 29, 2024. The unsecured letter of credit issued to ISED in July 2023 as a pre-auction deposit will remain outstanding until the final payment is made. The deposit remitted has been presented as *Other assets* in the consolidated statement of financial position, as the Corporation did not have the right to commercially use the licences as of that date.

12. Long-term debt

	February 29, 2024	August 31, 2023
	$	$
Notes and credit facilities	**4,835,808**	4,975,538
Lease liabilities	**51,930**	45,468
Balance due on business combinations	**17,094**	—
	4,904,832	5,021,006
Less current portion	**70,948**	41,765
	4,833,884	4,979,241

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

A) Notes and credit facilities

	Maturity	Effective interest rate [1]		February 29, 2024	August 31, 2023
		%		$	$
Corporation					
Term Revolving Facility					
Revolving loan – US$208 million (US$262 million at August 31, 2023)	January 2028	6.42	[2]	**282,256**	354,512
Senior Secured Notes					
Series A - US$25 million	September 2024	4.14		**33,916**	33,810
Series B - US$150 million	September 2026	4.29		**203,323**	202,695
Senior Secured Notes - US$215 million	June 2025	4.30		**291,546**	290,629
Senior Secured Notes - Series 1	September 2031	2.99		**497,437**	497,286
Senior Secured Notes - Series 2	February 2033	5.30		**298,215**	298,137
Senior Unsecured Notes	February 2029	6.13		**271,312**	—
Senior Unsecured Non-Revolving Facility	November 2042	—		**—**	—
U.S. subsidiaries					
First Lien Credit Facilities					
Senior Secured Term Loan B Facility					
Tranche 1 - US$1,575.8 million at August 31, 2023	—	—		**—**	2,114,649
Tranche 2 - US$882 million (US$886.5 million at August 31, 2023)	September 2028	4.27	[3]	**1,182,491**	1,183,820
Tranche 3 - US$775 million	September 2030	7.03	[4]	**1,033,158**	—
Farm Credit - US$475 million	September 2028	8.58	[5]	**633,594**	—
Senior Secured Revolving Facility - US$80 million	September 2028	7.30		**108,560**	—
				4,835,808	4,975,538
Less current portion				**63,092**	35,181
				4,772,716	4,940,357

(1) Effective interest rate as of February 29, 2024, which excludes the impact of deferred transaction costs and commitment fees but includes the impact of the outstanding interest rate swaps and cross-currency swaps, as applicable.

(2) An amount of US$208 million drawn under the Corporation's Term Revolving Facility was hedged until March 28, 2024, using a cross-currency swap agreement which sets the amount redeemable at maturity at $281.1 million.

(3) As of February 29, 2024, a U.S. subsidiary had outstanding interest rate swap agreements to fix the interest rate on an amount of US$800 million of the Senior Secured Term Loan B Facility - Tranche 2. These agreements have the effect of converting the floating SOFR base rate, or the 39 bps SOFR floor if higher, into fixed rates ranging from 1.17% to 1.44%, plus an applicable credit spread, for maturities between October 31, 2025 and July 31, 2027. The effective interest rate includes the impact of the outstanding interest rate swaps.

(4) As of February 29, 2024, a U.S. subsidiary had outstanding interest rate swap agreements to fix the interest rate on an amount of US$550 million of the Senior Secured Term Loan B Facility - Tranche 3. These agreements have the effect of converting the floating SOFR base rate into fixed rates ranging from 2.01% to 4.18%, plus an applicable credit spread, for maturities between November 20, 2024 and February 28, 2029. The effective interest rate includes the impact of the outstanding interest rate swaps.

(5) The effective interest rate does not include the impact of a rate rebate earned under a patronage program, which is included in *Interest and other income* within *Financial expense*.

Senior Unsecured Notes

In February 2024, Cogeco Communications completed, pursuant to a private placement, the issuance of $275 million Senior Unsecured Notes maturing on February 27, 2029. Cogeco Communications used the net proceeds of the offering to repay existing indebtedness and for other general corporate purposes. The Senior Unsecured Notes are direct and unsubordinated unsecured debt obligations of Cogeco Communications and rank equally and *pari passu* with all other unsecured senior indebtedness of Cogeco Communications.

Non-Revolving Term Credit Facility

On December 11, 2023, in order to maintain its borrowing capacity following a $116.5 million share buyback transaction (see Note 13 B)), Cogeco Communications entered into a $125 million 1-year non-revolving term credit facility, which was available to be drawn until April 9, 2024. The facility remained undrawn and was cancelled on March 1, 2024, following the issuance of the $275 million Senior Unsecured Notes.

First Lien Credit Facilities

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

- the issuance of the US$775 million 7-year Term Loan B - Tranche 3;
- the issuance of the US$475 million 5-year Farm Credit Term Loan B; and
- an increase in the credit limit of the Senior Secured Revolving Facility from US$150 million to US$250 million and the extension of the maturity date to September 2028.

The proceeds from the newly issued Term B loans, together with US$150 million drawn on the Senior Secured Revolving Facility and US$200 million of cash on hand, were used to reimburse the existing US$1.6 billion Tranche 1 of the Senior Secured Term Loan B Facility. The prepayment of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility were accounted for as a debt extinguishment. As a result, a loss on debt extinguishment of $16.9 million was recognized during the first quarter of fiscal 2024, within financial expense.

B) Other information

Weighted average interest rate and term to maturity

At February 29, 2024, the Corporation's weighted average interest rate on all debt, excluding the amortization of deferred transaction costs and commitment fees but including the impact of interest rate swaps, was 5.7%. The overall debt's weighted average term to maturity was 5.2 years.

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

13. Share capital

A) Authorized

Unlimited number of:

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

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

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) Issued and paid

	February 29, 2024	August 31, 2023
	$	$
12,000,871 multiple voting shares (15,691,100 at August 31, 2023)	**75,217**	98,346
30,221,070 subordinate voting shares (28,793,378 at August 31, 2023)	**779,272**	814,345
	854,489	912,691
89,672 subordinate voting shares held in trust under the Incentive Share Unit Plan (81,704 at August 31, 2023)	**(6,869)**	(6,832)
135,941 subordinate voting shares held in trust under the Performance Share Unit Plan (115,032 at August 31, 2023)	**(10,057)**	(9,445)
	837,563	896,414

During the first six months of fiscal 2024, multiple voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2023	**15,691,100**	**98,346**
Conversion of multiple voting shares into subordinate voting shares	**(3,690,229)**	**(23,129)**
Balance at February 29, 2024	**12,000,871**	**75,217**

During the first six months of fiscal 2024, subordinate voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2023	**28,793,378**	**814,345**
Shares issued for cash under the Stock Option Plan	**4,000**	**200**
Share-based payment previously recorded in share-based payment reserve for options exercised	**—**	**42**
Conversion of multiple voting shares into subordinate voting shares	**3,690,229**	**23,129**
Purchase of subordinate voting shares for cancellation from Cogeco	**(2,266,537)**	**(58,444)**
Balance at February 29, 2024	**30,221,070**	**779,272**

Share buyback transaction - repurchases of Rogers holdings in Cogeco and Cogeco Communications

On December 13, 2023, Cogeco and Cogeco Communications entered into a series of transactions pursuant to the sale by Rogers Communications Inc. of its entire holdings in both companies to Caisse de dépôt et placement du Québec ("CDPQ"). Cogeco sold 2,266,537 subordinate voting shares of its holding in Cogeco Communications to Cogeco Communications for $116.5 million and 1,423,692 subordinate voting shares to CDPQ for $73.2 million, following the conversion and cancellation of an equivalent number of Cogeco Communications multiple voting shares. The 2,266,537 subordinate voting shares repurchased by Cogeco Communications were repurchased for cancellation, resulting in a non taxable eligible deemed dividend for tax purposes. Cogeco maintained its controlling interest over Cogeco Communications, and as a result of this transaction CDPQ became an anchor investor in Cogeco Communications, with a holding of 6,809,339 subordinate voting shares, representing approximately 16.1% of all outstanding Cogeco Communications shares.

Subordinate voting shares repurchase programs

	Commencement date	Expiry	Maximum subordinate voting shares for repurchase	Number of shares repurchased at February 29, 2024
2023 Normal Course Issuer Bid ("NCIB")	May 4, 2023	May 3, 2024	1,776,125	—
2022 NCIB	May 4, 2022	May 3, 2023	1,960,905	1,825,168
2021 NCIB	May 4, 2021	May 3, 2022	2,068,000	1,175,925

The following table provides the NCIB purchases for the three and six-month periods ended February 29, 2024 and February 28, 2023:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
(In thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	**$**	$	**$**	$
Subordinate voting shares purchased and cancelled	**—**	845,198	**—**	1,357,368
Weighted average purchase price per share	**—**	75.43	**—**	74.43
Purchase costs	**—**	63,750	**—**	101,033

Subordinate voting shares held in trust

During the first six months of fiscal 2024, the transactions pertaining to the subordinate voting shares held in trust under the Incentive Share Unit Plan ("ISU Plan") and the Performance Share Unit Plan ("PSU Plan") were as follows:

	ISU Plan		PSU Plan	
	Number of shares	Amount	Number of shares	Amount
		$		**$**
Balance at August 31, 2023	**81,704**	**6,832**	**115,032**	**9,445**
Subordinate voting shares acquired	**28,003**	**1,712**	**53,827**	**3,290**
Subordinate voting shares distributed to employees	**(20,035)**	**(1,675)**	**(32,918)**	**(2,678)**
Balance at February 29, 2024	**89,672**	**6,869**	**135,941**	**10,057**

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

C) Dividends

The following tables provide a summary of the dividends declared for the Corporation's multiple and subordinate voting shares during the three and six-month periods ended February 29, 2024 and February 28, 2023:

Declaration date	Record date	Payment date	Dividend per share (in dollars)
November 1, 2023	**November 15, 2023**	**November 29, 2023**	**0.854**
January 10, 2024	**January 24, 2024**	**February 7, 2024**	**0.854**
			1.708
October 27, 2022	November 10, 2022	November 24, 2022	0.776
January 12, 2023	January 26, 2023	February 9, 2023	0.776
			1.552

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Dividends on multiple voting shares	**10,249**	12,177	**23,649**	24,353
Dividends on subordinate voting shares	**25,581**	22,086	**49,972**	45,023
	35,830	34,263	**73,621**	69,376

At its April 11, 2024 meeting, the Board of Directors of Cogeco Communications declared a quarterly dividend of $0.854 per share for multiple and subordinate voting shares, payable on May 9, 2024 to shareholders of record on April 25, 2024. The Corporation hereby notifies that all dividends are eligible dividends unless indicated otherwise.

D) Share-based payment plans

Starting in January 2024, the Corporation offers a new long-term incentive plan, the Share Appreciation Rights ("SAR") Plan, for the benefit of its American executive officers and designated employees. Since the inception of the SAR Plan, the American executive officers and designated employees are no longer eligible for the Stock Option Plan. The share appreciation rights ("SARs") are cash-settled and vest equally over a period of five years beginning one year after the day such rights are granted and are exercisable over ten years. The value of the SARs is linked to the performance of the Corporation's subordinate voting shares. Upon vesting, SARs entitle a participant to receive a cash payment based on the increase in the market value of the Corporation's subordinate voting shares from the grant date to the exercise date.

(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 regard to the Corporation's share-based payment plans:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Stock options	**149**	142	**336**	384
SARs	**34**	—	**34**	—
ISUs	**405**	484	**724**	1,048
PSUs	**374**	461	**728**	978
DSUs	**1,186**	25	**460**	(351)
	2,148	1,112	**2,282**	2,059

Stock options and SARs

Changes in the outstanding number of stock options and SARs for the six-month period ended February 29, 2024 were as follows:

	Stock options [1]	Weighted average exercise price	SARs	Weighted average exercise price
		$		**$**
Outstanding at August 31, 2023	**913,338**	**85.91**	**—**	**—**
Granted	**230,052**	**61.62**	**73,676**	**61.62**
Exercised [2]	**(4,000)**	**50.10**	**—**	**—**
Cancelled	**(54,158)**	**86.57**	**—**	**—**
Outstanding at February 29, 2024	**1,085,232**	**80.86**	**73,676**	**61.62**
Exercisable at February 29, 2024	**613,522**	**84.69**	**—**	**—**

(1) In January 2024, the number of subordinate voting shares reserved for the purpose of the Stock Option Plan was increased by 1,000,000, from 3,432,500 to 4,432,500.

(2) The weighted average share price for options exercised during the six-month period was $50.10.

ISUs, PSUs and DSUs

Changes in the outstanding number of ISUs, PSUs and DSUs for the six-month period ended February 29, 2024 were as follows:

	ISUs	PSUs	DSUs
Outstanding at August 31, 2023	**68,837**	**101,703**	**90,542**
Granted/Issued [1]	**44,822**	**65,675**	**26,066**
Performance-based additional units granted	**—**	**1,116**	**—**
Distributed/Redeemed	**(20,035)**	**(32,918)**	**—**
Cancelled	**(3,694)**	**(7,544)**	**—**
Dividend equivalents	**—**	**2,929**	**3,132**
Outstanding at February 29, 2024	**89,930**	**130,961**	**119,740**

(1) The weighted average fair value of the ISUs, PSUs and DSUs granted/issued during the six-month period was $61.62.

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

14. Accumulated other comprehensive income

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2022	71,315	58,291	129,606
Other comprehensive income	24,962	46,859	71,821
Balance at February 28, 2023	96,277	105,150	201,427
Balance at August 31, 2023	**78,018**	**97,887**	**175,905**
Other comprehensive income (loss)	**(13,028)**	**3,918**	**(9,110)**
Balance at February 29, 2024	**64,990**	**101,805**	**166,795**

15. Additional cash flows information

A) Changes in other non-cash operating activities

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Trade and other receivables	**(4,908)**	(21,173)	**(339)**	(29,442)
Prepaid expenses and other	**4,582**	589	**(8,123)**	(13,838)
Other assets	**(5,200)**	(6,221)	**(13,046)**	(10,140)
Trade and other payables	**4,904**	(49,073)	**(25,624)**	(78,663)
Provisions	**(4,374)**	6,808	**(10,581)**	2,234
Contract liabilities and other liabilities	**2,743**	(549)	**2,525**	(4,186)
	(2,253)	(69,619)	**(55,188)**	(134,035)

B) Acquisition of property, plant and equipment

The following table shows the reconciliation between the cash payments for acquisition of property, plant and equipment, as reported within the investing section in the consolidated statements of cash flows, and the net capital expenditures, as presented in Note 4.

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Acquisition of property, plant and equipment	**180,247**	172,967	**333,796**	407,604
Subsidies received in advance recognized as a reduction of the cost of property, plant and equipment during the period	**(9,478)**	(16,842)	**(16,600)**	(54,508)
Net capital expenditures	**170,769**	156,125	**317,196**	353,096

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

C) Changes in liabilities arising from financing activities

Six months ended February 29, 2024	Bank indebtedness	Long-term debt: Notes and credit facilities	Long-term debt: Lease liabilities	Long-term debt: Balance due on business combinations	Total
	$	$	$	$	$
Balance at August 31, 2023	**22,402**	**4,975,538**	**45,468**	**—**	**5,043,408**
Increase in bank indebtedness	**172**	**—**	**—**	**—**	**172**
Net increase under revolving facilities	**—**	**33,515**	**—**	**—**	**33,515**
Issuance of long-term debt, net of discounts and transaction costs	**—**	**1,926,927**	**—**	**—**	**1,926,927**
Repayment of notes and credit facilities	**—**	**(2,132,268)**	**—**	**—**	**(2,132,268)**
Repayment of lease liabilities	**—**	**—**	**(3,882)**	**—**	**(3,882)**
Total cash flows from (used in) financing activities excluding equity	**172**	**(171,826)**	**(3,882)**	**—**	**(175,536)**
Interest paid on lease liabilities	**—**	**—**	**(944)**	**—**	**(944)**
Total cash flow changes	**172**	**(171,826)**	**(4,826)**	**—**	**(176,480)**
Loss on debt extinguishment [1]	**—**	**16,552**	**—**	**—**	**16,552**
Effect of changes in foreign exchange rates	**—**	**11,180**	**38**	**—**	**11,218**
Amortization of discounts, transaction costs and other	**—**	**4,364**	**—**	**—**	**4,364**
Net increase in lease liabilities	**—**	**—**	**10,694**	**—**	**10,694**
Assumed through business combinations	**—**	**—**	**556**	**—**	**556**
Increase in balance due on business combinations	**—**	**—**	**—**	**17,094**	**17,094**
Total non-cash changes	**—**	**32,096**	**11,288**	**17,094**	**60,478**
Balance at February 29, 2024	**22,574**	**4,835,808**	**51,930**	**17,094**	**4,927,406**

(1) Out of the $16.9 million loss on debt extinguishment recorded in connection with the refinancing of the First Lien Credit Facilities, a portion amounting to $0.3 million is presented in *Other Assets*, as it pertains to the Senior Secured Revolving Facility.

D) Cash and cash equivalents

	February 29, 2024	August 31, 2023
	$	$
Cash	**68,163**	262,766
Cash with restrictions on use	**13,027**	29,262
Cash equivalents [1]	**—**	70,893
	81,190	362,921

(1) Comprised of bank term deposits.

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

16. Financial instruments

A) Financial risk management

Management's objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate, foreign exchange and market risks which are described in the Corporation's 2023 annual consolidated financial statements.

Credit risk

The lowest credit rating of the counterparties to the derivative financial instruments agreements at February 29, 2024 is "A" by Standard & Poor's rating services ("S&P"). Management monitors its exposure to financial institutions which is primarily in the form of deposits, derivatives and revolver commitments.

Liquidity risk

On February 29, 2024, the Corporation had used $301.3 million of its $750 million Term Revolving Facility for a remaining availability of $448.7 million. In addition, the U.S. subsidiaries benefit from a Senior Secured Revolving Facility of $339.3 million (US$250 million), of which $111.1 million (US$81.9 million) was used at February 29, 2024 for a remaining availability of $228.1 million (US$168.1 million).

An unsecured letter of credit facility was put in place in connection with the 3800 MHz spectrum auction (see Note 11).

Interest rate risk

On February 29, 2024, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's U.S. subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at February 29, 2024:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate [1]	Maturity	Hedged item
Cash flow [2] [3]	US$550 million	Term SOFR	2.01% - 4.18%	November 2024 - February 2029	Senior Secured Term Loan B - Tranche 3
Cash flow	US$800 million	Term SOFR with a 39 bps floor	1.17% - 1.44%	October 2025 - July 2027	Senior Secured Term Loan B - Tranche 2

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

(2) Following the early repayment of Tranche 1 in September 2023, the debt associated with the hedged variable interest cash flows was replaced by Tranche 3 of the Senior Secured Term Loan B Facility.

(3) Interest rate swaps amounting to US$290 million matured in January 2024, while new US$300 million interest rate swaps were entered into, for a total hedge amount of US$550 million.

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 $14.5 million based on the outstanding debt and swap agreements at February 29, 2024.

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

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 29, 2024		August 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Notes and credit facilities	**4,835,808**	**4,719,496**	4,975,538	4,868,022

C) Capital management

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

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

On February 29, 2024 and August 31, 2023, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

The following table summarizes certain key ratios used to monitor and manage the Corporation's capital structure. Net indebtedness reflects the US denominated debt converted at the exchange rate at the end of the period, while adjusted EBITDA and adjusted financial expense reflect the average exchange rate throughout the corresponding 12-month period.

As at, or for the 12-month periods ended	February 29, 2024	August 31, 2023
Components of debt and coverage ratios		
Net indebtedness	**4,909,734**	4,749,214
Adjusted EBITDA	**1,408,700**	1,421,066
Adjusted financial expense	**268,184**	251,642
Debt and coverage ratios		
Net indebtedness / adjusted EBITDA	**3.5**	3.3
Adjusted EBITDA / adjusted financial expense	**5.3**	5.6

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

Net indebtedness is a measure used by management to assess the Corporation's financial leverage, as it represents the debt net of the available unrestricted cash and cash equivalents. The reconciliation of net indebtedness to long-term debt is as follows:

	February 29, 2024	August 31, 2023
Long-term debt, including the current portion	**4,904,832**	5,021,006
Discounts, transaction costs and other	**50,491**	39,465
Long-term debt before discounts, transaction costs and other	**4,955,323**	5,060,471
Bank indebtedness	**22,574**	22,402
Cash and cash equivalents, excluding cash with restrictions on use [1]	**(68,163)**	(333,659)
Net indebtedness	**4,909,734**	4,749,214

(1) See Note 15 D).

Adjusted financial expense is a measure used by management to calculate certain covenant ratios. The reconciliation of adjusted financial expense to financial expense is as follows:

For the 12-month periods ended	February 29, 2024	August 31, 2023
Financial expense	**285,064**	251,642
Loss on debt extinguishment [1]	**(16,880)**	—
Adjusted financial expense	**268,184**	251,642

(1) In connection with the prepayment of Tranche 1 of the Senior Secured Term Loan B Facility and the amendment of the Senior Secured Revolving Facility in September 2023.

17. Related party transactions

As referred to in Note 13 B), on December 13, 2023, Cogeco and Cogeco Communications entered into a series of transactions pursuant to the sale by Rogers Communications Inc. of its entire holdings in both companies. Cogeco sold to Cogeco Communications 2,266,537 subordinate voting shares of its holdings in Cogeco Communications for $116.5 million, following the conversion and cancellation of an equivalent number of Cogeco Communications multiple voting shares. The subordinate voting shares were repurchased for cancellation, and represented approximately 5.1% of all outstanding Cogeco Communications shares. As of February 29, 2024, Cogeco held 28.4% of the Corporation's equity shares, representing 79.9% of the votes attached to the Corporation's voting shares.

Cogeco provides executive and administrative services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustments upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three and six-month periods ended February 29, 2024, management fees paid to Cogeco amounted to $5.2 million and $10.5 million, respectively, compared to $5.4 million and $10.8 million for the same periods of fiscal 2023.

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

No direct remuneration is payable to Cogeco's executive officers by the Corporation. The following table provides the number of stock options, ISUs and PSUs granted during the six-month periods ended February 29, 2024 and February 28, 2023 to these executive officers, as executive officers of Cogeco Communications, as well as DSUs issued to Board directors of Cogeco, the value of which was charged back to Cogeco.

	Six months ended	
	February 29, 2024	February 28, 2023
Stock options	**169,799**	79,348
ISUs	**974**	—
PSUs	**26,444**	14,283
DSUs	**2,368**	—

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

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Stock options	**103**	241	**325**	596
PSUs	**244**	237	**343**	380
ISUs and DSUs	**2**	—	**2**	(100)
	349	478	**670**	876

18. Commitments, guarantees and contingencies

A) Commitments and guarantees

3800 MHz spectrum auction

As indicated in Note 11, the Corporation has secured 99 spectrum licences in the 3800 MHz spectrum action for a total price of $190.3 million. The required deposit of $38.1 million, representing 20% of the total purchase price, was paid to ISED on January 16, 2024. The final payment is expected to be paid on or before May 29, 2024. The unsecured letter of credit issued to ISED in July 2023 as a pre-auction deposit will remain outstanding until the final payment is made.

Performance and payment bonds

On February 29, 2024, the Corporation had $157.9 million of performance and payment bonds outstanding, issued in accordance with the rules established by Infrastructure Ontario in connection with Ontario's Accelerated High Speed Internet Program (AHSIP).

B) Contingencies

Royalties payable for retransmission of distant television signals

On July 22, 2021, the Federal Court of Appeal issued a decision in response to two applications for judicial review filed by six broadcasting distribution undertakings ("BDUs") (including the Corporation) and nine collective societies challenging a decision by the Copyright Board setting the quantum of royalties payable for the retransmission of distant Canadian and U.S.

television over-the-air signals in Canada, for the 2014-2018 period. The Federal Court of Appeal identified errors made in the Copyright Board's initial rate decision and directed the Copyright Board to correct these errors. On January 12, 2024, the Copyright Board issued its decision on the redetermination of the 2014-2018 royalty rates, which resulted in a reduction of these rates for the years 2015-2018 on a retroactive basis. On February 9, 2024, the copyright collectives made an application seeking judicial review of the Copyright Board's redetermination decision. If the Copyright Board's redetermination decision is not upheld, the Corporation could become subject to higher royalty rates for the 2016-2018 period.

The Copyright Board will be setting the rates for subsequent tariff periods (2019-2023 and 2024-2028) in a proceeding that could start later in 2024. Any decision from the Copyright Board that would align with the copyright collectives' proposed tariff rates for either of such subsequent periods could result in the Corporation being subject to higher royalty rates.

The Corporation had previously recognized a provision in the amount of $11.5 million for the 2014-2018 and 2019-2023 tariff periods. As a result of the Copyright Board's January 2024 redetermination decision, a $4.2 million reversal of this previously recognized provision was recognized during the second quarter of fiscal 2024 within *Acquisition, integration, restructuring and other costs*.

Primary service unit statistics

	February 29, 2024	November 30, 2023	August 31, 2023	May 31, 2023	February 28, 2023
CONSOLIDATED					
Homes passed [(1)]	**3,832,170**	3,813,534	3,800,068	3,777,037	3,746,115
Primary service units [(1)(2)(3)]	**2,937,371**	2,951,057	2,973,527	2,988,248	2,943,588
Internet service customers [(3)]	**1,534,628**	1,528,754	1,526,465	1,521,447	1,470,381
Video service customers	**893,417**	906,817	923,617	936,872	940,678
Phone service customers	**509,326**	515,486	523,445	529,929	532,529
CANADA					
Homes passed [(1)]	**2,078,557**	2,063,949	2,056,180	2,048,872	2,033,475
Primary service units [(1)(2)]	**1,870,524**	1,873,244	1,874,796	1,867,317	1,808,448
Internet service customers	**874,401**	865,468	854,703	840,662	782,862
Video service customers	**618,478**	626,672	634,736	639,920	639,994
Phone service customers	**377,645**	381,104	385,357	386,735	385,592
UNITED STATES					
Homes passed	**1,753,613**	1,749,585	1,743,888	1,728,165	1,712,640
Primary service units [(3)]	**1,066,847**	1,077,813	1,098,731	1,120,931	1,135,140
Internet service customers [(3)]	**660,227**	663,286	671,762	680,785	687,519
Video service customers	**274,939**	280,145	288,881	296,952	300,684
Phone service customers	**131,681**	134,382	138,088	143,194	146,937

(1) Considering the detailed calculation of the primary service units and homes passed acquired from the recent Niagara Regional Broadband Network acquisition is not yet finalized, the number of units and homes passed presented does not include those acquired from it.

(2) On March 3, 2023, 52,577 primary service units (46,656 Internet, 3,716 video and 2,205 phone) were added related to the acquisition of oxio.

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