ANNUAL REPORT **2013**

COGECO

PROFILE

COGECO Inc. ("COGECO" or "the Corporation") is a diversified holding corporation with subordinate voting shares listed on the Toronto Stock Exchange ("TSX"), under the symbol CGO. The Corporation's current holdings are concentrated in various segments of the communications sector.

COGECO's subsidiary, Cogeco Cable, is a telecommunications corporation and the 11th largest hybrid fibre coaxial cable operator in North America, operating in Canada through its subsidiary Cogeco Cable Canada in Quebec and Ontario, and in the United States of America through its subsidiary Atlantic Broadband in Western Pennsylvania, South Florida, Maryland/Delaware and South Carolina. Through its two-way broadband cable networks, Cogeco Cable provides its residential and small business customers with Analogue and Digital Television, High Speed Internet and Telephony services to approximately 2.5 million primary service units. Through its subsidiary Cogeco Enterprise Services, the holding company of Cogeco Data Services and Peer 1 Network Enterprises, Cogeco Cable also provides to its commercial customers a suite of IT hosting, information and communications technology services (data centre, colocation, managed hosting, cloud infrastructure and connectivity), with 20 data centres, extensive fibre networks in Montreal and Toronto as well as points-of-presence in North America and Europe. Cogeco Cable's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

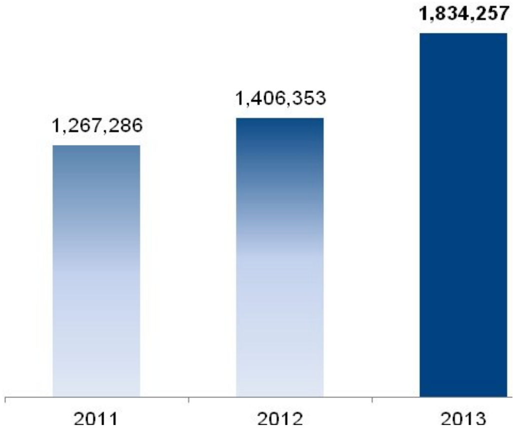
Through its subsidiary, Cogeco Diffusion Acquisitions, COGECO owns and operates13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences, as well as Cogeco News, its news agency.

Through its subsidiary, Métromédia, COGECO operates an advertising representation house specialized in the public transit sector that holds exclusive advertising rights in the Province of Québec where it also represents its business partners active across other Canadian markets.

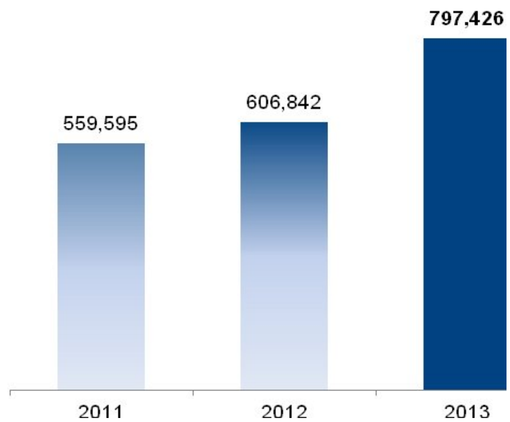
Annual Report

THREE-YEAR FINANCIAL PERFORMANCE

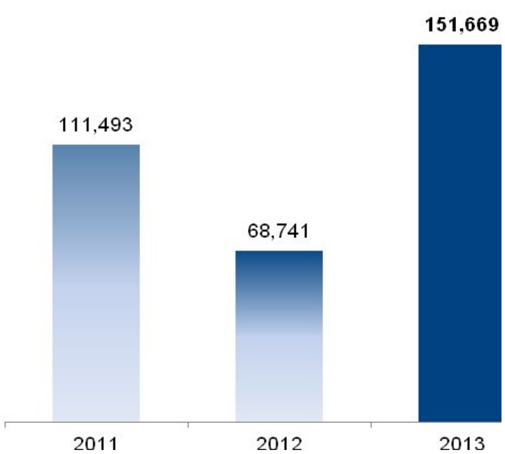
Revenue
(in thousands of dollars)



Operating income before depreciation and amortization (1)
(in thousands of dollars)



Free cash flow(1)
(in thousands of dollars)



(1) The indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the Management's discussion and analysis ("MD&A").

FINANCIAL HIGHLIGHTS

Years ended August 31, *(in thousands of dollars, except PSU growth, percentages, per share data and shares)*	**2013** **$**	2012 $	Change %
Operations			
Revenue	**1,834,257**	1,406,353	30.4
Operating income before depreciation and amortization(1)	**797,426**	606,842	31.4
Operating income	**387,489**	324,989	19.2
Profit for the year from continuing operations	**189,777**	174,246	8.9
Profit for the year from discontinued operations	**—**	55,446	—
Profit for the year	**189,777**	229,692	(17.4)
Profit for the year attributable to owners of the Corporation	**64,088**	77,051	(16.8)
Cash Flow			
Cash flow from operating activities	**552,195**	448,764	23.0
Cash flow from operations(1)	**563,091**	447,110	25.9
Acquisitions of property, plant and equipment, intangible and other assets(2)	**411,422**	378,369	8.7
Free cash flow(1)	**151,669**	68,741	—
Financial Condition			
Property, plant and equipment	**1,874,866**	1,343,904	39.5
Total assets	**5,452,513**	3,103,919	75.7
Indebtedness(3)	**3,054,275**	1,180,971	–
Equity attributable to owners of the Corporation	**457,285**	397,799	15.0
Primary service units ("PSU") growth(4)	**5,546**	73,645	(92.5)
Per Share Data(5)			
Earnings per share attributable to owners of the Corporation			
From continuing and discontinued operations			
Basic	**3.83**	4.61	(16.9)
Diluted	**3.81**	4.58	(16.8)
From continuing operations			
Basic	**3.83**	3.54	8.2
Diluted	**3.81**	3.52	8.2
From discontinued operations			
Basic	**—**	1.07	—
Diluted	**—**	1.06	—
Weighted average number of multiple and subordinate voting shares outstanding	**16,725,576**	16,724,063	—

(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.
(2) Fiscal 2013 acquisitions of property, plant and equipment, intangible and other assets include assets acquired under finance lease of $0.9 million that are excluded from the statements of cash flows.
(3) Indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt, balance due on business combinations and obligations under derivative financial instruments.
(4) Represents the sum of Television, High Speed Internet ("HSI") and Telephony service customers.
(5) Per multiple and subordinate voting share.

MESSAGE TO SHAREHOLDERS

Dear fellow shareholders:

COGECO Inc. ("COGECO" or the "Corporation") had an excellent year in fiscal 2013 with strong financial results driven by a focus on delivering a sustainable and profitable growth strategy. Having completed two major acquisitions that have allowed our business to diversify geographically and build our presence in the promising data hosting and managed IT services sector, we are well positioned to create and deliver a larger variety of communications options to a growing number of consumers and businesses throughout our markets in North America and parts of Europe.

On a consolidated basis, revenue and operating income before depreciation and amortization(1) for fiscal 2013 rose by 30% and 31%, respectively. Profit for the year amounted to $190 million and the Corporation generated free cash flow(1) of $152 million. We returned $47 million of capital to shareholders through declared dividends that increased by 5.6%. Our financial position remains strong, following the successful refinancing of over half of Cogeco Cable Inc.'s ("Cogeco Cable") indebtedness in order to take advantage of historically low interest rates. The value of COGECO's stock rose just over 30% in fiscal 2013.

COGECO CABLE INC. ("Cogeco Cable")

A year of growth and transformation

Fiscal 2013 was indelibly marked by the conclusion of two major acquisitions and the ensuing restructuring of our Canadian cable services. In November 2012 we completed the acquisition of Atlantic Broadband, serving about 485,000 PSU and providing Analogue and Digital Television, as well as HSI and Telephony service in Western Pennsylvania, South Florida, Maryland/Delaware, and South Carolina. In January 2013, we completed the acquisition of Peer 1 Network Enterprises ("PEER 1"), one of the world's leading web hosting providers, specializing in managed hosting, dedicated servers, colocation and cloud services through a high performance fibre network connected to 16 state-of-the-art data centres in Canada, the United States of America ("United States") and the United Kingdom. In early August 2013, the Canadian cable services were regrouped into a self standing operational unit named "Cogeco Cable Canada" and operated under the leadership of President and Chief Executive Officer Louise St-Pierre. With these initiatives by each of our business segments, we have successfully diversified our geographical risk and enhanced growth opportunities, opening up new market territories where penetration rates are below par and opportunities for growth and value creation abound. Our solid management teams are well in place and we have a plan to further strengthen and enhance our market position in our Canadian cable, American cable and Enterprise services segments, while remaining focused on reaching Cogeco Cable's conservative debt level objectives.

Initiatives

During fiscal year 2013, the cable industry was subject to intense competition redefining the interplay of market forces particularly in the area of content distribution. From over-the-top services, new satellite transmission technologies to wireless solutions and related applications, consumers were solicited and tantalized with a range of choices from varied service providers. At the same time, consumer appetite for communication services overall has increased and particularly so in the consumption of data, which has grown exponentially. Cogeco Cable has historically proven its ability to navigate during periods of change and seek ways to transform itself to create value for customers and for our shareholders. Below are a few of our accomplishments that are a reflection of our abilities in the face of these changing market dynamics.

Canadian cable services

- Excellence in customer service continued to be a priority that has rewarded us with achievements in this regard as Cogeco Cable Canada remains among the best performing companies in its industry.
- Our robust product offering was further enhanced to meet the growing demand for improved data transfer speeds and capacities and accessibility through mobile platforms enabling our customers "anytime, anywhere" experiences.

American cable services

- In June, Atlantic Broadband announced an exclusive partnership with TiVo in our areas served to power its state of the art digital entertainment services across TV, Web and Mobile platforms greatly enhancing its digital television offering.

Enterprise services

- Cogeco Data Services Inc. ("CDS") opened its fourth data centre in Barrie, Ontario to respond to the growing demand of our corporate customers in the Greater Toronto Area. With this new addition and with the acquisition of PEER 1, our total number of data centres increased from 3 to 20 and our geographical footprint expanded to include markets in the United States and in Western Europe.

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

Social responsibility - at the heart of our action

For fiscal 2013, Cogeco Cable evolved its environmental policy to take on a more inclusive approach to social responsibility, and developed a policy around five major engagements: managing our ecological footprint, taking part in developing communities, integrating the best corporate social responsibility ("CSR") practices, being transparent in communicating our CSR activities and ensuring the Corporation's growth. We continue to measure our progress against the green house gas emissions targets we set in 2012 and are pleased with our progress to date. Our Corporation will continue to implement initiatives throughout 2014 to further reduce its carbon footprint by adopting management practices that will produce additional energy savings.

REGULATORY MATTERS IN CANADA

On June 27, 2013, the Canadian Radio-Television and Telecommunications Commission ("CRTC") approved BCE's revised proposal to acquire Astral Media Inc.'s ("Astral") assets. Cogeco Cable participated in the CRTC proceedings to comment on the proposal which had been revised to include various divestments and a commitment to certain conduct with respect to affiliation agreements. The CRTC imposed, as a condition of its decision, additional safeguards, which addressed a number of the arguments which we had shared. Cogeco Cable participated in other CRTC broadcasting and telecommunications proceedings throughout the year and plans to continue its full engagement and participation going forward, in order to support the continued development of a healthy broadcasting and telecommunications industry in Canada, and to demonstrate our dedication to the interests of the Canadian consumer.

RADIO BROADCASTING AND OUTDOOR ADVERTISING

Last fiscal year, Cogeco Diffusion ("CDI") became the largest commercial talk radio network in the province of Quebec following extensions of its very successful talk network format to the cities of Trois-Rivières, Gatineau and Sherbrooke. As we write this letter one year later, CDI's reputation, as among the most popular stations, holds strong and its stations are making good headway, particularly into the market of listeners who represent families among the highest purchasing power. In Montreal, 98.5 FM and Rhythme FM continue to hold the number one position in their category while *The Beat* improving its performance. FM 93 and 102.9 FM remain among the most popular stations in Quebec City. In early fiscal 2012, COGECO acquired Métromédia, a company that specializes in billboard and poster advertising in public transport. In fiscal 2013, Métromédia was fully integrated into our operations and continued on its growth path.

2014 OUTLOOK

Fiscal 2014 will be a time of integration, consolidation and further enhancement of our market positioning, with a close focus on debt reduction. In the Cable segment enterprise services activities, PEER 1 will contribute to capture a larger share of the growing demand for our services and to expand its penetration of enterprise services customers by leveraging its 16 data centres. With regard to the American cable operations, Atlantic Broadband will continue growing its market share in its footprint through product marketing strategy. Overall, Cogeco Cable will continue to integrate and consolidate its Cable and Enterprise services segments and further seek opportunities to leverage scale and expertise and, ultimately, create value for Cogeco Cable as well as for COGECO and for their respective shareholders.

With regards to the radio activities, CDI will continue its focus on process improvement and build on strategies to provide advertising partners with more striking media offerings. Cogeco Métromédia will continue expanding its service offering. In fiscal year 2014, all subway stations in the City of Montreal will offer *Metrovision*, a Cogeco Métromédia network. The Société de Transport de Montréal ("STM")'s public transit customers will have access to Metrovision's 339 screens in the 68 stations of the network.

COGECO expects to generate revenue of $2.1 billion, operating income before depreciation and amortization of $900 million and profit for the year of $233 million of which $75 million will be attributable to owners of the Corporation during fiscal 2014.

CONCLUDING REMARKS

We wish to thank the members of our Board of Directors for their wise counsel and unwavering support, which enabled your Corporation to continue growing profitably.

In terms of quality of governance, the 11th edition of its *Annual Corporate Governance Rankings* published by *The Globe and Mail Report on Business* in November 2012 ranks our subsidiary Cogeco Cable Inc. in the top third of the 244 companies reviewed. The same study again ranked Cogeco Cable Inc. among the top Canadian companies that have a dual-class structure and are family-owned.

A FEW WORDS IN MEMORY OF OUR FOUNDER

On November 4, 2012, we announced the passing of our founder, Mr. Henri Audet. Mr. Audet leaves behind a vibrant legacy of pioneering efforts in the Canadian broadcasting and cable television industries, growing the Corporation from modest origins through the launch of a local television station in Trois-Rivières in 1957 to a major Canadian cable and media player by the time he passed the baton as President and Chief Executive Officer in 1993. He has been honored with the Order of Canada and inducted to the Canadian Broadcasting Association's hall of fame and received two honorary doctorates from the *Université du Québec à Trois-Rivières* and *Université de Montréal* for his outstanding career achievements. To all of us at COGECO today, Mr. Audet will be remembered for his great vision and determination and it brings us great pride to observe in our 4,500 employees that contribute to our Corporation's continued growth and success daily, the same underlying values that he promoted: dedication to customers, teamwork, innovation, respect and integrity. Mr. Audet's legacy lives on and he will always remain a great source of inspiration to all.

Louis Audet
President and Chief Executive Officer

Jan Peeters
Board Chair

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

Management's Discussion and Analysis (MD&A)

FORWARD-LOOKING STATEMENTS

Certain statements 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's 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. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the economic downturn experienced over the past few years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation's expectations. It is impossible for COGECO to predict with certainty the impact that the current economic uncertainties may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the present MD&A) that could cause actual results to differ materially from what COGECO currently expects. These factors include such as risks pertaining to markets and competition, technology, regulatory developments, operating costs, information systems, disasters or other contingencies, financial risks related to capital requirements, human resources, controlling shareholder and holding structure, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation and does not undertake to update or alter this information at any particular time, except as may be required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto, prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2013.

OVERVIEW OF THE BUSINESS

COGECO Inc. ("COGECO" or "the Corporation") is a diversified holding corporation that provides Cable Television, High Speed Internet ("HSI"), Telephony services and other telecommunications services to its residential and commercial customers through Cogeco Cable ("Cogeco Cable" or the "cable subsidiary") and is engaged in Radio broadcasting in Canada through Cogeco Diffusion Acquisitions ("Cogeco Diffusion" or "CDI") and in advertising representation specialized in the public transport sector through Métromédia CMR Plus ("Métromédia").

COGECO' subsidiary Cogeco Cable is a telecommunications corporation and the 11th largest hybrid fibre coaxial cable operator in North America, operating in Canada through its subsidiary Cogeco Cable Canada, in Québec and Ontario, and in the United States through its subsidiary, Atlantic Broadband in Western Pennsylvania, South Florida, Maryland, Delaware and South Carolina. Its two-way broadband cable networks provide to its residential and small business customers Analogue and Digital Television, High Speed Internet ("HSI") and Telephony services. As at August 31, 2013, the Canadian cable operations provided Television service to 834,771 customers, HSI service to 661,337 customers and Telephony service to 484,014 customers for a total of 1,980,122 primary service units[1] ("PSU"). The American cable operations provided Television service to 230,304 customers, HSI service to 177,108 customers and Telephony service to 78,246 customers for a total of 485,658 PSU. Through its subsidiary, Cogeco Enterprise Services ("Cogeco Enterprise Services"), the holding company for Cogeco Data Services ("CDS") and Peer 1 Network Enterprises ("PEER 1"), Cogeco Cable provides its commercial customers a suite of IT hosting, information and communications technology services (data centre, colocation, managed hosting, cloud infrastructure and connectivity) with 20 data centres, extensive fibre networks in Montréal and Toronto as well as points-of-presence in North America and Europe.

Through its subsidiaries Cogeco Diffusion, COGECO owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences: Rythme FM, CKOI FM, 98.5 FM, 92.5 The Beat and Radio Circulation 730 AM in Montréal; FM 93 and 102.9 FM in Québec City; 104.7 FM in Gatineau; CIME FM in Saint-Jérôme; Rythme FM and 107.7 FM in Sherbrooke as well as Rythme FM and 106.9 FM in Trois-Rivières. CDI also operates Cogeco News, one of Québec's largest news agencies, feeding 24 affiliates, independent and community radio stations.

Through its subsidiary, Métromédia, COGECO is also engaged in advertising representation. Métromédia is an advertising representation house specialized in the public transit sector that holds exclusive advertising rights in the Province of Québec where it also represents its business partners active across other Canadian markets.

BUSINESS DEVELOPMENTS AND OTHER

CABLE SEGMENT

On January 31, 2013, Cogeco Cable completed the acquisition of 96.57% of the issued and outstanding shares of PEER 1 by way of takeover bid (the "offer") valued at approximately $649 million. On April 3, 2013, Cogeco Cable completed the acquisition of the remaining 3.43% of the issued and outstanding shares of PEER 1 for a cash consideration of $17 million pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act ("British Columbia"). In connection with the completion of the offer, Cogeco Cable has entered into secured credit facilities in the amount of approximately $650 million maturing in 2017, with a syndicate of lenders. PEER 1 is one of the world's leading internet infrastructure providers, specializing in managed hosting, dedicated servers, cloud services and colocation. This acquisition enhances Cogeco Cable's footprint and builds on its strategic initiatives by increasing scale in an attractive industry segment with significant growth prospects in the state of the art data centre platforms. Cogeco Cable has the resources to serve additional businesses worldwide through 20 data centres and 56 points-of-presence across North America and Europe. PEER 1's primary network centre and head office are located in Vancouver.

On November 30, 2012, Cogeco Cable completed the acquisition of Atlantic Broadband, an independent cable system operator formed in 2003, serving about 485,000 PSU's and providing Analogue and Digital Television, as well as HSI and Telephony services. The acquisition is an attractive entry point in the United States market, providing a significant increase in PSU base with further growth potential, a high quality network infrastructure and the ability for Cogeco Cable's management to leverage its core knowledge and operational experience. The transaction, valued at US$1.36 billion, was financed through a combination of cash on hand, a draw-down on the existing Term Revolving Facility of approximately US$588 million and US$660 million of borrowings under a new committed non-recourse debt financing at Atlantic Broadband. Atlantic Broadband operates cable systems in four geographic clusters: Western Pennsylvania, Southern Florida, Maryland/Delaware and South Carolina.

OTHER

BBM Canada's summer 2013 survey in the Montréal region, conducted with the Portable People Meter ("PPM"), reported that 98.5 FM is the leading radio station in the Montreal French market amongst all listeners and men two years old and over ("2+"), while Rythme FM has maintained its leadership position in the female 2+ segment among the musical stations. Regarding the Montreal English market, *The Beat* is the leading radio station in the female 35-64 segment. In the other Quebec regions, our radio stations registered good ratings.

CORPORATE OBJECTIVES AND STRATEGIES

COGECO's objectives are to provide outstanding service to its customers and maximize shareholder value by increasing profitability and ensuring continued revenue growth. The strategies employed to reach these objectives, supported by tight controls over costs and business processes, are specific to each segment.

The main strategies used to reach COGECO's objectives in the Cable segment focus on expanding its service offering, enhancing its existing services and bundles, improving customer experience and business processes as well as keeping a sound capital management and a strict control over spending.

The radio activities focus on continuous improvement of its programming in order to increase its market share and thereby its profitability.

The Corporation measures its performance, with regard to these objectives by monitoring operating income before depreciation and amortization(1) and free cash flow(1).

TIGHT CONTROL OVER COSTS AND IMPROVED BUSINESS PROCESSES

The Corporation maximizes profitability and shareholder value by maintaining strict controls over spending. In order to achieve this, COGECO has to become more efficient with its processes making its offer more attractive to customers. In addition, tight controls over processes ensure that shareholders receive timely information on the Corporation’s development.

CABLE SEGMENT

Cogeco Cable’s objectives are to improve profitability and create shareholder value. To achieve these objectives, Cogeco Cable has developed strategies that focus on expanding its service offering, enhancing its existing services and bundles, improving customer experience and business processes as well as keeping a sound capital management and a strict control over spending. These strategies will be supported by developing continuously the infrastructure network in accordance with sound capital expenditures management. Genuine customer service will arise by focusing on customer needs with services at attractive prices while taking into account the competitive landscape and the economic environment, using a variety of sales channels, simplifying and tightening customer-related processes thus providing better cost controls. Cogeco Cable measures its performance, with regard to these objectives by monitoring operating income before depreciation and amortization(1), operating margin(1), free cash flow(1), PSU(2) growth and capital intensity. For further details please refer to the 2013 Annual Report of Cogeco Cable Inc. available on www.sedar.com.

ANTICIPATED RESULTS OF THE CORPORATION' STRATEGIES

Results from the successful implementation of the above-described strategies should increased revenue faster than operating expenses thus leading to heightened profitability and reduced Indebtedness that will be measured based on the following criteria (these criteria are described in greater detail on “Fiscal 2014 financial guidelines” section):

- COGECO expects in fiscal 2014 to achieve operating income before depreciation and amortization of $900 million as a result of the recent acquisitions in the Cable segment as well as the improved results of the radio activities;
- The Corporation expects to generate free cash flow of $230 million resulting from the growth in operating income before depreciation and amortization and by a reduction in current income taxes. Generated free cash flow should be used primarily to reduce Indebtedness, thus improving the Corporation's leverage ratios;

Please refer to the “Key performance indicators” section for further details on the fiscal 2013 results and achievements.

CABLE SEGMENT NETWORKS AND INFRASTRUCTURE

CABLE SERVICES

Cogeco Cable provides Television, On-demand video services, HSI access, Telephony services and Business telecommunications services through advanced fibre optic and two-way broadband distribution networks in Canada and the United States. Cogeco Cable delivers these services through ultra-modern long distance fibre optic systems, advanced hybrid fibre-coax ("HFC") broadband distribution networks, point to point fibre networks and fibre to the home ("FTTH") network technologies.

Our distribution network expands over 56,000 kilometres in Canada and the United States, of which over 25% is pure optical systems. Its leading edge's inter-city optical transport networks extend for a distance of over 10,800 kilometres in Canada and the United States. The broad reach of Cogeco Cable's core transport network is designed to easily interconnect, at very high speed, its many local distribution systems to video content providers, other public telephony networks, software application providers and to the world-wide Internet.

(1) The indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards (“IFRS”) and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the “Non-IFRS financial measures” section of the Management’s discussion and analysis (“MD&A”).

(2) Represents the sum of Television, HSI and Telephony service customers.

For residential services, Cogeco Cable is deploying optical fibres to nodes serving clusters of typically 350 to 450 homes passed, with multiple fibres per node in most cases to rapidly extend the capacity of the system with smaller clusters when necessary. This just in time process, known as “node splitting,” leads to further improvement in quality and reliability while increasing the capacity of two-way services such as HSI, Video on Demand and Telephony and maximizing the efficiency of capital investments. The HFC distribution infrastructure is designed with Radio Frequency ("RF") capacity of 450 Megahertz ("MHz"), 550 MHz, 750 MHz, 860 MHz or 1 Gigahertz ("GHz") of bandwidth capacity, depending on the market served and customer needs.

In each market, the signals are transferred from the optical network to the coaxial cable network at the node for delivery to its customers. We believe that active use of fibre optic technology as a supplement to coaxial cable plays a major role in expanding channel capacity and improving the performance of the systems. Fibre optic strands are capable of carrying hundreds of video, data and voice channels over extended distances without the signal amplification typically required for coaxial cable. Cogeco Cable will continue to deploy fibre optic cable as warranted to further reduce amplifier cascades which improve picture quality and system reliability, and reduce system maintenance cost. This hybrid combination of fibre optic and coaxial cables is the most efficient choice when it comes to deliver high quality networks with judicious capital investments.

In order to increase distribution system capacity further, Cogeco Cable is completing two network enhancement programs:

a) conversion of video services from analogue to digital with the deployment of digital to analogue ("DTA") converters to its customers having older analogue television equipment. This significant capacity enhancement will replace each analogue channel by up to four High Definition ("HD") channel or sixteen Standard Definition ("SD") channels; and

b) conversion to SDV technology. This technology allows Cogeco Cable to selectively broadcast the digital television channels that are currently being viewed by customers, effectively allowing it to offer a greater selection of digital channels over the same network infrastructure.

Cogeco Cable Canada completed at the end of fiscal 2012 a first phase of its program converting in digital signals analogue channels in its systems. Subsequent phases of its program to convert the remaining channels are underway and expected to be completed this year in majors systems and within the next two to three years in smaller systems.

Cogeco Cable uses Data Over Cable Service Interface Specifications ("DOCSIS") systems to deliver HSI and Business Internet Protocol services over HFC networks. DOCSIS has numerous advanced features, including the prioritization of packets to ensure a continuous transmission and high quality of service delivery. This prioritization is important for services that need to be transmitted in real time, such as Telephony service. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds up to 160 Mbps and beyond and for providing other products like symmetrical services, which are particularly well suited for commercial customer applications.

Finally, Cogeco Cable is deploying FTTH systems in new residential developments which meet specific criteria of size, proximity to the existing plan and service penetration rate. Cogeco Cable uses a FTTH technology called Radio Frequency Over Glass ("RFoG"). The primary benefit of RFoG is its compatibility backward and forward with existing Cable Modem Termination System ("CMTS") investments and back-office systems. RFoG is an excellent platform for the delivery of enhanced video services and higher speed internet services in the future.

The following table shows the percentage of Cogeco Cable’s homes passed in Canada and the United States where Digital Television, Video on Demand Services ("VOD"), HSI and Telephony services were available as at August 31, 2013:

	% of homes passed where service is available	
Service	**Canada**	**United States**
Digital Television	99%	99%
Video On Demand	96%	86%
HSI	97%	98%
HSI (DOCSIS 3.0)	89%	88%
Telephony	94%	98%

ENTERPRISE SERVICES

Cogeco Enterprise Services provides its services through its 20 data centres covering in aggregate approximately 360,000 square feet and 56 points-of-presence in North America and Europe. Cogeco Enterprise Services owns one data centre in Barrie, north of Toronto, and has lease agreements for the other data centres and points of presence.

Cogeco Enterprise Services’ data centres include highly secure and redundant IT infrastructure, including state of the art 24/7/365 monitoring, regulated climate control, power redundancy, support, and biometrics. In addition, CDS’ data centres are built to Tier 3 standards and the Canadian Standard on Assurance Engagements ("CSAE") 3416 and Payment Card Industry Data Security Standard ("PCI-DSS") certifications which is a standard from Uptime Institute in order to meet the expectations of large enterprises and organizations.

During the last fiscal year, CDS announced its plan to build an approximately 100,000 gross square feet data hosting facility in Montréal, which is expected to open in the Fall of 2014. CDS’ Montréal and Barrie data hosting facilities will be built-out many stages over several years, aligned with the pace at which we secure multi-year contracts. CDS provides its connectivity services through an extensive wholly-owned, all-optical fibre optic network in Montréal and Toronto and interconnections with other carriers. PEER 1 provides its services through an extensive fully-managed, all optical fibre optic network in locations across North America and Europe.

KEY PERFORMANCE INDICATORS AND PERFORMANCE HIGHLIGHTS

COGECO is dedicated to increasing shareholder value and consequently focuses on optimizing profitability while efficiently managing capital utilization without jeopardizing future growth. The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with IFRS and should not be considered an alternative to other measures of performance in accordance with IFRS. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies. The Corporation measures its performance, with regard to these objectives by monitoring operating income before depreciation and amortization[(1)] and free cash flow[(1)].

(in millions of dollars, except percentages and PSU growth)	Original projections November 1, 2012 Fiscal 2013 $	Revised projections July 10, 2013[(1)] Fiscal 2013 $	**Actual Fiscal 2013 $**	Achievement of the revised projections[(2)] Fiscal 2013
Financial guidelines				
Revenue	1,490	1,835	**1,834**	✓
Operating income before depreciation and amortization[(3)]	630	795	**797**	✓
Integration, restructuring and acquisition costs	—	17	**22**	×
Financial expense	69	131	**134**	✓
Current income taxes expense	96	94	**88**	✪
Profit for the year	195	207	**190**	×
Profit for the year attributable to owners of the Corporation	65	69	**64**	×
Acquisitions of property, plant and equipment, intangible and other assets[(4)]	350	404	**411**	✓
Free cash flow[(3)]	115	150	**152**	✓

✓: Achieved ×: Under-achieved ✪: Surpassed

(1) The original projections were revised to take into consideration the recent acquisitions of Atlantic Broadband and PEER 1 as well as cost reduction initiatives in the Canadian operations in the Cable segment.

(2) Achievement of the projections is defined as within 3% above or below the projected amount.

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

(4) Fiscal 2013 actual include $0.9 million of assets acquired under finance leases.

For the 2013 fiscal year, COGECO achieved its key performance indicators compared to its revised projections issued on July 10, 2013. Revenue, operating income before depreciation and amortization and free cash flow were achieved when compared to the revised projections. For further details on the Corporation's operating results, please refer to the “Operating and financial results” and the "Cash flow analysis" sections.

Profit for the year amounting to $190 million under-achieved the revised projection issued on July 10, 2013, mainly due to the increase of depreciation and amortization expense generated by the recent acquisitions of Atlantic Broadband and PEER 1 (the "recent acquisitions"), partly offset by the improvement of operating income before depreciation and amortization from the organic growth and from the recent acquisitions combined with the income tax expenses decrease, all generated in the Cable segment. Further details on the Corporation's operating results are provided in the “Operating and financial results” section.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

Operating income before depreciation and amortization is a benchmark commonly used in the telecommunications industry, as they allow comparisons with companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Operating income before depreciation and amortization evolution assesses COGECO's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its debt. Operating income before depreciation and amortization is a proxy for cash flow from operations[(1)]. Consequently, operating income before depreciation and amortization is one of the key metrics used by the financial community to value the business and its financial strength. In the 2012 annual report, the Corporation projected operating income before depreciation and amortization of $630 million for fiscal 2013, which was then increased to $795 million in the revised projections issued on July 10, 2013 in order to reflect the Cable segment's recent acquisitions in the first half of fiscal 2013 as well as the improvement in operating income before depreciation and amortization from the Canadian cable services resulting essentially of costs reduction initiatives. Operating income before depreciation and amortization for the 2013 fiscal year amounted to $797 million, achieving the Corporation's revised projections.

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

FREE CASH FLOW

Free cash flow is defined as cash flow from operations less acquisitions of property, plant and equipment, intangible and other assets. Furthermore, the financial community closely monitors this indicator since it measures the Corporation's ability to repay debt, distribute capital to its shareholders and finance its growth. Fiscal year 2013 free cash flow amounted to $152 million, achieving the Corporation's revised projections mainly due to the improvement in operating income before depreciation and amortization and the decrease in current income taxes as a result of the tax structure related to the recent acquisitions, partly offset by the increase in financial expense and acquisitions of property, plant and equipment, intangible and other assets.

CABLE SEGMENT

PSU growth and penetration of service offerings

As at August 31, 2013, PSU reached 2,465,780 of which 1,980,122 come from the Canadian cable services and 485,658 from the American cable services. In the 2012 annual report, the Corporation projected PSU growth of 50,000 for fiscal 2013, which was then reduced to 15,000 with the revised projections issued on July 10, 2013 in order to reflect the more competitive environment in the Canada combined with service category maturity and tighter customer credit qualifications. However, only 5,546 PSU were added, which is under our revised projections. In Canada, PSU increased by 5,068 when compared to an increase of 73,645 PSU for the comparable period of the prior year, mainly as a result of service category maturity and a more competitive environment for all services. In the United States, PSU increased by 478 stemming primarily from additional HSI services, offset by losses in Television services. Furthermore, as a result of Cogeco Cable's diversification in product and services, PSU growth will no longer be used as a key performance indicator starting on fiscal 2014.

Capital intensity and acquisitions of property, plant and equipment, intangible and other assets

The capital intensity ratio is defined as an amount spend for acquisitions of property, plant and equipment and intangible assets divided by revenue generated for the comparable period. The capital intensity ratio measures Cogeco Cable's investment in capital expenditures in order to support a certain level of revenue. For the 2013 fiscal year, Cogeco Cable reached acquisitions of property, plant and equipment, intangible and other assets of $408 million over revenue of $1.7 billion for a capital intensity of 24%, thus achieving its revised guidelines. For the 2013 fiscal year, acquisition of property, plant and intangible assets slightly achieved Cogeco Cable's revised guidelines.

For further details Cogeco Cable's key performance indicators and performance highlight, please refer to the 2013 Annual Report of Cogeco Cable Inc. available on www.sedar.com.

OTHER

Radio activities

Fiscal 2013 results for CDI were in line with COGECO's expectations considering the market conditions and the performance of the mass media in the economic downturn. Led by its two heads of stations 98.5 FM and 105.7 Rhythm FM, ranked number one and two of the most listened stations in Montreal, CDI was able to protect its assets and pursue revenue growth despite competition which became stronger in the last twelve months. In the English market stations, *The Beat* is gaining popularity and FM 93 and 102.9 FM remain among the most popular stations in Quebec City.

Advertising transit businesses activities

In early 2012, COGECO acquired Métromédia, a company that specializes in billboard and poster advertising in public transport. In fiscal 2013, Métromédia was fully integrated into our operations and continued on its growth path.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make estimates and assumptions that affect the reported assets and liabilities amounts, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Corporation's significant accounting policies is presented in note 2 of the consolidated financial statements. The following accounting policies were identified as critical to COGECO's business operations.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with ownership nor effective control over the goods; and
- The recovery of the consideration is probable.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

- Monthly subscription revenue for Cable Television, HSI and Telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recognized as the services are provided;
- Revenue from managed services, colocation services, cloud services and connectivity services are recognized as the services are provided;
- Revenue generated from the sale of home terminal devices or other equipment is recognized when the customer accepts the delivery of the equipment; and
- Revenue generated from the sale of advertising airtime and advertising display is recognized when the advertisement has been aired or displayed.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expense.

BUSINESS COMBINATIONS

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analysis, estimated future margins and estimated future customer counts.

CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

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

CAPITALIZATION OF INTANGIBLE ASSETS

Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. Direct and incremental costs associated with the acquisition of Enterprise services customers are capitalized.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset expected useful lives and residual values. Management judgment is required to determine the components and the depreciation method used.

PROVISIONS

Management judgment is used to determine the timing, likelihood and to quantify expected cash outflows.

FAIR VALUE MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is estimated using valuation techniques based on several inputs such as interest rates, foreign exchange rates and Corporation's or counterparties' credit risks.

MEASUREMENT OF DEFINED BENEFIT ASSETS AND LIABILITIES

The defined benefit pension plan liabilities are determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase and expected average remaining years of service of employees. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of pension cost recognized in profit or loss, the actuarial gains and losses recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

MEASUREMENT OF NON-FINANCIAL ASSETS

The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of cash-generating units ("CGU"s). Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets.

DEFERRED TAXES

Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences. Judgment is also required in determining the tax basis of indefinite life intangible assets and the resulting tax rate used to measure deferred taxes.

FINANCIAL INSTRUMENTS

Classification and measurement

All financial instruments, including derivatives, are included in the statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, non-derivative financial instruments are measured in accordance with their classification as described below:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents and trade and other receivables are classified as loans and receivables. They are measured at amortized cost using the effective interest rate method, less any impairment loss;
- Transaction costs that are directly attributable to the acquisition or related to the issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as required, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities are recognized immediately in profit or loss; and
- Trade and other payables and long-term debt are classified as other liabilities. They are measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred with respect to the Term Revolving Facilities which are amortized over the term of the related financing on a straight-line basis.

Derivative financial instruments and hedge accounting

The Corporation uses cross-currency swaps as derivative financial instruments to manage foreign exchange risk related to its foreign denominated Senior Secured Notes, Series A. In addition, the Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes.

Derivatives are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. Net receipts or payments arising from derivative agreements are recognized as financial expense.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable expected transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in accumulated other comprehensive income and presented in unrealized gains or losses on cash flow hedges in equity. The amount recognized in other accumulated comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. At August 31, 2013 and 2012, embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated statements of financial position were not significant.

CONTINGENCIES AND COMMITMENTS

The Corporation is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The contractual and other commercial obligations primarily relate to network fees and operating lease agreements for use of transmission facilities. The Corporation recognizes liabilities for contingencies and commitments when a loss is probable and can be reasonably estimated based on available information. Significant assumption changes as to the likelihood and estimates of a loss could result in the recognition of an additional liability.

FUTURE ACCOUNTING DEVELOPMENTS IN CANADA

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are mandatory but not yet effective for the period ended August 31, 2013 and have not been applied in preparing the consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after	
IFRS 7 *Financial Instruments: Disclosures*	January 1, 2013	**Early adoption permitted**
IFRS 9 *Financial Instruments*	January 1, 2015	**Early adoption permitted**
IFRS 10 *Consolidated Financial Statements*	January 1, 2013	**Early adoption permitted**
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013	**Early adoption permitted**
IFRS 13 *Fair Value Measurement*	January 1, 2013	**Early adoption permitted**
Amendments to IAS 19 *Employee Benefits*	January 1, 2013	**Early adoption permitted**

The amendment to IFRS 7 modifies disclosure requirement about all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation.*

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. This is the first phase of that project.

IFRS 10 replaces the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. It provides a single model to be applied in the control analysis for all investees.

IFRS 12 establishes disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structures entities.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard clarifies the definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

The amendments to IAS 19 require the recognition of actuarial gains and losses immediately in OCI, full recognition of past service costs immediately in profit or loss, recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation and additional disclosures explaining the characteristics of the Corporation's defined benefit pension plans.

The Corporation is in the process of determining the extent of the impact of these standards on its consolidated financial statements.

CONTROLS AND PROCEDURES

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 and internal controls over financial reporting, as defined in National Instrument 52-109. COGECO's internal control framework is based on the criteria published in the report Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO, supported by Management, evaluated the design and effectiveness of the Corporation's disclosure controls and procedures and internal controls over financial reporting as of August 31, 2013, and have concluded that they are effective. Furthermore, no significant changes to the internal controls over financial reporting occurred during the year ended August 31, 2013, except as described below with respect to PEER 1.

On January 31, 2013 and on April 3, 2013, the Corporation's subsidiary, Cogeco Cable, acquired 100% of the issued and outstanding shares of PEER 1. Due to the short period of time between those acquisition dates and the certification date on October 30, 2013, management was unable to complete its review of the design and effectiveness of Internal Controls Over Financial Reporting ("ICFR") for this acquisition. At August 31, 2013, risks were however mitigated as management was fully apprised of any material events affecting this acquisition. In addition, all the assets and liabilities acquired were valued and recorded in the consolidated financial statements as part of the purchase price allocation process and PEER 1 results of operations were also included in the Corporation's consolidated results. PEER 1 constitutes 6% of revenue, -7% of profit of the year, 18% of the total assets, 5% of the current assets, 19% of the non-current assets, 7% of the current liabilities and 15% of the non-current liabilities of the consolidated financial statements for the year ended August 31, 2013. In the coming fiscal year, management will complete its review of the design of ICFR for PEER 1 and assess its effectiveness. The business combinations of fiscal 2013 under the "Cash flow analysis" section of this MD&A presents summary financial information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about PEER 1 business impact on the consolidated results of the Corporation.

UNCERTAINTIES AND MAIN RISK FACTORS

This section outlines general as well as more specific risks faced by COGECO and its subsidiaries that could significantly affect the financial condition, operating results or business of the Corporation. It does not purport to cover all contingencies, or to describe all possible factors that might have an influence on the Corporation or its activities at any point in time. Furthermore, the risks and uncertainties outlined in this section may or may not materialize in the end, may evolve differently than expected or may have different consequences than those that are currently anticipated.

COGECO applies an on-going risk management process that includes a quarterly assessment of risks for the Corporation and its subsidiaries, under the oversight of the Audit Committee. As part of this process, the Corporation endeavors to identify risks that are liable to have a major impact on the Corporation's financial situation, revenue or activities, and to mitigate such risks proactively as may be reasonable and appropriate in the circumstances. This section reflects management's current views on uncertainties and main risk factors.

We conduct our business activities in highly competitive industries that are experiencing rapid technological developments. Our ability to compete successfully within one or more of our market segments may thus decline in the future.

The industries in which we operate are very competitive, and we expect competition to increase and intensify from a number of sources in the future. There are now several terrestrial and satellite transmission technologies available to deliver a range of electronic communications services to homes and to commercial establishments with varying degrees of flexibility and efficiencies, and thus compete with cable telecommunications.

Some of our competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater brand recognition and a larger base of customers. These competitors may be able to adapt more quickly to new or emerging technologies, changes in customer requirements, and may also be able to develop services comparable or superior to those offered by us at more competitive prices. To the extent that we are unable to retain our existing customers and grow our customer base while maintaining and growing our operating margins, our businesses and results of operations could be adversely affected.

In Canada in the Cable segment, we currently face competition in our service areas mainly from a few large integrated electronic communications service providers:

- BCE Inc. ("Bell"), our largest competitor, which offers a full range of competitive voice, data and television services to residential as well as to business customers in the Provinces of Quebec and Ontario through a combination of fixed wireline, mobile terrestrial wireless and satellite platforms;

- TELUS Communications Company ("TELUS") which competes with all of our services in the Lower St. Lawrence area of the Province of Quebec;

- Shaw Direct, the direct-to-home satellite service of Shaw Communications Inc. ("Shaw") which competes for television customers throughout Cogeco Cable's footprint;

- Rogers Wireless Communications Inc., an operator of a mobile telecommunications network in Ontario and Quebec and the owner of a broadband wireless network with Bell; and

- Vidéotron Ltd. ("Vidéotron"), an indirect subsidiary of Québecor Inc., which offers competitive telecommunications services in our Quebec footprint and is actively marketing its mobile telecommunications services in Quebec.

Other advanced wireless service mobile telecommunications service operators, such as Wind and Public Mobile, are also operating in the market in Ontario and Quebec. We also compete within our network footprint with other telecommunications service providers, including third parties that use our own wireline network facilities pursuant to our third party Internet access tariff. Furthermore, the Canadian federal government intends to make additional spectrum available across Canada in 2014 with a view to increasing the level of competition in mobile telecommunications services, including telephony and Internet access services.

Although we provide "double-play" and "triple-play" service bundles in Canada, with various combinations of television, HSI and telephony services being offered at bundle prices, we do not offer "quadruple-play" service bundles that include mobile communications, since we do not offer mobile telephone or Internet services. As markets evolve and mobility becomes a more cost-effective substitute to wireline communications, we may need to add mobility components to our service offerings, through suitable mobile virtual network ("MVNO") arrangements with existing or future mobile operators, or otherwise through new alternatives. We may not be able to secure on a timely basis the appropriate MVNO arrangements or mobile alternatives that may be required for competitive reasons in the future. Also, the capital and operating expenditures eventually required to offer quadruple-play service bundles and mobile services may not be offset by the incremental revenue that such new bundles or mobile services would generate, thus resulting in downward pressure on operating margins.

In the American cable services, the competition is fragmented and varies by geographical area. Our principal competitor for television services is Direct Broadcast Satellite ("DBS") and our principal competitor for HSI services is Direct Subscriber Line ("DSL"). Intensive marketing efforts and aggressive pricing from our competitors and an increase in the presence of local telephone companies and electric utilities competing in our markets may have an adverse impact on our ability to retain customers. Our phone service faces competition from the incumbent local exchange carriers ("ILEC"), as well as other providers such as cellular and alternative data communications services and VoIP providers such as Vonage.

We also currently face competition in the Cable segment in Canada and the United States from over-the-top ("OTT") services such as Netflix, Google TV, Apple TV, Hulu and Samsung, which are gaining increased interest by consumers. The availability of these and other OTT services may cause our television service customers to view television content increasingly through their broadband connection rather than through their traditional video service connection, and view less On-demand television content of cable television service providers. We may not be able to make up for the loss of revenue associated with this migration.

In the Enterprise services activities in the Cable segment, we compete directly with managed and dedicated server and cloud providers, as well as a number of smaller local and regional providers. We also face competition in relation to network services from a number of traditional telecommunications carriers including Bell, Rogers, TELUS and MTS Allstream, all of whom offer a similar suite of services as those offered by us. To a lesser extent, we also compete with regional, national and international colocation and related managed services providers in addition to full services outsourcing providers. In connection with the managed IT and infrastructure services, we face competition from both larger integrators and smaller specialized firms. Although management considers that competition in the Enterprise services activities in the Cable segment is currently considered to be less intense than the competition for cable, HSI and telephony services, we may not be successful in meeting demand or differentiating ourselves from our competitors in this market segment. Increased supply for these services in excess of demand could also exert downward pressure on prices which could harm our operating margins.

We may not be able to pass on the incremental increases in costs of programming to our customers. This could have a material adverse effect on our operating margins and our businesses.

The financial performance of our businesses depends in large part on our ability to drive continued operating margin by tightly controlling operating costs. The largest driver of such operating costs is the network fees we pay to audio and television programming service suppliers. Future increases or volatility in these fee arrangements could adversely affect our operating costs. Our business and results of operations could thus be adversely affected in the future as affiliation agreements must be renewed.

The market for audio and video content services in Canada is characterized by high levels of supplier integration and structural rigidities imposed by the Canadian Radio-television and Telecommunications Commission's ("CRTC") regulatory framework for broadcasting distribution. Following the acquisition of several specialty and pay television properties earlier this year, Bell currently controls over 40% of our programming service affiliation payments for the Canadian cable operations at current wholesale rates. While we have generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, we may not be able to maintain our current arrangements, or conclude new arrangements that are economically favorable to us, and programming service costs may thus increase by larger increments in future years. Moreover, vertically integrated programming service suppliers may change other material terms of the arrangements, extend preferences to themselves for the distribution of their content to competing distributors, or push for the distribution of their content over the Internet in the future.

We may be subject to future arbitrations and other administrative or regulatory proceedings relating to Canadian programming service suppliers which could either help us obtain reasonable affiliation terms or compel us to pay increased programming fees or otherwise subject us to adverse competitive conditions. To the extent any such increased costs cannot be passed on to our customers or an otherwise adversely affect our operating margins, our business could be harmed.

In recent years, the American cable industry has experienced a rapid escalation in the cost of programming, particularly sports programming and retransmission of broadcast programming. This escalation may continue, and we may not be able to pass on programming cost increases to our customers which would have an adverse impact on our cash flow and operating margins. In addition, as we upgrade the channel capacity of our systems and add programming to our basic, expanded basic and digital service offerings, we may face additional market constraints on our ability to pass on programming costs to our customers which could materially adversely affect our profitability.

In addition, we are also subject in the United States to increasing financial and other demands by broadcasters to obtain the required consent for the transmission of broadcast programming to our customers. We obtain most broadcast programming through retransmission consent agreements. Most agreements require payment of a flat per customer fee for retransmission of the broadcaster's primary signal. In some cases these agreements involve the exchange of other types of consideration, such as limited grants of advertising time, carriage of multicast signals or, when applicable, limited VOD launch fees. We expect to be subject to continuing cash demands by broadcasters in exchange for their required consent for the retransmission of broadcast programming to our customers. We cannot predict the impact of these negotiations or the effect on our business operations should we fail to obtain the required consents.

We may not successfully implement our business strategies in the Cable segment.

Our business strategies focus on:

- expanding service offerings and enhancing existing services or bundles;
- improving the networks;
- improving customer experience and business processes; and
- keeping a sound capital management and strict control over spending.

We may not be able to fully implement these strategies or realize their anticipated results without incurring significant costs, or at all. In addition, our ability to successfully implement these strategies could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes and the other factors described in this "Uncertainties and Main Risk Factors" section.

We may also be required to make capital expenditures or other investments, which may affect our ability to implement our business strategies to the extent we are unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. Any material failure to implement our strategies could have a material adverse effect on our reputation, businesses, financial condition, prospects and results of operations and on our ability to meet our obligations, including our ability to service our indebtedness.

Our Canadian business is subject to extensive government regulation and policy‑making. Changes in Canadian government regulation or policies could adversely affect our business, financial condition, prospects and results of our Canadian operations.

Our Canadian electronic communications and cable telecommunications operations are subject to extensive government regulation and policy‑making in Canada. Canadian laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services, distribution priorities and access to distribution, the resolution of disputes on the terms of carriage for Canadian programming services and mandatory financial contributions for the funding of Canadian programming. There are significant restrictions on the ability of non-Canadians to own or control broadcasting licenses and telecommunications carriers in Canada, although the federal government recently eliminated the foreign ownership restrictions on telecommunications companies with less than 10 percent of total Canadian telecommunications market revenues. This change may lead to additional competition from new industry players in Canada or to more investment and financial resources coming from non-Canadian investors in support of the competitive activities of new entrants on the telecommunications market in Canada.

Our broadcasting distribution and telecommunications operations (including Internet access service) are primarily regulated respectively under the Broadcasting Act (Canada) (the "Broadcasting Act") and the Telecommunications Act (Canada) (the "Telecommunications Act") and regulations thereunder. The CRTC, which administers the Broadcasting Act and the Telecommunications Act, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the Broadcasting Act and the Telecommunications Act, subject to certain directions from the federal cabinet. In addition, Canadian laws relating to communications, intellectual property, data protection, privacy of personal information, spam, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed Canadian legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on our collection and use of certain kinds of information.

Changes to the Canadian regulatory framework, specifically the laws, regulations and policies governing our lines of business or operations, foreign ownership restrictions, terms of license, the issuance of new licenses, including additional spectrum licenses to our competitors, the packaging of services or changes in the treatment of the tax deductibility of advertising expenditures, could have a material adverse effect on our businesses (including who we compete with and how we provide products and services), financial condition, prospects and results of operations. In addition, we may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form Canadian laws, regulations, policies and rulings will be adopted when they will be implemented or how they will be construed by the relevant courts or the extent to which any changes might adversely affect us.

Our United States business is subject to extensive governmental legislation and regulation. The applicable legislation and regulations, and changes to them, could adversely affect our business by increasing our expenses.

United States federal, state and local governments extensively regulate the television services industry and may increase the regulation of the Internet services and VoIP industries. Regulation of the cable industry has increased the administrative and operational expenses and limited the revenue of cable systems. Cable operators are subject to, among other things:

- Subscriber privacy regulations;
- Limited rate regulation;
- Requirements that, under specified circumstances, a cable system carry a local broadcast station or obtain consent to carry a local or distant broadcast station;
- Rules for franchise renewals and transfers;
- Regulations concerning the content of programming offered to customers;
- The manner in which program packages are marketed to customers;
- The use of cable system facilities by local franchising authorities, the public and unrelated entities;
- Cable system ownership limitations and program access requirements;
- Payment of franchise fees to local franchising authorities;
- Payment of federal universal service assessments for any end user revenue from interstate and international telecommunications services and telecommunications provided to a third party for a fee, and other state and federal telecommunications fees; and
- Regulations governing other requirements covering a variety of operational areas such as equal employment opportunity, technical standards and customer service requirements.

The Federal Communications Commission ("FCC") and the United States Congress continue to be concerned that cable rate increases are exceeding inflation and as a result it is possible that either the FCC or the United States Congress will restrict the ability of cable system operators to implement rate increases. If we are unable to raise our rates in response to increasing costs, our financial conditions and results of operations could be materially adversely affected.

In addition, we could be materially disadvantaged if we remain subject to legal and regulatory constraints that do not apply equally to our competitors. The FCC recently adopted rules to ensure that the local franchising process does not unreasonably interfere with competitive entry, and several states have enacted legislation to ease the franchising obligations of new entrants. These changes in regulation by the FCC and several states will benefit our competitors. In addition, both the Congress and the FCC are considering various forms of “network neutrality” regulation which may have the impact of restricting our ability to manage our network efficiently.

The larger cable systems operated by us in Canada are subject to license renewals and licensed cable service areas in Canada are not exclusive.

The larger cable systems operated by us in Canada are subject to periodic license renewals by the CRTC. The maximum license term is seven years. While CRTC licenses are usually renewed in the normal course upon application by the licensee, except in case of substantial and repeated breach of conditions or regulations by the licensee, there can be no assurance that the maximum renewal term will be granted or that new or modified conditions of license or expectations will not apply to the renewal term. Cable service areas in Canada are non-exclusive. The existence of more than one cable system operating in the same territory could adversely affect our growth, financial condition and results of operations by increasing competition or creating competition.

The cable systems that Atlantic Broadband operates are under franchise agreements that may be subject to non-renewal or termination and that are not exclusive to Atlantic Broadband.

The failure to renew a franchise agreement could adversely affect Atlantic Broadband’s business in a key market. The cable systems generally operate pursuant to franchise agreements in the United States. Many of the franchise agreements establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, the franchise may be terminable if the franchisee fails to comply with significant provisions set forth in the franchise agreement governing the system operations. Franchises are generally granted for fixed terms and must be periodically renewed. Local franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, franchises have not been renewed at expiration, and Atlantic Broadband has operated under either temporary operating agreements or de facto extensions of the expired agreements while negotiating renewal terms with the local franchising authorities. Atlantic Broadband may be unable to comply with all significant provisions of its franchise agreements. Additionally, although historically Atlantic Broadband has renewed its franchises without incurring significant costs, Atlantic Broadband may be unable to renew, or to renew as favorably, its franchises in the future. A termination of and/or a sustained failure to renew a franchise could adversely affect Atlantic Broadband’s business in the affected geographic area.

Atlantic Broadband’s cable systems operate under non-exclusive franchises granted by local franchising authorities. Consequently, local franchising authorities can grant additional franchises to competitors in the same geographic area. In some cases municipal utilities may legally compete with Atlantic Broadband without obtaining a franchise from the local franchising authority.

Our digital television, HSI and telephony services network may be vulnerable to widespread disruption.

In Canada, we provide our digital television, HSI and telephony services through a network of four major headends and several minor headends in our cable network. Although we have a backup system for retransmission through another headend or a mobile headend if one of our headends fails, there may be a delay in transferring to another headend, which could be potentially significant. In the United States, we provide our digital television, HSI and telephony services through five major headends and several minor ones, and there is no retransmission system in place. Despite several available emergency backup or replacement sites, a failure in our headends could prevent us from delivering some of our services through a portion of our network until we have implemented backup solutions or resolved the failure, which may result in significant customer dissatisfaction, loss of revenue and potential civil litigation, depending on the severity of the outage condition.

We may need to support increasing costs in securing access to support structures needed for our cable network.

We require access to the support structures of hydro‑electric and telephone utilities and to municipal rights of way to deploy our cable network. Where access to the structures of telephone utilities in our Canadian footprint cannot be secured, we may apply to the CRTC to obtain a right of access under the Telecommunications Act (Canada). We have entered into comprehensive support structure access agreements with all of the major hydro‑electric companies and all of the major telecommunications companies in our service territory. If we are unable to generate sufficient funds or obtain additional financing on acceptable terms in order to support the costs associated with securing such access, we may not be able to implement our business strategies and our businesses, financial condition, results of operations, reputation and prospects could be materially adversely affected.

We could be adversely impacted by our customers’ switch from landline telephony to mobile telephony.

The recent trend towards mobile substitution or “cord-cutting” (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in North America and the various unlimited offers launched by mobile operators. We do not currently offer mobile services and, therefore, further migration towards mobile solutions could have a material adverse effect on our businesses, financial condition, prospects and results of operations due to that migration.

We depend on a limited number of third‑party service suppliers for certain of our cable services. A failure in supply could materially adversely affect our cable services businesses, financial condition and results of operations.

In Canada and the United States, we depend on a long-term agreement with TELUS Communications Corporation and IDT, respectively, for the provision of our telephone services to our residential and business customers.

In Canada and the United States, we depend on third‑party suppliers and providers, such as Motorola, Pace and Cisco, for certain specialized services, hardware and equipment that are critical to our operations. These materials and services include set-top boxes; telephony; cable and telephony modems; servers and routers; fibre‑optic cable; telephony switches; inter-city links; support structures; software; the “backbone” telecommunications network for our Internet access and telephony services; and construction services for expansion and upgrades of our cable and telephony networks. These services and equipment are available from a limited number of suppliers.

We also depend on a limited number of third parties to provide, certain programming and billing services. We may not be able to enter into or renew agreements with programming suppliers on terms satisfactory to us or at all. In addition, we depend on third-party plant construction contractors in areas of new homes growth.

If no supplier can provide us with the equipment or services that we require or that comply with evolving Internet and telecommunications standards or that are compatible with our other equipment and software, our cable services businesses, financial condition and results of operations could be materially adversely affected. In addition, if we are unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, our ability to offer our products and services and roll out our advanced services may be delayed, and our businesses, financial condition and results of operations could be materially adversely affected.

We depend on third-party power utility suppliers for certain of our enterprise services. A failure to supply could materially adversely affect our enterprise services businesses, financial condition and results of operations.

We depend on power utility suppliers in the geographical areas in which we operate. In Quebec and Ontario, areas in which our Canadian data centres are concentrated, we depend on Hydro-Québec and Ontario Hydro for power utilities. In other locations through which our data centres run, we are also dependent on local power utility suppliers. Prolonged power outages could prevent us from delivering some of our services throughout our network until our power utility suppliers have resolved the failure, which may result in significant customer dissatisfaction, loss of revenue and potential civil litigation.

We are dependent upon our information technology systems and those of certain third parties. The inability to enhance our systems, or to protect them from a security breach or natural disaster, could have an adverse impact on our financial condition and results of operations.

The day-to-day operation of our businesses is highly dependent on information technology systems, including those provided by certain third-party suppliers. Electronic communications increasingly rely on advanced security technology, terminal devices, control systems and software to ensure conditional access, appropriate billing and service integrity. Security and business systems technology is provided worldwide by a small pool of global suppliers on a proprietary basis. We depend on the effectiveness of such technology for many of our services. To the extent these providers are unable to offer technological solutions in a cost-effective and timely manner, we may be unable to effectively prevent or respond to security breaches.

An inability to maintain and enhance our existing information technology systems or obtain new systems to accommodate additional customer growth or to support new products and services could also have an adverse impact on our ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, all of which could adversely impact our financial results and position. In addition, although we have disaster recovery and businesses continuity plans, the occurrence of natural disasters, quarantine, power failures, terrorist acts, intrusion, computer hacking or other data corruption, a security breach or disaster or a violation of our Internet sites security could have a material adverse effect on our reputation, businesses, prospects, financial condition, results of operations and competitiveness of our service offerings. Moreover, we are not insured against the loss of data, hacking or malicious interference with our electronic communications and systems, or against losses resulting from natural disasters affecting the cable, fibre networks or data centres.

Further, as IP based traffic continues to grow very rapidly over our networks and new technology, systems, software and equipment are deployed more quickly in order to manage this increased traffic, there is an increased risk of unexpected technical problems, service interruptions and mean time to restoration and increased threats from malware, hacking or other intrusions.

A breach of our IT security, loss of customer data or system disruption could adversely affect our business and reputation.

Our business is dependent on our payroll, transaction, financial, accounting and other data processing systems. We rely on these systems to process, on a daily basis, a large number of transactions. Any security breach in our business processes and/or systems has the potential to impact our customer information, which could result in the potential loss of business. If any of these systems fail to operate properly or become disabled, we could potentially lose control of customer data and we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or damage to our reputation.

In addition, any issue of data privacy as it relates to unauthorized access to, or loss of, customer and/or employee information could result in the potential loss of business, damage to our market reputation, litigation and regulatory investigation and penalties. Our continued investment in the security of our IT systems, continued efforts to improve the controls within our IT systems, business processes improvements, and the enhancements to our culture of information security may not successfully prevent attempts to breach our security or unauthorized access to confidential, sensitive or proprietary information. In addition, in the event of a catastrophic occurrence, either natural or man-made, our ability to protect our infrastructure, including client data, and maintain ongoing operations could be significantly impaired. Our business continuity and disaster recovery plans and strategies may not be successful in mitigating the effects of a catastrophic occurrence. If our security is breached, confidential information accessed or we experience a catastrophic occurrence, our business and operating results could be significantly adversely affected.

Malicious and abusive Internet practices could impair our HSI services.

Our HSI customers utilize our network to access the Internet and, as a consequence, we or they may become victim of common illegal, malicious and abusive Internet activities, such as unsolicited mass advertising (or spam), denial of service attacks (attacks designed to cause a network to be unavailable to its intended users) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including deterioration of service, excessive call volume to call centers and damage to our customers' equipment and data or ours. Significant incidents could lead to customer dissatisfaction and, ultimately, to loss of customers or revenue, in addition to increased costs to service our customers and protect our network. Any significant loss of cable data, customers or revenue or a significant increase in costs of serving those customers could adversely affect our reputation, business, profitability, financial condition and results of operations.

We may not be able to protect our services from piracy, which may have an adverse effect on our customer base and lead to a possible decline in revenue.

Although we use encryption technology to protect our cable signals from unauthorized access and to control programming access based on subscription packages, we may not be able to protect our cable, Internet and telephony services from piracy. If we are unable to prevent unauthorized access to our analogue and digital television programming and Internet access services, our customer base may be adversely affected and our revenue may decline. Furthermore, the level of piracy of television signals and the actual penetration of illicit reception of television distribution services in households within our service areas may also have a significant effect on our businesses and the competitiveness of our service offerings.

We may be adversely affected by exchange rate fluctuations.

Our financial results are reported in Canadian dollars and a significant portion of our sales and operating costs are realized in currencies other than Canadian dollars, most often US dollars and British Pounds. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar or the British Pounds during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged foreign currency denominated debt into Canadian dollars. Consequently, our reported earnings and indebtedness could fluctuate materially as a result of foreign‑exchange gains or losses. Significant fluctuations in relative currency values against the Canadian dollar could therefore have a significant impact on our future profitability.

Our data centres are mostly located in leased facilities.

Almost of all our data centres are located in leased premises, and there can be no assurance that we will remain in compliance with our leases and that they will not be terminated or can be renewed at commercially reasonable terms. Termination of a lease could have a material impact on our businesses, results of operations and financial condition.

We may be adversely affected by strikes and other labor protests.

As of August 31, 2013, approximately 22% of our employees were represented by several unions under collective bargaining agreements. We can neither predict the outcome of current or future negotiations relating to labor disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labor protests pending the outcome of any current of future negotiations. A prolonged work stoppage, strike or other form of labor protest could have a material adverse effect on our businesses, operations and reputation. Even if we do not experience strikes or other forms of labor protests, the outcome of labor negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

We depend on key personnel and the loss of any of our key executives could adversely affect our ability to manage our businesses.

Our success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. The loss of the services of any of these officers could adversely affect our growth, financial condition and results of operations. In addition, to implement and manage our businesses and operating strategies effectively, we must maintain a high level of efficiency, performance and content quality, continue to enhance our operational and management systems, and continue to effectively attract, train, motivate and manage our employees. If we are not successful in these efforts, it may have a material adverse effect on our businesses, prospects, results of operations and financial condition.

Our holding company structure could result in our controlling shareholder and our other shareholders maintaining materially adverse interests.

We are controlled by Gestion Audem Inc., a company controlled by the members of the family of the late Henri Audet (the "Audet Family") through its ownership of multiple and subordinate voting shares of COGECO. Both Cogeco Cable and COGECO are reporting issuers in Canada with subordinate voting shares listed on the TSX. Pursuant to the Conflicts Agreement in effect between us and COGECO, all cable television undertakings must be owned or controlled by Cogeco Cable. COGECO is otherwise free to own and operate any other business or to invest as it deems appropriate. It is possible that situations could arise where the respective interests of the Audet Family and other shareholders of COGECO, or shareholders or debt holders of Cogeco Cable could differ.

ENVIRONMENTAL POLICY

OVERVIEW

As the Corporation has embraced Corporate Social Responsibility ("CSR"), the environmental policy has evolved to take on a more inclusive approach. CSR is based on the three pillars: Environment responsibility, Social responsibility and Economic responsibility. In 2013, we issued our first CSR policy which was approved by our Board of Directors.

COGECO’s CSR policy integrates our corporate social responsibility objectives articulated around five engagements:

- managing our ecological footprint;
- taking part in developing communities;
- integrating the best CSR practices;
- being transparent in communicating our CSR activities; and
- ensuring the Corporation’s growth.

The CSR policy goes further than the previous environmental policy by adding a social dimension to its engagements. COGECO makes a point of adhering to these key principles in all its activities, business relationships and dealings with other stakeholders. It contributes to the broader application of this principle primarily through the delivery of efficient electronic communication.

FISCAL 2013 ACTIVITIES AND ACHIEVEMENTS

We broadened our environment program to become a component of a CSR program throughout 2013. Environmental initiatives from the 2012 program continued, such as carbon calculation and reduction, waste management and recycling, awareness and communications campaigns. The corporate social responsibility program, currently limited to Cogeco Cable Canada and CDS will evolve and expand to include other subsidiaries, affiliates and controlled entities. Some examples of COGECO’s environmental programs and initiatives include:

- We published our second Carbon Disclosure Report to the Carbon Disclosure Program and expanded the scope of the report to include CDS.
- We initiated additional environmental management programs at our largest facility in Ontario and obtained a BOMA BEST certification for the facility. This certification recognizes the good environmental practices implemented over the past years, including energy, waste and water management, pollution control and environmental health and safety programs. This facility diverts 88% of the waste from its activities.
- In our largest facility, we replaced 163 lights with LED lights that use 80% less electricity.
- New social responsibility sections were created on both the external and internal websites. We are also active in social media to engage with our customers and communities on our initiatives.
- We implemented better waste management programs at our Headquarters location in Montreal including composting and expanded recycling programs.
- The Corporation has calculated its green house gas emissions and identified targets for emissions reduction. The targets are as follow: decrease air travel by 10% by PSU over 5 years, decrease energy consumption by 2% by PSU over 5 years, decrease total vehicle emissions by 500 tons of CO_2e over 5 years. We are now in our second year of working on these targets and continue to monitor our progress.
- Through multiple initiatives, in fiscal 2013, we decreased Cogeco Cable’s fleet fuel consumption by 418,753 litres. This means a greenhouse gas emissions decrease for our fleet.
- We decreased the targets for our truck idle time program during an installation (from 25 to 20 minutes) and network fleet vehicle programs (from 45 to 40 minutes). Our technicians met the idle time reduction targets in 3 of the 4 categories we measure throughout the entire fiscal year, a significant achievement given the proposed objective.
- We continued our waste management process in the Corporation’s facilities in order to redeploy or recycle electronic waste. In fiscal 2013, 325,284 pounds of electronic waste was diverted from landfills. Cogeco Cable also joined the Electronic Product Recycling Association ("EPRA") in Québec in order to comply with the new waste management legislation. Since July 14, 2013, we have been subject to the Regulation respecting the recovery and reclamation of products by enterprises.
- 20% of COGECO's facilities underwent environmental assessments provided by a third party. Meaningful issues identified through the risk assessments process are remedied within the same fiscal year.

Many other activities were undertaken by the Corporation’s regional green committees, focused on internal initiatives in order to reduce COGECO’s carbon footprint, such as awareness and communications campaigns, campaigns promoting the reduction of consumables and opting for environmentally sensitive options where possible. COGECO participated in several activities such as Car Free Day, Earth Week and Earth Hour events.

FISCAL 2014 CORPORATE SOCIAL RESPONSIBILITY FOCUS

In fiscal 2014, the Corporation will continue to monitor its environmental performance, its progress towards its targets and decrease its carbon footprint by looking for fleet and building technology and management practices that will result in additional energy savings. Our CSR teams currently have 6 initiatives under investigation that, if implemented, will decrease our environmental impact. For example, in fiscal 2014, Cogeco Cable will investigate the energy-efficiency of the video set top boxes used by our customers. The Corporation will expand its responsibility towards the societies in which it operates by strengthening the CSR program.

In fiscal 2014, COGECO will also file a second CSR report and a third Carbon Disclosure Project report.

MEASUREMENT

To achieve its corporate social responsibility goals of continually reducing energy consumption and improving energy efficiency, COGECO has developed key performance indicators, for social, economic and environment objectives which are tracked and reported on monthly or quarterly, as appropriate. The indicators are communicated to the Management level employees.

The Corporation continues to believe that the Cable segment have a smaller environmental impact as compared to many other industries. However, COGECO is committed to progressively reducing its environmental footprint in respect of the communities in which it operates and achieving an improved balance between its environmental, social and economic objectives.

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

Years ended August 31,	**2013**	2012	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**1,834,257**	1,406,353	30.4
Operating expenses	**1,036,831**	799,511	29.7
Operating income before depreciation and amortization	**797,426**	606,842	31.4

REVENUE

For fiscal 2013, revenue amounted to $1.8 billion, an increase of $427.9 million, or 30.4% compared to the same period of fiscal 2012 primarily due to the Cable segment as explained below and the full year impact of Métromédia CMR Plus Inc. ("Métromédia"), acquired during the second quarter of fiscal 2012 as well as the organic growth generated.

In the Cable segment, fiscal 2013 revenue amounted to $1.7 billion, an increase of $414.8 million, or 32.5% compared to the same period of fiscal 2012. Revenue increase is mainly attributable to the operating results of the recent acquisitions as well as rate increases implemented in June and July 2012 in Canada.

OPERATING EXPENSES

For fiscal 2013, operating expenses amounted to $1.0 billion, an increase of $237.3 million, or 29.7%, compared to the same period of fiscal 2012. The increase in operating expenses is mainly attributable to the Cable segment.

Cable segment fiscal 2013 operating expenses amounted to $902.4 million, an increase of $223.2 million, or 32.9%, compared to the same period of fiscal 2012. These additional operating expenses are mostly attributable to the recent acquisitions, partly offset by cost reduction initiatives and the reduction in operating expenses in Canada related to the deployment and support costs for the migration of Television service customers from analogue to digital during fiscal 2012, which has not reoccurred in fiscal 2013.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

Fiscal 2013 operating income before depreciation and amortization increased by $190.6 million, or 31.4%, to reach $797.4 million. The Cable segment contributed $780.5 million to the consolidated operation income before depreciation and amortization. For further details on the Cogeco Cable's operating income before depreciation and amortization, please refer to the “Cable segment” section.

FIXED CHARGES

Years ended August 31,	**August 31, 2013**	August 31, 2012	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation and amortization	**388,275**	279,770	38.8
Financial expense	**134,013**	69,128	93.9

Fiscal 2013 depreciation and amortization expense reached $388.3 million compared to $279.8 million in the prior year. The increase is attributable to the Cable segment and resulted from the recent acquisitions and from additional acquisitions of property, plant and equipment, offset by higher fiscal 2012 depreciation expense related to the reduction of useful lives for certain home terminal devices.

For fiscal 2013, financial expense increased by $64.9 million, or 93.9%, to reach $134.0 million compared to $69.1 million in the prior year. Stemming primarily from the Cable segment, financial expense increased as a result of the recent acquisitions financing costs, including costs of approximately $5.7 million to refinance certain long-term debt with respect to these recent acquisitions as well as a make-whole premium of $10.2 million on the early repayment of Cogeco Cable's Senior Secured Debentures Series 1 on July 29, 2013. For further details, please refer to the “Capital resources and liquidity” section.

INCOME TAXES

Fiscal 2013, income tax expense amounted to $63.7 million, compared to $81.6 million in the prior year. The decrease in fiscal 2013 is mostly attributable to the increase in the financial expense, depreciation and amortization as well as the tax structure from the recent acquisitions in the Cable segment, partly offset by the improvement in operating income before depreciation and amortization and last year's impact of $11.7 million deferred income tax expense as a result of change in the corporate income tax rate in Ontario.

PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Fiscal 2013 profit for the year from continuing operations amounted to $189.8 million of which $64.1 million, or 3.83 per share, is attributable to owners of the Corporation, compared to a profit for the year from continuing operations of $174.2 million of which $59.2 million, or $3.54 per share, is attributable to owners of the Corporation in fiscal 2012. Profit for the year from continuing operations progression is mostly attributable to the improvement of operating income before depreciation and amortization generated by the Canadian cable services and by the recent acquisitions in the Cable segment and the decrease in income taxes as explained above, partly offset by additional depreciation and amortization and financial expense also explained above as well as the recent acquisition costs.

PROFIT FOR THE YEAR

Fiscal 2013 profit for the year attributable to owners of the Corporation amounted to $64.1 million or $3.83 per share, compared to $77.1 million, or $4.61 per share in fiscal 2012. The decline for the year is mostly attributable to last year's profit from the sale of Portuguese subsidiary, Cabovisão - Televisão por Cabo, S.A. (“Cabovisão”) in the Cable segment, reported as discontinued operations in fiscal 2012 and by the increases in depreciation and amortization, financial expense and acquisition costs all related to the recent acquisitions, partly offset by the improvement of operating income before depreciation and amortization generated by the Canadian cable services and by the recent acquisitions in the Cable segment as well as the decrease in income taxes.

The non-controlling interest represents a participation of approximately 67.9% in Cogeco Cable's results. For the year ended August 31, 2013, profit for the year attributable to non-controlling interest amounted to $125.7 million compared to $152.6 million for the comparable period of fiscal 2012.

The Corporation obtained a return on equity[1] of 15.0% for the year ended August 31, 2013 compared to 20.8% in the prior year. The decrease in return on equity is mainly attributable to last year's profit of $55.4 million from the sale of the Portuguese subsidiary as explained above.

(1) Return on equity is defined as profit for the year divided by average shareholders' equity (computed on the basis of the beginning and ending balance for a given fiscal year).

CASH FLOW ANALYSIS

Years ended August 31, *(in thousands of dollars)*	**2013** **$**	2012 $
Operating activities		
Cash flow from operations	**563,091**	447,110
Changes in non-cash operating activities	**(21,550)**	(3,479)
Amortization of deferred transaction costs and discounts on long-term debt	**(11,492)**	(3,363)
Income taxes paid	**(103,556)**	(83,411)
Current income tax expense	**87,810**	88,104
Financial expense paid	**(96,121)**	(65,325)
Financial expense	**134,013**	69,128
	552,195	448,764
Investing activities	**(2,413,466)**	(408,938)
Financing activities	**1,686,443**	70,884
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**3,098**	—
Net change in cash and cash equivalents from continuing operations	**(171,730)**	110,710
Net change in cash and cash equivalents from discontinued operations (1)	**—**	49,597
Cash and cash equivalents from continuing and discontinued operations, beginning of year	**215,523**	55,216
Cash and cash equivalents from continuing and discontinued operations, end of year	**43,793**	215,523

(1) For further details on the Corporation's cash flows attributable to discontinued operations, please refer to the "Disposal of subsidiary and discontinued operations" in note 21 of the consolidated financial statements.

OPERATING ACTIVITIES

For fiscal 2013, cash flow from operations reached $563.1 million compared to $447.1 million last year, an increase of $116.0 million, or 25.9% primarily due to the improvement of operating income before depreciation and amortization, partly offset by increased financial expense and by the recent acquisition costs. For fiscal 2013, changes in non-cash operating activities generated cash outflows of $21.6 million compared to $3.5 million in fiscal 2012, mainly as a result of a decrease in trade and other payables compared to an increase in the prior year, partly offset by an increase in deferred and prepaid revenue and other liabilities compared to a decrease in the prior year.

INVESTING ACTIVITIES

BUSINESS COMBINATIONS IN FISCAL 2013

During the fourth quarter of fiscal 2013, Cogeco Cable adjusted the preliminary allocation of the purchase price of Atlantic Broadband which increased primarily property, plant and equipment by $96.9 million, deferred tax assets and liabilities by $64.8 million and $28.0 million, respectively, and decreased intangible assets by $51.7 million and goodwill by $81.0 million. At August 31, 2013, the allocation of the purchase price remains preliminary pending the final evaluation of certain intangible assets.

In addition, Cogeco Cable adjusted the preliminary allocation of the purchase price of PEER 1, which also remains preliminary at August 31, 2013 pending to the completion of the valuation of the net assets acquired.

During the second quarter of fiscal 2013, Métromédia also completed the acquisition of a non-controlling interest participation of 27.5% in one of its subsidiaries for a cash consideration of approximately $0.5 million.

The acquisitions were accounted for using the purchase method. The preliminary allocation of the purchase price of Atlantic Broadband and PEER 1:

	As previously reported		**At August 31, 2013**			
	Atlantic Broadband	PEER 1	**Atlantic Broadband**	**PEER 1**	**Métromédia**	**TOTAL**
	Preliminary	Preliminary	**Preliminary**	**Preliminary**	**Final**	
(in thousands of Canadian dollars)	$	$	**$**	**$**	**$**	**$**
Consideration						
Paid						
Purchase of shares	337,779	494,796	**337,779**	**494,796**	**462**	**833,037**
Working capital adjustments	5,415	—	**5,415**	**—**	**—**	**5,415**
Repayment of secured debts and settlement of options outstanding	1,021,854	170,872	**1,021,854**	**170,872**	**—**	**1,192,726**
	1,365,048	665,668	**1,365,048**	**665,668**	**462**	**2,031,178**
Net assets acquired						
Cash and cash equivalents	5,480	10,840	**5,480**	**10,840**	**—**	**16,320**
Restricted cash	—	8,729	**—**	**8,729**	**—**	**8,729**
Trade and other receivables	9,569	12,772	**12,012**	**12,772**	**—**	**24,784**
Prepaid expenses and other	1,370	3,855	**1,370**	**3,855**	**—**	**5,225**
Income tax receivable	3,418	672	**3,907**	**2,160**	**—**	**6,067**
Other assets	—	3,328	**—**	**2,462**	**—**	**2,462**
Property, plant and equipment	205,353	150,206	**302,211**	**150,013**	**—**	**452,224**
Intangible assets	763,084	139,703	**711,418**	**144,671**	**—**	**856,089**
Goodwill	603,254	421,986	**522,215**	**412,347**	**—**	**934,562**
Deferred tax assets	33,835	8,355	**98,592**	**4,727**	**—**	**103,319**
Trade and other payables assumed	(26,134)	(26,330)	**(27,620)**	**(26,512)**	**—**	**(54,132)**
Provisions	(721)	—	**(721)**	**—**	**—**	**(721)**
Income tax liabilities assumed	(53)	(4,716)	**—**	**—**	**—**	**—**
Deferred and prepaid revenue and other liabilities assumed	(5,254)	(3,315)	**(7,697)**	**(3,388)**	**—**	**(11,085)**
Long-term debt assumed	—	(1,735)	**—**	**(1,735)**	**—**	**(1,735)**
Deferred tax liabilities	(228,153)	(58,682)	**(256,119)**	**(55,273)**	**—**	**(311,392)**
Non-controlling interests	—	—	**—**	**—**	**462**	**462**
	1,365,048	665,668	**1,365,048**	**665,668**	**462**	**2,031,178**

FISCAL 2013 ADJUSTEMENT RELATED TO FISCAL 2012 BUSINESS COMBINATION

During the second quarter of fiscal 2013, the Corporation completed the purchase price allocation of Métromédia which was acquired on December 26, 2011. The final purchase price allocation of Métromédia is as follows:

(in thousands of Canadian dollars)	Preliminary $	**Final** **$**
Consideration		
Paid		
Purchase of shares	36,860	**36,860**
Repayment of secured debt	2,140	**2,140**
	39,000	**39,000**
Balance due on a business combination, bank prime rate plus 1%	2,000	**2,000**
	41,000	**41,000**
Net assets acquired		
Cash and cash equivalents	3,265	**3,265**
Trade and other receivables	7,242	**7,364**
Prepaid expenses and other	57	**57**
Income tax receivable	234	**132**
Property, plant and equipment	4,764	**4,645**
Intangible assets	14,747	**14,747**
Goodwill	20,171	**20,540**
Trade and other payables assumed	(4,615)	**(4,786)**
Income tax liabilities	(142)	**—**
Deferred and prepaid revenue and other liabilities assumed	(374)	**(615)**
Deferred tax liabilities	(3,887)	**(3,887)**
Non-controlling interest	(462)	**(462)**
	41,000	**41,000**

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND OTHER ASSETS

For the year ended August 31, 2013, acquisition of property, plant and equipment amounted to $392.9 million compared to $362.6 million for fiscal 2012 mainly as a result of the recent acquisitions and the following factors in the Cable segment:

- A decrease in customer premise equipment, mainly due to the completion in fiscal 2012 of the first phase in the conversion of Television service customers from analogue to digital and the lower PSU growth as a result of service maturity;
- A decrease in scalable infrastructure due to the timing of initiatives to improve network capacity in existing areas served; and
- An increase in data centre facilities capital expenditures mainly due to the construction of a new data centre facility in Barrie (north of Toronto), Canada, opened last June, and by the expansion of data centre facilities in Toronto, Canada and in Portsmouth, England as well as the fibre expansion in the Toronto area in order to fulfill orders from new customers demand.

Acquisition of intangible and other assets are mainly attributable to reconnect and additional service activation costs as well as other customer acquisition costs. Fiscal 2013 acquisition of intangible and other assets amounted to $18.6 million compared to $15.8 million for last year.

FREE CASH FLOW AND FINANCING ACTIVITIES

For fiscal 2013, free cash flow amounted to $151.7 million, $82.9 million higher than last year. Free cash flow increase over the prior year is due to the improvement of operating income before depreciation and amortization in the Cable segment as well as the decrease in current income taxes, partly offset by the increase in financial expense, the recent acquisition costs as well as the increase in acquisition of property, plant and equipment.

During fiscal 2013, higher Indebtedness level provided for a cash increase of $1.8 billion, mainly due to the following issuances in the Cable segment:

- on June 27, 2013, of a private placement of $225.3 million (US$215 million) Senior Secured Notes for net proceeds of $223.8 million, net of transaction costs of $1.5 million;

- on May 27, 2013, of $300 million Senior Secured Debentures Series “4” (the “Debentures”) for net proceeds of $296.9 million, net of transaction costs of $3.1 million;

- on April 23, 2013, a private placement of $410.4 million (US$400 million) Senior Unsecured Notes (the “2020 Notes”) for net proceeds of $402.5 million, net of transaction costs of $7.9 million;

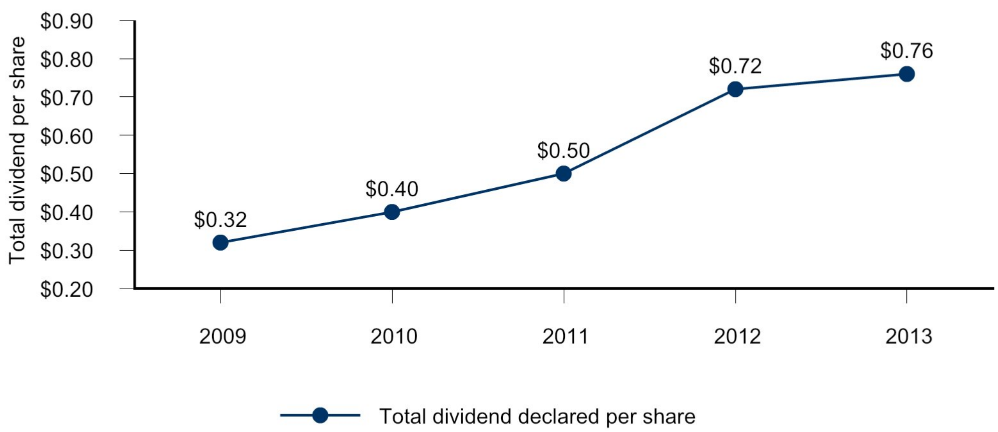
- on January 31, 2013, draw-downs of $640.3 million (net of transaction costs of $2.8 million) under new credit facilities amounting to approximately $650 million to finance the acquisition of PEER 1; and

- on November 30, 2012, a draw-down on the existing Term Revolving Facility of $584.2 million (US$588 million) and the new Term Loan Facilities of $637.4 million (US$660 million for net proceeds of US$641.5 million, net of transaction costs of US$18.5 million) to finance the acquisition of ABB.

In addition, Cogeco Cable used most of the net proceeds under the Senior Secured Notes, the Debentures, the 2020 Notes and drawings of $219.6 million under the Term Revolving Facility to repay the Senior Secured Debentures Series 1 of $300 million, Canadian Term Facility amounting to $175 million, the US Term Facility amounting to $230.8 million (US$225 million), the $114.7 million Revolving loan in connection with the financing of the acquisition of PEER 1 and a portion of the Term Revolving Facility used to finance Atlantic Broadband acquisition in the amount of $367.3 million.

During fiscal 2012, Indebtedness affecting cash increased by $120.2 million mainly due to the issuance by Cogeco Cable, on February 14, 2012, of $200 million Senior Secured Debentures Series 3 ("Fiscal 2012 debentures") for net proceeds of $198.1 million and on November 7, 2011, of Unsecured Notes for net proceeds of $34.6 million. These debt issuances were used to repay $105.9 million of the Term Revolving Facilities and the $5 million promissory note payable.

In fiscal 2013, quarterly dividends of $0.19 per share, totaling $0.76 per share were paid to the holders of subordinate and multiple voting shares, for a total of $12.7 million. In fiscal 2012, quarterly dividends of $0.18 per share, totaling $0.72 per share were paid to the holders of subordinate and multiple voting shares, for a total of $12.0 million. In addition, dividends paid by a subsidiary to non-controlling interests in fiscal 2013 amounted to $34.3 million compared to $33.0 million in the prior year. Overall, during the last five years, total dividend per share increased by 138%. The total dividend per share trend over the last five years is as follow:



FINANCIAL POSITION

As a result of the recent acquisitions in the Cable segment, most financial position balances have changed significantly during the year ended August 31, 2013. For further details on the allocation of the preliminary purchase price of the acquisitions, please refer to the investing activities as well as the financing activities under the "Cash flow analysis" section.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2014 guidelines.

Years ended August 31,	2014 Guidelines	**2013**	2012
Average cost of indebtedness(1)	4.2%	**4.1%**	5.8%
Fixed rate indebtedness(2)	68%	**64%**	94%
Average term: long-term debt (in years)	5.4	**6.3**	5.3
Net secured indebtedness(3)(4) / operating income before depreciation and amortization(5)	N/A (7)	**2.7**	1.3
Net indebtedness(4)(6) / operating income before depreciation and amortization(5)	N/A (7)	**3.4**	1.6
Operating income before depreciation and amortization(5) / financial expense(5)	N/A (7)	**6.2**	8.8

(1) Excludes amortization of financing fees and commitments fees but includes impact of interest rate swaps.

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

(3) Net secured indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture and Senior Unsecured Notes and Unsecured Notes.

(4) Excluding Atlantic Broadband's cash and cash equivalents and non-recourse First Lien Credit Facilities.

(5) Calculation excludes Atlantic Broadband and includes PEER 1 results for the seven-month period ended August 31, 2013.

(6) Net indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt, balance due on business combinations and obligations under derivative financial instruments, less cash and cash equivalents.

(7) Guidance on these ratios cannot be provided given that Atlantic Broadband's segmented financial guidance are not provided

For fiscal 2013, the average tenure of the long-term debt increased as a result of the issuance in the Cable segment of the Senior Secured Debentures Series 4 due May 2023, the Senior Secured Notes due June 2025 and the Senior Unsecured Notes due May 2020, as described previously.

In fiscal 2014, the financial leverage ratios relating to net indebtedness and net secured indebtedness over operating income before depreciation and amortization should decline due to the projected increase in operating income before depreciation and amortization, combined with a reduction in Indebtedness from generated free cash flow. The financial expense coverage ratio should increase as a result of the projected increase in operating income before depreciation and amortization. During fiscal 2015, we expect the consolidated financial leverage ratio relating to net indebtedness to decline to 3.0x.

OUTSTANDING SHARE DATA

A description of COGECO's share data at September 30, 2013 is presented in the table below. Additional details are provided in note 10 of the consolidated financial statements.

	Number of shares	Amount (in thousands of dollars)
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,989,338	121,976

FINANCING

The Corporation benefits from a four-year Term Revolving Facility of $100 million credit facility including a swingline limit of $7.5 million. The Term Revolving Facility will mature on February 1, 2016, but may be extended by additional one-year periods on an annual basis, subject to lenders' approval. The Term Revolving Facility can be repaid at any time without penalty and is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries, excluding Cogeco Cable and its subsidiaries. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense, and total indebtedness. The Term Revolving Facility bears interest, at the Corporation's option, on bankers' acceptance, LIBOR US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion.

On July 5, 2013, Cogeco Cable reduced its Term Revolving Facility from $750 million to $600 million. On October 26, 2012, the Corporation amended its Term Revolving Facility to extend the maturity by an additional year and consequently, the Term Revolving Facility will mature on November 22, 2017. On November 22, 2011, the Corporation renewed its credit agreement for a $750 million credit facility, with an option to increase to a total amount of up to $1 billion, subject to lenders' participation, in the form of a five-year Term Revolving Facility, which may be extended by additional one-year periods on an annual basis, subject to lenders' approval. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility was originally maturing on November 22, 2016. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus the applicable margin.The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Cogeco Cable and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Cable. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before depreciation and amortization, financial expense and total indebtedness. At August 31, 2013 and 2012, Cogeco Cable was in compliance with all of its covenants.

On June 27, 2013, Cogeco Cable completed, pursuant to a private placement, the issuance of US$215 million ($225.3 million) Senior Secured Notes net of transaction costs of $1.5 million, for net proceeds of $223.8 million. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2025. The Senior Secured Notes are redeemable at Cogeco Cable’s option at any time, in whole or in part, for all of of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries.

On May 28, 2013, the First Lien Credit Facilities were amended. Pursuant to the amendment, US$50 million of the Term Loan A Facility was converted into the Revolving Facility resulting in amounts borrowed under these two tranches of US$190 million and of US$100 million, respectively, while the Term Loan B Facility remained the same. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor for the Term Loan B Facility. The applicable margin was reduced by 0.625% for the Revolving Facility and for the Term Loan A Facility and by 1.00% for the Term Loan B Facility. In addition, the LIBOR floor for the Term Loan B Facility was reduced from 1.00% to 0.75%. All other terms and conditions remained the same. In connection with the amendment, transaction costs of US$6.2 million were incurred. In connection with the acquisition of Atlantic Broadband on November 30, 2012, Cogeco Cable initially concluded, through two of its United States subsidiaries, First Lien Credit Facilities totaling US$710 million in three tranches for net proceeds of US$641.5 million net of transaction costs of US$18.5 million. The first tranche, a Term Loan A Facility will mature on November 30, 2017, the second tranche, a Term Loan B Facility will mature on November 30, 2019 and the third tranche, a Revolving Credit Facility will mature on November 30, 2017. Effective from December 31, 2013, the Term Loan A Facility is subject to quarterly amortization of US$3 million in the first year, US$6 million in the second year and US$7.2 million in the third and fourth years. Effective on December 31, 2012, the Term Loan B Facility is subject to quarterly amortization of 0.25% until its maturity date. In addition to the fixed amortization schedule and commencing in the first quarter of fiscal 2015, loans under the Term Loan Facilities shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year. The First Lien Credit Facilities are non-recourse to Cogeco Cable, its Canadian subsidiaries and PEER 1's subsidiaries and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

On May 27, 2013, Cogeco Cable completed pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series “4” (the “Debentures”) for net proceeds of $296.9 million, net of transaction costs of $3.1 million. These Debentures mature on May 26, 2023 and bear interest at 4.175% per annum payable semi-annually. These Debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and its subsidiaries except for Atlantic Broadband and certain immaterial subsidiaries (the "unrestricted subsidiaries"). The provisions under these Debentures provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

On April 23, 2013, Cogeco Cable completed a private placement of $410.4 million (US$400 million) aggregate principal amount of Senior Unsecured Notes (the “2020 Notes”) for net proceeds of $402.5 million (US$392.4 million) net of transaction costs of $7.9 million (US$7.6 million). These 2020 Notes mature on May 1, 2020 and bear interest at 4.875% per annum payable semi-annually. These 2020 Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The provisions under these 2020 Notes provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments and distributions.

On July 5, 2013, the Cogeco Cable reduced the Revolving Facility of its Secured Credit Facilities from $240 million to $190 million. On April 23, 2013, Cogeco Cable reimbursed the Canadian Term Facility of $175 million and the US Term Facility of US$225 million in connection with the financing for the acquisition of PEER 1. As a result of the acquisition of PEER 1 on January 31, 2013, the Corporation concluded Secured Credit Facilities totaling approximately $650 million with a syndicate of lenders in four tranches for net proceeds of $640.3 million net of transaction costs of $2.8 million. The first tranche, a Canadian Term Facility amounted to $175 million, the second tranche, a US Term Facility amounted to US$225 million, the third tranche, a Revolving Facility of $240 million and the fourth tranche being, a UK Revolving Facility of £7 million. The Revolving Facility is available in Canadian dollars, US dollars, British Pounds and Euros and interest rates are based on Bankers' Acceptance, LIBOR Loans in US dollars, British Pounds or Euros, Prime Rate Loans or US Base Rate Loans, plus the applicable margin. The UK Revolving Facility is available in British Pounds and interest rates are based on British Pounds Base Rate Loans or British Pounds LIBOR Loans. The Secured Credit Facilities will mature on January 27, 2017. The Secured Credit Facilities are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and most of its subsidiaries except for the unrestricted subsidiaries, and provides for certain permitted encumbrances, including purchase money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Cable but do not cover the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before depreciation and amortization, financial expense and total indebtedness.

As at August 31, 2013, the Corporation had a working capital deficiency of $223.8 million compared to $18.5 million at August 31, 2012. The increase of $205.2 million in the deficiency is mainly due to the decrease of $171.7 million in cash and cash equivalents, primarily used for the acquisition of Atlantic Broadband. The deficiency was also impacted by a decrease of $45.2 million in trade and other payables and by an increase of $13.7 million in deferred and prepaid revenue, partly offset by an increase of $19.7 million in trade and other receivables. As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the Corporation's customers pay before their services are rendered, unlike trade and other payables, which are paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

At August 31, 2013, COGECO had used $73.1 million of its $100 million Term Revolving Facility for a remaining availability of $26.9 million. Furthermore, at August 31, 2013, Cogeco Cable had used $453.8 million of its $600 million Term Revolving Facility for a remaining availability of $146.2 million. In addition, Cogeco Cable had draw-down $113.9 million from additional Revolving Facilities of $201.4 million as a result of the acquisition of PEER 1 leaving an unused portion of $87.5 million. Two subsidiaries of Cogeco Cable also benefit from a Revolving Facility of $105.3 million (US$100 million) related to the acquisition of Atlantic Broadband, of which $35.8 million (US$34.1 million) was used at August 31, 2013 for a remaining availability of $69.5 million (US$65.9 million).

COGECO CABLE CREDIT RATINGS

On August 23, 2013, Dominion Bond Rating Service ("DBRS") confirmed their ratings on the Senior Secured Debentures and Notes to "BBB (low)", on the Senior Unsecured Notes to BB and confirmed the Issuer Rating of BB (high). The "BBB (low)" rating is one notch above the Issuer ratings of "BB (high)" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as of adequate credit quality, where the degree of protection afforded interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. DBRS has assigned a recovery rating of "RR1" to Cogeco Cable's Senior Secured Debentures and Notes reflecting the likelihood that holders would recover 100% of principal in the event of payment default. Obligations rated in the "BB" category are speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain and vulnerable to future events. DBRS has assigned a recovery rating of "RR5" to Cogeco Cable's Senior Unsecured Notes reflecting the likelihood that holders would recover 10% to 30% of their value in a default scenario.

On April 15, 2013, Standard & Poor's Ratings Services ("S&P") confirmed their ratings on the Senior Secured Debentures and Notes to "BBB" and the corporate credit rating to "BB+". The "BBB" rating is two notches above the corporate credit ratings of "BB+" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as investment-grade. Such obligations show adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The ratings may be modified by the addition of a plus "(+)" or minus "(-)" sign to show relative standing within the major rating categories. S&P has assigned a recovery rating of "1" to Cogeco Cable's credit facility and other senior secured first-priority debt. The "1" recovery rating indicates expectations of very high recovery (90%-100%) of principal in the event of payment default. On April 15, 2013, S&P issued a 'BB-' rating (two notches below the corporate credit rating) on its Senior Unsecured Notes, with a recovery rating of '6', indicating lenders can expect negligible (0%-10%) recovery in the event of a payment default. An obligation rated in the "BB" category is less vulnerable to payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

On February 1, 2013, Fitch Ratings ("Fitch") has downgraded the Issuer Default Rating (IDR) of Cogeco Cable from "BBB-" to "BB+" as a result of the increased leverage following the debt financed acquisitions of Atlantic Broadband and PEER 1. However, the rating on Senior Secured Notes was confirmed at "BBB-". Obligations rated in the "BBB" category are regarded as of good credit quality, where the capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. On April 15, 2013, Fitch issued a "BB+" rating (same notching as the IDR rating) on its Senior Unsecured Notes. Obligations rated 'BB' category are regarded as speculative and indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

Atlantic Broadband

On August 20, 2013, Moody's Investors Service ("Moody's") maintained their ratings on Atlantic Broadband's credit facilities at "Ba3", one notch above the B1 corporate family rating. Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's also maintained the Loss Given Default (LGD) on Atlantic Broadband's credit facilities at 3 (which reflect a loss range between 30% and 50%). LGD assessments are opinions about expected loss given default expressed as a percent of principal and accrued interest at the resolution of the default.

On January 25, 2013, S&P raised their ratings on Atlantic Broadband's credit facilities to "BB", one notch above the "BB-" Issuer Rating. S&P has assigned a recovery rating of "2" to Atlantic Broadband's credit facilities, indicating lenders can expect substantial (70%-90%) recovery in the event of a payment default.

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

At August 31, 2013	Moody's	DBRS	Fitch	S&P
Cogeco Cable				
Senior Secured Notes and Debentures	**NR**	**BBB (low)**	**BBB-**	**BBB**
Senior Unsecured Notes	**NR**	**BB**	**BB+**	**BB-**
Atlantic Broadband				
First Liens Credit Facilities	**Ba3**	**NR**	**NR**	**BB**

NR : Not rated

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

FINANCIAL MANAGEMENT

Cogeco Cable has entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A maturing on October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625 per US dollar. Cogeco Cable elected to apply cash flow hedge accounting on these derivative financial instruments. During fiscal 2013, amounts due under the US$190 million Senior Secured Notes Series A increased by $12.8 million due to the US dollar's appreciation relative to the Canadian dollar. The fair value of cross-currency swaps liability decreased by a net amount of $12.5 million, of which a decrease of $12.8 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.3 million was recorded as a decrease of other comprehensive income. During fiscal 2012, amounts due under the US$190 million Senior Secured Notes Series A increased by $1.2 million due to the US dollar's appreciation over the Canadian dollar. The fair value of cross-currency swaps liability decreased by a net amount of $2.7 million, of which $1.2 million offsets the foreign exchange loss on the debt denominated in US dollars.

In addition, on July 22, 2013, Cogeco Cable has entered into interest rate swap agreements to fix the interest rate on US$200 million of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate at an average fixed rate of 0.39625% under the Term Revolving Facility until July 25, 2015. Cogeco Cable elected to apply hedge accounting on these derivative financial instruments. The sensitivity of Cogeco Cable's annual financial expense to a variation of 1% in the interest rate applicable to the Revolving and Term Facilities is approximately $7.6 million based on the outstanding debt at August 31, 2013.

Furthermore, Cogeco Cable's net investment in foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk was mitigated since the major part of the purchase prices for Atlantic Broadband and PEER 1 were borrowed directly in US dollars and British Pounds. These debts were designated as hedges of net investments in foreign operations. At August 31, 2013, the net investment for Atlantic Broadband and for PEER 1 amounted to US$1.1 billion and £72.6 million while long-term debt hedging these net investments amounted to US$842.9 million and £55.6 million, respectively. The exchange rate used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at August 31, 2013 was $1.0530 per US dollar and $1.6318 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $28.0 million.

Cogeco Cable is also impacted by foreign currency exchange rates, primarily changes in the values of the US dollar relative to the Canadian dollar with regard to purchases of certain equipment, as the majority of customer premise equipment is purchased and subsequently paid in US dollars. Please consult the "Foreign Exchange Risk" section in Note 20 of the consolidated financial statements for further details.

COMMITMENTS AND GUARANTEES

COGECO's contractual obligations at August 31, 2013 are shown in the table below:

Years ended August 31,	2014	2015	2016	2017	2018	Thereafter	Total
(in thousands of dollars)	$	$	$	$	$	$	$
Long-term debt(1)	13,900	26,536	233,555	221,538	685,180	1,854,425	3,035,134
Balance due on a business combination	2,000	—	—	—	—	—	2,000
Derivatives financial instruments	—	—	1,805	—	—	—	1,805
Finance leases(2)	1,369	820	29	12	—	—	2,230
Operating lease agreements and other long-term contracts(3)	65,919	55,825	46,999	40,501	37,709	129,272	376,225
Pension plan liabilities and accrued employees benefits (4)	—	—	—	—	—	21,447	21,447
Total contractual obligations(5)	83,188	83,181	282,388	262,051	722,889	2,005,144	3,438,841

(1) Includes principal and excludes finance leases.

(2) Includes interest.

(3) The Corporation's significant operating lease agreements are for rent premises and support structures. The Corporation also entered into long-term commitments with suppliers to provide services that include minimum spend commitments.

(4) The nature of those obligations prevents the Corporation from estimating an annual breakdown.

(5) Annual breakdown excludes pension plan liabilities and accrued employees benefits.

In the normal course of business, COGECO enters into agreements containing features that meet the criteria for a guarantee.

In connection with the acquisition or sale of businesses or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation has agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will in certain circumstances be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors and officers' liability insurance with a deductible per loss. As at August 31, 2013 and 2012, no liability with respect to these indemnifications has been recorded, except for the contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of the Portuguese subsidiary by Cogeco Cable, which pursuant to the acquisition, remains responsible for these contingent liabilities up to a maximum amount of €5 million under the terms of the sale agreement. For further details, please refer to note 14 of the annual financial statements.

Under the terms of the Senior Secured Notes, Cogeco Cable has agreed to indemnify the other parties against changes in regulation relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents the Corporation from estimating the maximum potential liability it could be required to pay. As at August 31, 2013 and 2012, no liability with respect to these indemnifications has been recorded.

The Corporation’s subsidiary, CDI, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased employees and contractual liability insurance with a deductible per loss. As at August 31, 2013 and 2012, no liability associated with these indemnifications has been recorded.

CABLE SEGMENT

CUSTOMER STATISTICS

	Consolidated	UNITED STATES [2]	CANADA	Net additions (losses) Years ended August 31,		% of penetration[1] August 31,	
		August 31, 2013		**2013**	2012 [4]	**2013**	2012 [4]
PSU	**2,465,780**	**485,658**	**1,980,122**	**5,546**	73,645 [3]		
Television service customers	**1,065,075**	**230,304**	**834,771**	**(35,353)**	(14,870)	**48.6**	52.4
HSI service customers	**838,445**	**177,108**	**661,337**	**28,437**	35,301 [3]	**38.3**	38.8 [3]
Telephony service customers	**562,260**	**78,246**	**484,014**	**12,462**	53,214	**25.7**	28.6

(1) As a percentage of homes passed.

(2) Includes 485,180 PSU (237,313 Television service, 169,553 HSI service and 78,314 Telephony service customers) from the acquisition of Atlantic Broadband.

(3) In the fourth quarter of fiscal 2013, HSI customers have been adjusted upwards retroactively to comply with the industry practices and consequently, PSU and penetration rate have been also adjusted.

(4) Net additions (losses) and penetration rates for fiscal 2012 are only for the Canadian cable services segment.

Fiscal 2013 PSU net additions for Canada were lower than in the comparable period of the prior year mainly as a result of service category maturity, competitive offers and tightening of our customer credit controls and processes. PSU net additions in United States were also lower than the last quarter resulting from the end of the school year for college and university students and also, in Miami region, from winter season residents returning home from late Spring through the Fall. For fiscal 2013 net customer losses for Television service customers stood at 35,353 compared to 14,870 for fiscal 2012. Television service customer net losses are mainly due to the promotional offers of competitors for the video service combined with the tightening of our customer credit controls in Canada. Fiscal 2013 HSI service customers grew by 28,437 compared to 35,301 for the prior year, and the number of net additions to the Telephony service stood at 12,462 customers compared to 53,214 customers for last year. For the year ended August 31, 2013, PSU net additions are stemming primarily from additional HSI and Telephony services, offset by losses in Television services for both Canada and United States.

OPERATING RESULTS

Years ended August 31,	**2013**	2012	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**1,692,466**	1,277,698	32.5
Operating expenses	**902,374**	679,161	32.9
Management fees – COGECO Inc.	**9,569**	9,485	0.9
Operating income before depreciation and amortization	**780,523**	589,052	32.5
Operating margin	**46.1%**	46.1%	

REVENUE

For fiscal 2013, revenue amounted to $1.7 billion, an increase of $414.8 million, or 32.5% compared to the same period of fiscal 2012. Revenue increase is mainly attributable to the operating results of the recent acquisitions as well as rate increases implemented in June and July 2012 in Canada.

OPERATING EXPENSES AND MANAGEMENT FEES

For fiscal 2013, operating expenses amounted to $902.4 million, an increase of $223.2 million, or 32.9%, compared to the same period of fiscal 2012. These additional operating expenses are mostly attributable to the recent acquisitions, partly offset by cost reduction initiatives and the reduction in operating expenses in Canada related to the deployment and support costs in fiscal 2012 for the migration of Television service customers from analogue to digital which has not occurred in 2013.

Management fees paid to COGECO Inc. amounted to $9.6 million compared to $9.5 million in fiscal 2012.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND OPERATING MARGIN

Fiscal 2013 operating income before depreciation and amortization increased by $191.5 million, or 32.5%, to reach $780.5 million as a result of the recent acquisitions and the Canadian cable operations. Cogeco Cable's operating margin remained the same at 46.1% when compared to the prior year.

THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS AND QUARTERLY FINANCIAL HIGHLIGHTS

THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	**2013**	2012	2011
(in thousands of dollars, except percentages and Per Share Data)	**$**	$	$
Revenue	**1,834,257**	1,406,353	1,267,286
Operating income before depreciation and amortization	**797,426**	606,842	559,595
Operating income	**387,489**	324,989	343,471
Income taxes	**63,699**	81,615	71,994
Profit for the year from continuing operations	**189,777**	174,246	197,864
Profit (loss) for the year from discontinued operations	**—**	55,446	(244,736)
Profit (loss) for the year	**189,777**	229,692	(46,872)
Profit (loss) for the year attributable to owners of the Corporation	**64,088**	77,051	(15,961)
Cash flow from operating activities	**552,195**	448,764	502,167
Cash flow from operations	**563,091**	447,110	418,983
Acquisitions of property, plant and equipment, intangible and other assets	**411,422**	378,369	307,490
Free cash flow	**151,669**	68,741	111,493
Total assets	**5,452,513**	3,103,919	2,871,648
Long-term financial liabilities[(1)]	**3,006,187**	1,189,457	1,076,189
Per Share Data[(2)]			
Earnings (loss) per share attributable to owners of the Corporation			
From continuing and discontinued operations			
Basic	**3.83**	4.61	(0.95)
Diluted	**3.81**	4.58	(0.95)
From continuing operations			
Basic	**3.83**	3.54	3.75
Diluted	**3.81**	3.52	3.75
From discontinued operations			
Basic	**—**	1.07	(4.71)
Diluted	**—**	1.06	(4.71)
Dividends	**0.76**	0.72	0.50

(1) Long-term financial liabilities include long-term debt, balance due on business combinations, derivative financial instrument liabilities and pension plan liabilities and accrued employee benefits.

(2) Per multiple and subordinate voting share.

QUARTERLY FINANCIAL HIGHLIGHTS

	Fiscal 2013				Fiscal 2012			
Quarters ended[1]	**Nov. 30**	**Feb. 28** [3]	**May. 31** [3]	**Aug. 31**	Nov. 30	Feb. 29	May. 31	Aug. 31
(in thousands of dollars, except percentages and per share data)	**$**	**$**	**$**	**$**	$	$	$	$
Revenue	**366,608**	**458,501**	**504,434**	**504,714**	346,023	345,613	358,032	356,685
Operating income before depreciation and amortization	**156,580**	**195,968**	**220,574**	**224,304**	140,261	144,518	158,446	163,617
Operating income	**83,277**	**94,555**	**105,547**	**104,110**	74,642	58,931	95,473	95,943
Income taxes	**19,168**	**15,085**	**19,076**	**10,370**	12,340	13,372	22,278	33,625
Profit for the period from continuing operations	**47,095**	**48,939**	**49,984**	**43,759**	44,524	29,449	55,373	44,900
Profit for the period from discontinued operations	**—**	**—**	**—**	**—**	3,399	52,047	—	—
Profit for the period	**47,095**	**48,939**	**49,984**	**43,759**	47,923	81,496	55,373	44,900
Profit for the period attributable to owners of the Corporation	**18,487**	**14,633**	**17,142**	**13,826**	18,770	25,089	19,303	13,889
Cash flow from operating activities	**(6,005)**	**157,095**	**167,641**	**233,464**	9,570	126,455	109,546	203,193
Cash flow from operations	**101,790**	**140,413**	**158,461**	**162,427**	104,739	105,153	117,606	119,612
Acquisitions of property, plant and equipment, intangible and other assets	**83,155**	**106,019**	**113,492**	**108,756**	78,404	87,186	88,141	124,638
Free cash flow (deficit)	**18,635**	**34,394**	**44,969**	**53,671**	26,335	17,967	29,465	(5,026)
Earnings per share[2] attributable to owners of the Corporation								
From continuing and discontinued operations								
Basic	**1.11**	**0.87**	**1.02**	**0.83**	1.12	1.50	1.15	0.83
Diluted	**1.10**	**0.87**	**1.02**	**0.82**	1.11	1.49	1.15	0.83
From continuing operations								
Basic	**1.11**	**0.87**	**1.02**	**0.83**	1.06	0.50	1.15	0.83
Diluted	**1.10**	**0.87**	**1.02**	**0.82**	1.05	0.50	1.15	0.83
From discontinued operations								
Basic	**—**	**—**	**—**	**—**	0.07	1.00	—	—
Diluted	**—**	**—**	**—**	**—**	0.06	0.99	—	—

(1) The addition of quarterly information may not correspond to the annual total due to rounding.

(2) Per multiple and subordinate voting share.

(3) During the fourth quarter of fiscal 2013, Cogeco Cable adjusted the preliminary allocation of the purchase price of Atlantic Broadband and retroactively adjusted the second and third quarters of fiscal 2013 to reflect new information obtained about facts and circumstances that existed as at the acquisition date and, if they had been known, would have impacted the amounts recognized at that date. The impact on the previous quarters are as follows:

	Quarters ended	
	February 28, 2013	May 31, 2013
	Three months	Three months
(In thousands of Canadian dollars)	$	$
Increase in depreciation of property, plant and equipment	5,059	5,126
Increase in amortization of intangible assets	2,850	2,936
Decrease in deferred income taxes	(331)	(2,930)
Net decrease on profit for the period	7,578	5,132

SEASONAL VARIATIONS

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations except as follows. In the Canadian and American cable operations customer growth in the Television service customers and HSI service are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and Pennsylvania region, to a lesser extent in South Carolina, Maryland and Delaware in United States. In United States, Miami region is also subject to seasonal fluctuations due to the winter season residents returning home from late Spring through the Fall.

FOURTH-QUARTER OPERATING RESULTS

OPERATING RESULTS

Consolidated

Quarters ended August 31,	**2013**	2012	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**504,714**	356,685	41.5
Operating expenses	**280,410**	193,068	45.2
Operating income before depreciation and amortization	**224,304**	163,617	37.1

Fiscal 2013 fourth-quarter consolidated revenue improved by $148.0 million, or 41.5%, to reach $504.7 million compared to the prior year primarily due to the Cable segment and the revenue generated by Métromédia acquired during the second quarter of fiscal 2012. For the fourth-quarter ended August 31, 2013, consolidated operating expenses increased by $87.3 million, or 45.2%, at $280.4 million mainly attributable to the Cable segment. As a result, consolidated operating income before depreciation and amortization increased by $60.7 million, or 37.1%, to reach $224.3 million.

Fourth-quarter 2013 Cable segment's revenue improved by $145.6 million, or 44.8%, to reach $470.4 million compared to the prior year. Revenue increased primarily due to the recent acquisitions and rate increases implemented in June 2013 in Canada. For the fourth-quarter ended August 31, 2013, operating expenses increased by $84.0 million, or 51.2%, at $247.9 million, mainly due to the recent acquisitions as well as additional staff to manage the PSU base, programming cost increases and incentive programs such as bonuses, partly offset by cost reduction initiatives in Canada. As a result, operating income before depreciation and amortization increased by $61.7 million, or 38.3%, to reach $222.5 million in fiscal 2013.

CABLE SEGMENT CUSTOMER STATISTICS

	Consolidated	**UNITED STATES** (1)	**CANADA**	Net additions (losses) Quarters ended	
		August 31, 2013		**August 31, 2013**	August 31, 2012 (3)
PSU	**2,465,780**	**485,658**	**1,980,122**	**(15,237)**	7,564 (2)
Television service customers	**1,065,075**	**230,304**	**834,771**	**(14,210)**	(5,758)
HSI service customers	**838,445**	**177,108**	**661,337**	**1,097**	6,287 (2)
Telephony service customers	**562,260**	**78,246**	**484,014**	**(2,124)**	7,035

(1) Includes 485,180 PSU (237,313 Television service, 169,553 HSI service and 78,314 Telephony service customers) from the acquisition of Atlantic Broadband.

(2) In the fourth quarter of fiscal 2013, HSI customers have been adjusted upwards retroactively to comply with the industry practices and consequently, PSU and penetration rate have been also adjusted.

(3) Net additions (losses) and penetration rates for fiscal 2012 are only for the Canadian cable services.

Fiscal 2013 fourth-quarter PSU net losses stood at 15,237 compared to net additions of 7,564 for the comparable period mainly as a result of service category maturity, competitive offers and tightening of our customer credit controls and processes in Canada. Fiscal 2013 fourth-quarter net customer losses for Television service customers stood at 14,210 compared to 5,758 for fiscal 2012. Television service customer net losses are mainly due to promotional offers of competitors for the video service, the tightening of our customer credit controls in Canada combined with the end of the school year for college and university students and residents returning home from the Miami region from late Spring through the Fall in the United States. Fiscal 2013 fourth-quarter HSI service customers grew by 1,097 compared to 6,287 for the prior year, and the number of net losses to the Telephony service stood at 2,124 customers compared to net additions of 7,035 customers for last year.

CASH FLOW ANALYSIS

Quarters ended August 31,	2013	2012
(in thousands of dollars)	**$**	$
Operating activities		
Cash flow from operations	**162,427**	119,612
Changes in non-cash operating activities	**58,644**	81,809
Amortization of deferred transaction costs and discounts on long-term debt	**(4,255)**	(6)
Income taxes paid	**(24,066)**	(15,700)
Current income tax expense	**11,583**	15,798
Financial expense paid	**(20,850)**	(15,738)
Financial expense	**49,981**	17,418
	233,464	203,193
Investing activities	**(104,976)**	(124,726)
Financing activities	**(125,642)**	(16,041)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**1,304**	—
Net change in cash and cash equivalents from continuing operations	**4,150**	62,426
Cash and cash equivalents from continuing and discontinued operations, beginning of period	**39,643**	153,097
Cash and cash equivalents from continuing and discontinued operations, end of period	**43,793**	215,523

Fourth quarter 2013 cash flow from operations reached $162.4 million compared to $119.6 million last year, an increase of $42.8 million, or 35.8%, primarily due to the improvement of operating income before depreciation and amortization, partly offset by financial expense increase and by the Cable segment recent acquisition costs. In the fourth quarter of fiscal 2013, changes in non-cash operating activities generated cash inflows of $58.6 million compared to $81.8 million in the comparable period of fiscal 2012, mainly as a result of a lower decrease in trade and other payables, partly offset by an increase in provisions compared to a decrease in the prior year.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND OTHER ASSETS

For the quarter ended August 31, 2013, acquisition of property, plant and equipment amounted to $103.8 million compared to $119.4 million for the comparable period of fiscal 2012 mainly as a result of the recent acquisitions and the following factors in the Cable segment:

- A decrease in customer premise equipment capital expenditures, mainly due to the completion in fiscal 2012 of the first phase in the conversion of Television service customers from analogue to digital and the lower PSU growth during fiscal 2013 as a result of service maturity;
- A decrease in scalable infrastructure capital expenditures due to the timing of initiatives to improve network capacity in existing areas served; and
- An increase in data centre facilities capital expenditures mainly due to the construction of a new data centre facility in Barrie (north of Toronto), Canada, opened last June, and by the expansion of data centre facilities in Toronto, Canada and in Portsmouth, England as well as the fibre expansion in the Toronto area in order to fulfill orders from new customers demand.

Acquisition of intangible and other assets are mainly attributable to reconnect and additional service activation costs as well as other customer acquisition costs. Fiscal 2013 fourth-quarter acquisition of intangible and other assets amounted to $4.9 million compared to $5.2 million for the fourth-quarter of fiscal 2012.

FREE CASH FLOW AND FINANCING ACTIVITIES

Fourth quarter 2013 free cash flow amounted to $53.7 million, an increase of $58.7 million compared to negative free cash flow of $5.0 million in the fourth-quarter of fiscal 2012, mainly as a result of the improvement of operating income before depreciation and amortization as well as the decrease in acquisition of property, plant and equipment and current income taxes, partly offset by the increase in financial expense, all in the Cable segment.

In the fourth quarter of fiscal 2013, higher Indebtedness level provided for a cash decrease of $113.5 million, mainly due to the issuance in the Cable segment, on June 27, 2013, of $225.3 million (US$215 million) Senior Secured Notes for net proceeds of $223.8 million, net of transaction costs of $1.5 million, offset by the repayment of the Senior Secured Debentures Series 1 of $300 million. In the fourth quarter of fiscal 2012, Indebtedness level remained essentially the same.

In the fourth quarter of fiscal 2013, a quarterly dividend of $0.19 per share was paid to the holders of subordinate and multiple voting shares, for a total of $3.2 million. In fiscal 2012, a quarterly dividend of $0.18 per share was paid to the holders of subordinate and multiple voting shares, for a total of $3.0 million. In addition, dividends paid by a subsidiary to non-controlling interests in the fourth quarter of fiscal 2013 amounted to $8.6 million compared to $8.2 million in the prior year.

FISCAL 2014 FINANCIAL GUIDELINES

As a result of revised projections in the Cable segment described below, the Corporation revised its consolidated projections for the 2014 fiscal year as issued on July 10, 2013, and consequently current income taxes, profit for the year and free cash flow have been adjusted.

(in millions of dollars)	**Revised projections October 30, 2013** **Fiscal 2014** **$**	Preliminary projections July 10, 2013 Fiscal 2014 $	Actuals Fiscal 2013 $
Financial guidelines			
Revenue	**2,075**	2,075	1,834
Operating income before depreciation and amortization	**900**	900	797
Integration, restructuring and acquisition costs	**—**	—	22
Financial expense	**134**	134	134
Current income tax expense	**101**	106	88
Profit for the year	**233**	250	190
Profit for the year attributable to owners of the Corporation	**75**	82	64
Acquisitions of property, plant and equipment, intangible and other assets	**430**	430	411
Free cash flow(1)	**235**	230	152

(1) Free cash flow is calculated as operating income before depreciation and amortization less integration, restructuring and acquisition costs, financial expense, current income tax expense and acquisitions of property, plant and equipment, intangible and other assets.

CABLE SEGMENT

Cogeco Cable revised its fiscal 2014 financial guidelines, as issued on July 10, 2013, as a result of certain adjustments made to the preliminary allocation of the purchase price of Atlantic Broadband and PEER 1.

Fiscal 2014 financial guidelines take into consideration the current uncertain global economic environment as well as the competitive environment that prevails in Canada, the deployment of new technologies such as Fibre to the Home ("FTTH"), Fibre to the Node (“FTTN”) and Internet Protocol Television (“IPTV”) by the incumbent telecommunications providers.

For fiscal 2014, Cogeco Cable expects to achieve revenue of $1.935 billion, representing growth of $243 million, or 14.4% compared to fiscal 2013. Revenue should increase primarily as a result of the full year impact from the recent acquisitions. In the Cable segment, revenue increase should stem primarily from targeted marketing initiatives to improve penetration rates of the Digital Television, HSI and Telephony services. Furthermore, the Digital Television service should continue to benefit from the customers' ongoing strong interest in the Corporation's growing HD service offerings. Revenue will also benefit, in Canada, from the impact of rate increases implemented in June 2013 in Quebec and Ontario, ranging on average between $2 to $3 per HSI and Telephony service customers. Cogeco Cable's strategies include consistently effective marketing to residential and business customers, competitive product offerings and superior customer service, which combined, lead to the expansion and loyalty of the Television service clientele. As the penetration of residential HSI, Telephony and Digital Television services increase, the new demand for these products should slow in Canada, reflecting service category maturity. However, growth in the commercial and business sector is expected to continue at a consistent pace in the Cable segment. Finally, revenue should increase from the hosting services and the data transport.

As a result of the full year impact from the recent acquisitions, the increased costs to service additional customers, inflation and manpower increases, as well as the continuation of the marketing initiatives and retention strategies, operating expenses are expected to expand by approximately $138 million, or 15.1% in the 2014 fiscal year compared to fiscal 2013.

For fiscal 2014, Cogeco Cable expects operating income before depreciation and amortization of $885 million, an increase of $104 million, or 13.3% compared to fiscal 2013. The operating margin is expected to reach approximately 45.7% in fiscal 2014, compared to 46.1% for fiscal 2013, reflecting operating expenses growth slightly higher than the revenue growth as well as lower margins business activities from PEER 1 acquired on January 31, 2013.

Cogeco Cable expects the depreciation and amortization of property, plant and equipment and intangible assets to increase by $87 million for fiscal 2014, mainly from the full year impact of the recent acquisitions. Cash flows from operations should finance capital expenditures and the increase in intangible assets amounting to $425 million, an increase of $17 million when compared to fiscal 2013. Capital expenditures projected for the 2014 fiscal year are stemming from scalable infrastructure for product enhancements and the deployment of new technologies, line extensions to expand existing territories, support capital to improve business information systems and support facility requirements and expansion for the Enterprise services activities in order to fulfill orders from new customers.

Fiscal 2014 free cash flow is expected to amount to $230 million, an increase of $80 million, or 53.3% compared to the free cash flow of $150 million for fiscal 2013, resulting from the growth in operating income before depreciation and amortization, partly offset by additional capital expenditures and financial expense from the full year impact of the recent acquisitions of Atlantic Broadband and PEER 1 and by an increase in current income taxes. Generated free cash flow will reduce Indebtedness net of cash and cash equivalents, thus improving Cogeco Cable's net leverage ratios. Financial expense should amount to $130 million an increase of $2 million related to Atlantic Broadband's and PEER 1's acquisition financing. As a result, profit for the year of approximately $230 million should be achieved compared to $185 million for fiscal 2013.

Fiscal 2014 financial guidelines are as follows:

(in millions of dollars, except operating margin)	**Revised projections October 30, 2013** **Fiscal 2014** **$**	Preliminary projections July 10, 2013 Fiscal 2014 $	Actuals Fiscal 2013 $
Financial guidelines			
Revenue	**1,935**	1,935	1,692
Operating income before depreciation and amortization	**885**	885	781
Operating margin	**45.7%**	45.7%	46.1%
Integration, restructuring and acquisition costs	**—**	—	22
Depreciation and amortization	**470**	435	383
Financial expense	**130**	130	128
Current income tax expense	**100**	105	85
Profit for the year	**230**	245	185
Acquisitions of property, plant and equipment, intangible and other assets	**425**	425	408
Free cash flow(1)	**230**	225	150
Capital intensity	**22.0%**	22.0%	24.1%

(1) Free cash flow is calculated as operating income before depreciation and amortization less integration, restructuring and acquisition costs, financial expense, current income tax expense and acquisitions of property, plant and equipment, intangible and other assets.

NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by COGECO throughout this MD&A. It also provides reconciliations between these non-IFRS measures and the most comparable IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. These measures include “cash flow from operations”, “free cash flow” and “operating income before depreciation and amortization”.

CASH FLOW FROM OPERATIONS AND FREE CASH FLOW

Cash flow from operations is used by COGECO’s management and investors to evaluate cash flows generated by operating activities, excluding the impact of changes in non-cash operating activities, amortization of deferred transaction costs and discounts on long-term debt, income taxes paid, current income tax expense, financial expense paid and financial expense. This allows the Corporation to isolate the cash flows from operating activities from the impact of cash management decisions. Cash flow from operations is subsequently used in calculating the non-IFRS measure, “free cash flow”. Free cash flow is used, by COGECO’s management and investors, to measure its ability to repay debt, distribute capital to its shareholders and finance its growth.

The most comparable IFRS measure is cash flow from operating activities. Cash flow from operations is calculated as follows:

	Quarters ended		Years ended	
	August 31, 2013	August 31, 2012	**August 31, 2013**	August 31, 2012
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**233,464**	203,193	**552,195**	448,764
Changes in non-cash operating activities	**(58,644)**	(81,809)	**21,550**	3,479
Amortization of deferred transaction costs and discounts on long-term debt	**4,255**	6	**11,492**	3,363
Income taxes paid	**24,066**	15,700	**103,556**	83,411
Current income tax expense	**(11,583)**	(15,798)	**(87,810)**	(88,104)
Financial expense paid	**20,850**	15,738	**96,121**	65,325
Financial expense	**(49,981)**	(17,418)	**(134,013)**	(69,128)
Cash flow from operations	**162,427**	119,612	**563,091**	447,110

Free cash flow is calculated as follows:

	Quarters ended		Years ended	
	August 31, 2013	August 31, 2012	**August 31, 2013**	August 31, 2012
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operations	**162,427**	119,612	**563,091**	447,110
Acquisition of property, plant and equipment	**(102,902)**	(119,421)	**(391,918)**	(362,582)
Acquisition of intangible and other assets	**(4,917)**	(5,217)	**(18,567)**	(15,787)
Assets acquired under finance leases	**(937)**	—	**(937)**	—
Free cash flow (deficit)	**53,671**	(5,026)	**151,669**	68,741

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

Operating income before depreciation and amortization is used by COGECO's management and investors to assess the Corporation's ability to seize growth opportunities in a cost effective manner, to finance its ongoing operations and to service its debt. Operating income before depreciation and amortization is a proxy for cash flows from operations excluding the impact of the capital structure chosen, and is one of the key metrics used by the financial community to value the business and its financial strength.

The most comparable IFRS financial measure is operating income. Operating income before depreciation and amortization is calculated as follows:

	Quarters ended		Years ended	
	August 31, 2013	August 31, 2012	**August 31, 2013**	August 31, 2012
(in thousands of dollars)	**$**	$	**$**	$
Operating income	**104,110**	95,943	**387,489**	324,989
Depreciation and amortization	**115,444**	65,699	**388,275**	279,770
Integration, restructuring and acquisitions costs	**4,750**	1,975	**21,662**	2,083
Operating income before depreciation and amortization	**224,304**	163,617	**797,426**	606,842

ADDITIONAL INFORMATION

This MD&A was prepared on October 30, 2013. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The independent external auditor appointed by the shareholders, Deloitte s.e.n.c.r.l., Chartered Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian auditing standards and to issue an opinion on the statements. The independent external auditor have free access to the Audit Committee, with or without the presence of management. Their report follows.

Louis Audet
President and Chief Executive Officer

Pierre Gagné
Senior Vice-President and Chief Financial Officer

Montreal, October 30, 2013

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of COGECO Inc.

We have audited the accompanying consolidated financial statements of COGECO Inc., which comprise the consolidated statements of financial position as at August 31, 2013 and August 31, 2012, the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2013 and August 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COGECO Inc. as at August 31, 2013 and August 31, 2012, and its financial performance and its cash flows for the years ended August 31, 2013 and August 31, 2012 in accordance with International Financial Reporting Standards.

Deloitte s.e.n.c.r.l.[1]

October 30, 2013
Montreal, Quebec

[1] CPA auditor, CA, public accountancy permit No. A109522

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	2013	2012
(In thousands of Canadian dollars, except per share data)	**$**	$
Revenue	**1,834,257**	1,406,353
Operating expenses (note 6)	**1,036,831**	799,511
Integration, restructuring and acquisition costs (note 4)	**21,662**	2,083
Depreciation and amortization (note 7)	**388,275**	279,770
Operating income	**387,489**	324,989
Financial expense (note 8)	**134,013**	69,128
Profit before income taxes	**253,476**	255,861
Income taxes (note 9)	**63,699**	81,615
Profit for the year from continuing operations	**189,777**	174,246
Profit for the year from discontinued operations (note 21)	**—**	55,446
Profit for the year	**189,777**	229,692

Profit for the year attributable to:		
Owners of the Corporation	**64,088**	77,051
Non-controlling interest	**125,689**	152,641
	189,777	229,692

Earnings per share (note 10)		
Basic		
Profit for the year from continuing operations	**3.83**	3.54
Profit for the year from discontinued operations	**—**	1.07
Profit for the year	**3.83**	4.61
Diluted		
Profit for the year from continuing operations	**3.81**	3.52
Profit for the year from discontinued operations	**—**	1.06
Profit for the year	**3.81**	4.58

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, *(In thousands of Canadian dollars)*	**2013** **$**	2012 $
Profit for the year	**189,777**	229,692
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	**12,501**	2,740
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**(12,787)**	(1,197)
Income tax expense on cash flow hedging adjustments	**(211)**	(430)
	(497)	1,113
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**42,346**	(745)
Net changes in unrealized adjustments on translation of long-term debts designated as hedges of net investments in foreign operations	**(24,700)**	—
Reclassification to profit and loss of accumulated realized foreign currency translation gain of a net investment in foreign operations	**—**	(19,817)
	17,646	(20,562)
	17,149	(19,449)
Items not to be subsequently reclassified to profit or loss		
Defined benefit pension plans actuarial adjustments		
Net change in defined benefit pension plans actuarial adjustments	**5,060**	(8,063)
Income tax recovery (expense) on defined benefit pension plans actuarial adjustments	**(1,361)**	2,169
	3,699	(5,894)
Other comprehensive income (loss) for the year	**20,848**	(25,343)
Comprehensive income for the year	**210,625**	204,349
Comprehensive income for the year attributable to:		
Owners of the Corporation	**71,685**	66,977
Non-controlling interest	**138,940**	137,372
	210,625	204,349

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2013 and 2012	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
	Equity attributable to owners					
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(note 16)	(note 16)	(note 17)			
Balance at September 1, 2011	119,318	3,912	7,290	212,005	701,155	1,043,680
Profit for the year	—	—	—	77,051	152,641	229,692
Other comprehensive loss for the year	—	—	(6,254)	(3,820)	(15,269)	(25,343)
Comprehensive income for the year	—	—	(6,254)	73,231	137,372	204,349
Share-based payment	—	2,020	—	—	1,654	3,674
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(121)	—	—	1,416	1,295
Dividends on multiple voting shares	—	—	—	(1,327)	—	(1,327)
Dividends on subordinate voting shares	—	—	—	(10,717)	(32,965)	(43,682)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	109	(109)	—
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(1,740)	—	—	—	—	(1,740)
Disposal of subordinate voting shares held in trust under the Incentive Share Unit Plan	33	—	—	17	—	50
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	325	(442)	—	117	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	—	—	—	(3,049)	(3,049)
Distribution by a subsidiary to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	(31)	—	(1)	32	—
Disposal by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	—	—	55	638	693
Non-controlling interest acquired as a result of a business combination (note 5)	—	—	—	—	462	462
Total contributions by and distributions to shareholders	(1,382)	1,426	—	(11,747)	(31,921)	(43,624)
Balance at August 31, 2012	**117,936**	**5,338**	**1,036**	**273,489**	**806,606**	**1,204,405**
Profit for the year	**—**	**—**	**—**	**64,088**	**125,689**	**189,777**
Other comprehensive income for the year	**—**	**—**	**5,509**	**2,088**	**13,251**	**20,848**
Comprehensive income for the year	**—**	**—**	**5,509**	**66,176**	**138,940**	**210,625**
Share-based payment	**—**	**2,426**	**—**	**—**	**2,286**	**4,712**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(259)**	**—**	**—**	**2,621**	**2,362**
Dividends on multiple voting shares	**—**	**—**	**—**	**(1,401)**	**—**	**(1,401)**
Dividends on subordinate voting shares	**—**	**—**	**—**	**(11,312)**	**(34,272)**	**(45,584)**
Effect of change in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**2**	**(2)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(1,201)**	**—**	**—**	**—**	**—**	**(1,201)**
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	**1,034**	**(1,041)**	**—**	**7**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**—**	**—**	**—**	**(4,076)**	**(4,076)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**(457)**	**—**	**3**	**454**	**—**
Non controlling interest acquired as a result of business combinations (note 5)	**—**	**—**	**—**	**—**	**16,962**	**16,962**
Acquisition of non-controlling interest (note 5)	**—**	**—**	**—**	**—**	**(17,424)**	**(17,424)**
Total contributions by and distributions to shareholders	**(167)**	**669**	**—**	**(12,701)**	**(33,451)**	**(45,650)**
Balance at August 31, 2013	**117,769**	**6,007**	**6,545**	**326,964**	**912,095**	**1,369,380**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31,	**2013**	2012
(In thousands of Canadian dollars)	**$**	$
Assets		
Current		
Cash and cash equivalents (note 18 B))	**43,793**	215,523
Trade and other receivables (note 20 A))	**118,312**	98,627
Income taxes receivable	**17,714**	13,614
Prepaid expenses and other	**14,182**	12,920
	194,001	340,684
Non-current		
Other assets (note 11)	**11,046**	7,133
Property, plant and equipment (note 12)	**1,874,866**	1,343,904
Intangible assets (note 13 A))	**2,003,581**	1,133,816
Goodwill (note 13 B))	**1,231,140**	249,198
Derivative financial instruments	**833**	—
Deferred tax assets (note 9)	**137,046**	29,184
	5,452,513	3,103,919
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness (note 15 A))	**13,166**	741
Trade and other payables	**294,014**	248,822
Provisions (note 14)	**12,800**	10,567
Income tax liabilities	**23,924**	41,908
Deferred and prepaid revenue	**56,656**	42,920
Balance due on business combinations, bank prime rate plus 1%	**2,000**	13,400
Current portion of long-term debt (note 15)	**15,216**	855
	417,776	359,213
Non-current		
Long-term debt (note 15)	**2,984,740**	1,144,814
Derivative financial instruments	**—**	11,668
Deferred and prepaid revenue and other liabilities	**21,287**	17,891
Pension plan liabilities and accrued employees benefits	**21,447**	32,975
Deferred tax liabilities (note 9)	**637,883**	332,953
	4,083,133	1,899,514
Shareholders' equity		
Equity attributable to owners Corporation		
Share capital (note 16 B))	**117,769**	117,936
Share-based payment reserve	**6,007**	5,338
Accumulated other comprehensive income (note 17)	**6,545**	1,036
Retained earnings	**326,964**	273,489
	457,285	397,799
Non-controlling interest	**912,095**	806,606
	1,369,380	1,204,405
	5,452,513	3,103,919

Commitments, contingencies and guarantees (note 23)

On behalf of the Board of Directors,

Jan Peeters
Director

Pierre L. Comtois
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,	**2013**	2012
(In thousands of Canadian dollars)	**$**	$
Cash flow from operating activities		
Profit for the year from continuing operations	**189,777**	174,246
Adjustments for:		
Depreciation and amortization (note 7)	**388,275**	279,770
Income taxes (note 9)	**63,699**	81,615
Financial expense (note 8)	**134,013**	69,128
Share-based payment (note 16 D))	**5,615**	3,513
Loss (gain) on disposals and write-offs of property, plant and equipment	**(586)**	1,352
Defined benefit pension plans contributions, net of expense	**(7,133)**	(8,645)
Other	**(238)**	—
	773,422	600,979
Changes in non-cash operating activities (note 18 A))	**(21,550)**	(3,479)
Income taxes paid	**(103,556)**	(83,411)
Financial expense paid	**(96,121)**	(65,325)
	552,195	448,764
Cash flow from investing activities		
Acquisition of property, plant and equipment	**(391,918)**	(362,582)
Acquisition of intangible and other assets	**(18,567)**	(15,787)
Business combinations, net of cash and cash equivalents acquired (note 5)	**(2,006,129)**	(36,277)
Disposal of subsidiaries, net of cash and cash equivalents disposed	**—**	4,509
Other	**3,148**	1,199
	(2,413,466)	(408,938)
Cash flow from financing activities		
Increase in bank indebtedness	**12,425**	741
Net increases (repayments) under the revolving facilities	**549,765**	(105,898)
Issuance of long-term debt, net of discounts and transaction costs	**1,953,016**	232,480
Repayments of long-term debt	**(761,976)**	(2,128)
Repayment of promissory note payable	**—**	(5,000)
Increase in deferred transaction costs	**(5,487)**	(1,551)
Repayment of balance due on a business combination	**(11,400)**	—
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 16 B))	**(1,201)**	(1,740)
Disposal of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 16 B))	**—**	50
Dividends paid on multiple voting shares	**(1,401)**	(1,327)
Dividends paid on subordinate voting shares	**(11,312)**	(10,717)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**2,362**	1,295
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(4,076)**	(3,049)
Disposal by a subsidiary to non-controlling interest of subordinate voting shares held in trust under Incentive Share Unit Plan	**—**	693
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	**(34,272)**	(32,965)
	1,686,443	70,884
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**3,098**	—
Net change in cash and cash equivalents from continuing operations	**(171,730)**	110,710
Net change in cash and cash equivalents from discontinued operations (note 21)	**—**	49,597
Cash and cash equivalents, beginning of the year	**215,523**	55,216
Cash and cash equivalents, end of the year	**43,793**	215,523

NATURE OF OPERATIONS

COGECO Inc. (the “Corporation” or the “Parent Corporation”) is a Canadian public corporation whose shares are listed on the Toronto Stock Exchange (“TSX”). The Corporation is engaged in Cable Television, High Speed Internet (“HSI”), Telephony, managed information technology and infrastructure, and other telecommunications services to its residential and commercial customers in Canada, in the United States of America (“United States”), in the United Kingdom ("UK") and in France through Cogeco Cable Inc., and in Radio broadcasting through Cogeco Diffusion Acquisitions Inc. (“Cogeco Diffusion”) and operates an advertising public transit business through Métromédia CMR Plus Inc. (“Métromédia”) (see note 4 for a detailed description of operations).

The Corporation's registered office is located at 5 Place Ville Marie, Suite 1700, Montréal, Québec, H3B 0B3.

1. BASIS OF PRESENTATION

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

The consolidated financial statements have been prepared on a going concern basis using historical cost except for derivative financial instruments and cash-settled share-based payment arrangements, which are measured at fair value, and for the pension plan liabilities and accrued employee benefits, which are measured at present value.

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

The consolidated financial statements were approved by the Board of Directors of COGECO Inc. at its meeting held on October 30, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated.

A) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' accounting policies are aligned with those adopted by the Corporation. Operating segments and percentage of interest in the principal subsidiaries at August 31, 2013 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest %	Voting rights %
Cable	Cogeco Cable Inc.	32.1	82.5
Other	Cogeco Diffusion Acquisitions Inc.	100	100
Other	Metromedia CMR Plus Inc.	100	100

The Corporation and its cable subsidiary, Cogeco Cable Inc., have each established a special purpose entity (“SPE”) with the objective of mitigating the impact of stock price fluctuations in connection with their Incentive Share Unit Plans. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. A SPE controlled by the Corporation and Cogeco Cable Inc. were established under terms that impose strict limitations on the decision-making powers of the SPE's management, resulting in the Corporation receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

All inter-company transactions and balances and any unrealized revenue and expense are eliminated in preparing the consolidated financial statements.

B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the sum of the fair values of assets transferred, liabilities assumed, and equity instruments issued by the Corporation at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange for control of the acquiree.

An obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not re-measured until it is finally settled within equity. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments of preliminary purchase price allocations are adjusted in the current period and such changes are applied on a retroactive basis.

Acquisition costs, other than those associated with the issuance of debt or equity securities, and integration and restructuring costs that the Corporation incurs in connection with a business acquisition are recognized in profit or loss as incurred.

C) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with the ownership nor effective control over the goods; and
- The recovery of the consideration is probable.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

- Monthly subscription revenue for Cable Television, HSI and Telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recognized as the services are provided;
- Revenue from managed services, colocation services, cloud services and connectivity services are recognized as the services are provided;
- Revenue generated from the sale of home terminal devices or other equipment are recognized when the customer accepts the delivery of the equipment; and
- Revenue generated from the sale of advertising airtime and advertising display are recognized when the advertisement has been aired or displayed.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation evaluates each deliverable arrangement to determine if it would represent a separate component. Components are accounted separately when:

- The delivered elements have stand-alone value to the customer; and
- There is an objective and a reliable evidence of fair value of any undelivered elements.

Consideration is measured and allocated between the components based upon their relative fair values while applying the relevant revenue recognition policy.

The Corporation considers that installation and activation fees are not separate components because they have no stand-alone value. Accordingly, they are deferred and amortized as revenue at the same pace as the related telecommunications services are earned, which is the average life of a customer's subscription for residential customers or the term of the agreement for commercial customers.

Unearned revenue, such as payments for goods and services received in advance of delivery, are recorded as deferred and prepaid revenue until the service is provided or the product is delivered to the customer.

D) BARTER TRANSACTIONS

In the normal course of its business, the Corporation enters into barter transactions under which goods, advertising and other services are acquired in exchange for advertising services. Such revenue and expenses are recorded at the estimated fair value of goods and services received when goods and other services are received and at the estimated fair value of advertising provided when advertising services are received.

E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

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

Depreciation is recognized from the date the asset is ready for its intended use so as to write-off the cost of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Depreciation periods are as follows:

BUILDINGS AND LEASEHOLD IMPROVEMENTS[1]	10 TO 40 YEARS
NETWORK SYSTEMS[2]	5 TO 20 YEARS
HOME TERMINAL DEVICES	3 TO 5 YEARS
DATA CENTRE EQUIPMENT[3]	3 TO 7 YEARS
ROLLING STOCK AND EQUIPMENT[4]	3 TO 10 YEARS

(1) Leasehold improvements are amortized over the shorter of the term of the lease or economic life.

(2) Network systems includes cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

(3) Data centre includes general infrastructure, mechanical and electrical equipment, security and access control. Servers that are included as part of the hosting product line are amortized on a straight-line basis over their expected useful life, which is 3 years.

(4) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software, assets held under finance leases, and other equipments.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized as profit or loss.

The Corporation does not record decommissioning obligations in connection with its cable distribution network. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, thus the resulting present value of the obligation is not significant.

F) INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost less accumulated amortization, if they are amortizable, otherwise, net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value. Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization, if they are amortizable, otherwise net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over their useful life. The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite useful lives are amortized as follows:

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a customer's subscription, not exceeding eight years;
- Favorable leases are amortized on a straight-line basis over the remaining non-cancelable term of the lease agreement.
- Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity and are amortized over the average life of a customer's subscription, not exceeding four years; and
- Direct and incremental costs associated with the acquisition of commercial customers are capitalized and amortized over the term of the revenue arrangement.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They are comprised of Cable Distribution Undertaking Broadcasting Licenses and Franchise (“Cable Distribution Licenses”), Broadcasting Licenses and Trade name. Cable Distribution Licenses are comprised of broadcast authorities licenses and exemptions from licensing that allow access to homes and customers in a specific area. Broadcasting Licenses are broadcast authorities licenses that allow access to a radio frequency in a specific market. The Corporation has concluded that the Cable Distribution Licenses and Broadcast Licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Trade name is considered to have an indefinite economic life because of the institutional nature of the corporate Trade name, their proven ability to maintain market leadership and profitable operations over long periods of time and the Corporation's commitment to develop and enhance their value. The Corporation reviews at the end of each reporting period whether events and circumstances continue to support indefinite useful life assessment for these licenses and the trade name. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually or more frequently if there is any indication of impairment.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. It is not amortized but tested for impairment at least annually, or whenever there is an indication of possible impairment.

G) IMPAIRMENT OF NON FINANCIAL ASSETS

At the end of each reporting period, the Corporation reviews the carrying value of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, or whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets ("cash-generating unit" or "CGU"). When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU, otherwise they are allocated to the smallest group of CGU for which a reasonable and a consistent basis of allocation can be identified.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any allocated goodwill and then to reduce the carrying amount of other assets on a pro rata basis. The impairment loss is recognized immediately in profit or loss in the period in which the loss is incurred.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

H) LEASES

Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between financial expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expense and depreciation of the assets are recognized in profit or loss in the period they occur.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lessor

The Corporation leases certain telecommunication equipment, primarily home terminal devices, to its customers. These leases are classified as operating leases and rental revenue is recognized on a straight-line basis over the term of the relevant lease.

I) INCOME TAXES

Income tax expense represents the sum of the taxes currently payable and deferred. Current and deferred taxes are recognized in profit or loss, except when they relate to a business combination or to items that are recognized in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit or is related to investments in subsidiaries to the extent that the Corporation is able to control the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which, those deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle its current tax assets and liabilities on a net basis.

J) PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation amount. The amount recognized represents management's best estimate required to settle the obligation at the end of the reporting period, taking into account the obligation's risks and uncertainties. When the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

K) SHARE-BASED PAYMENT

Equity settled awards

The Corporation measures stock options granted to employees that vest rateably over the service period based on the fair value of each tranche on grant date by using the Black-Scholes pricing model and a compensation expense is recognized on a straight-line basis over the vesting period applicable to the tranche, with a corresponding increase in share-based payment reserve. Granted options vest equally over a period of five years beginning one year after the day such options are granted. At the end of each reporting period, the Corporation revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in share-based payment reserve. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

The Corporation measures incentive share units ("ISUs") granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, with a corresponding increase in share-based payment reserve. The total vesting period of each grant is three years less one day.

Cash settled awards

The fair value of the amount payable to the Board of Directors in respect of share appreciation rights under the Deferred Share Unit Plan of the Corporation, which are settled in cash, is recognized as a compensation expense with a corresponding increase in pension plan liabilities and accrued employee benefits as of the date units are issued to the Board of Directors. The accrued liability is re-measured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period. Any changes in the fair value of the liability are recognized in profit or loss.

L) EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. They are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution pension plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the periods during which services are rendered by employees.

Defined benefit pension plans

Pension costs for defined benefit pension plans are determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service), with estimated valuation being carried out at the end of each reporting period, when necessary, and are funded through contributions determined in accordance with this method. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan.

Pension expense is charged to salaries, employee benefits and outsourced services and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the period;
- Vested past service costs which are recognized immediately;
- Unvested past service costs which are amortized on a straight-line basis over the vesting period; and
- The interest cost of pension obligations less the expected return on pension fund assets. The Corporation uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

The pension plan liability recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service costs and as reduced by the fair value of plan assets.

The Corporation recognizes actuarial gains or losses in other comprehensive income in the period in which they arise. They are recognized immediately in retained earnings and they are not reclassified to profit or loss in a subsequent period. Actuarial gains or losses arise from the difference between the actual rate of return on plan assets for a given period and the expected rate of return on plan assets for that period, experience adjustments on liabilities, or changes in actuarial assumptions used to determine the defined benefit obligation.

M) FOREIGN CURRENCY TRANSLATION

Foreign currency transactions

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation for the consolidated financial statements.

Transactions in foreign currencies are translated to the respective functional currency of the Corporation's entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss, except for those arising on the translation of financial instruments designated as a hedge of a net investment in foreign operations, and financial instruments designated as hedging items in a cash-flow hedge, which are recognized in other comprehensive income until the hedge items are settled or recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period.

Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of foreign operations are recognized as foreign currency translation adjustment in other comprehensive income and accumulated in equity.

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency (Canadian dollars). Foreign currency differences arising on the translation of the long-term debt designated as a hedge of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation adjustment balance. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged portion of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustment is transferred to profit or loss as part of the profit or loss on disposal.

N) FINANCIAL INSTRUMENTS

Classification and measurement

All financial instruments, including derivatives, are included in the statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, non-derivative financial instruments are measured in accordance with their classification as described below:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents and trade and other receivables are classified as loans and receivables. They are measured at amortized cost using the effective interest method, less any impairment loss;
- Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss; and
- Trade and other payables and long-term debt are classified as other liabilities. They are measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred in respect of the Term Revolving Facilities, Secured Credit Facilities and Atlantic Broadband's First Lien Credit Facilities, which are amortized over the term of the related financing on a straight-line basis.

Financial assets are derecognized only when the Corporation no longer holds the contractual rights to the cash flows of the asset or when the Corporation transfers substantially all the risks and rewards of ownership of the financial asset to another entity. Financial liabilities are derecognized only when the Corporation's obligations are discharged, cancelled or expired.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments, including hedge accounting

The Corporation uses cross-currency swaps as derivative financial instruments to manage foreign exchange risk related to its foreign denominated Senior Secured Notes, Series A. In addition, the Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes.

Derivatives are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Net receipts or payments arising from derivative agreements are recognized as financial expense.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Cash flow hedge accounting

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in accumulated other comprehensive income and presented in cash flow hedge reserve in equity. The amount recognized in other accumulated comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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

In other cases the amount recognized in accumulated other comprehensive income is transferred to profit or loss in the same period in which, the hedged item affects profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. At August 31, 2013 and 2012, embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated statements of financial position were not significant.

Impairment of financial assets

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter into bankruptcy.

The Corporation considers evidence of impairment for receivables at both a specific asset and aggregate basis. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are assessed on an aggregate basis for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account presented in reduction of receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

O) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

P) EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share data for its multiple and subordinate voting shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of multiple and subordinate voting shares outstanding during the period, adjusted for subordinate voting shares held in trust under the ISU Plan. Diluted earnings per share is determined by adjusting the weighted average number of multiple and subordinate voting shares outstanding for the effects of all dilutive potential subordinate voting shares, which comprise stock options and ISUs granted to employees.

Q) SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transaction with any of the Corporation's other components. All segments' operating results are reviewed regularly by the Corporation's Chief Operating Decision Maker ("CODM") to decide about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are directly reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

R) ACCOUNTING JUDGEMENT AND USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

Significant areas requiring the use of management judgements and estimates relate to the following items:

- **Allowance for doubtful accounts**

  Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expenses;

- **Business combinations**

  Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts;

- **Useful lives of property, plant and equipment and intangible assets**

  Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset expected useful lives and residual values. Management judgment is required to determine the components and the depreciation method used;

- **Provisions**

  Management judgment is used to determine the timing, likelihood and quantify of expected cash outflows;

- **Fair value measurement of derivative financial instruments**

  The fair value of derivative financial instruments is estimated using valuation techniques based on several inputs such as interest rates, foreign exchange rates and Corporation's or counterparties' credit risks;

- **Measurement of defined benefit assets and liabilities**

  The defined benefit pension plan liabilities are determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase and expected average remaining years of service of employees. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of pension cost recognized in profit or loss, the actuarial gains and losses recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position;

- **Measurement of non-financial assets**

  The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets; and

- **Deferred taxes**

  Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences. Judgment is also required in determining the tax basis of indefinite life intangible assets and the resulting tax rate used to measure deferred taxes.

Such judgments and estimates are based on the facts and information available to the management of the Corporation. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are mandatory but not yet effective for the year ended August 31, 2013, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after	
IFRS 7 *Financial Instruments: Disclosures*	January 1, 2013	**Early adoption permitted**
IFRS 9 *Financial Instruments*	January 1, 2015	**Early adoption permitted**
IFRS 10 *Consolidated Financial Statements*	January 1, 2013	**Early adoption permitted**
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013	**Early adoption permitted**
IFRS 13 *Fair Value Measurement*	January 1, 2013	**Early adoption permitted**
Amendments to IAS 19 *Employee Benefits*	January 1, 2013	**Early adoption permitted**

The amendment to IFRS 7 modifies disclosure requirement about all recognized financial instruments that are set off in accordance with IAS 31 *Financial Instruments: Presentation.*

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. This is the first phase of that project.

IFRS 10 replaces the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. It provides a single model to be applied in the control analysis for all investees.

IFRS 12 establishes disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structures entities.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard clarifies the definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

The amendments to IAS 19 require the recognition of actuarial gains and losses immediately in OCI, full recognition of past service costs immediately in profit or loss, recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation and additional disclosures explaining the characteristics of the Corporation's defined benefit pension plans.

The Corporation is in the process of determining the extent of the impact of these standards on its consolidated financial statements.

4. OPERATING SEGMENTS

The Corporation's profit for the year is reported in two operating segments: Cable and other.

The Cable segment provides a wide range of Analogue and Digital Television, HSI and Telephony services primarily to residential customers. It also provides business services, including data networking, Ethernet, hosting, HSI access and Voice over Internet Protocol ("VoIP") services, to small and medium sized businesses. The segment also provides data centre, managed IT and connectivity services for medium and large enterprises and public sector customers, and high-performance Ethernet broadband connectivity services to carriers. This segment's offerings includes the provision of physical space and power within its high security data centres and a new suite of managed IT and infrastructure services as well as a full suite of connectivity services provisioned over its wholly-owned optical networks.

The Other segment is comprised of radio, advertising transit businesses, head office activities as well as inter-segment eliminations.

The activities of the Cable segment are carried out in Canada, in the United States and in Europe, mostly in the United Kingdom, and the activities of the Other segment are carried out in Canada.

The Corporation assesses the performance of each segment based on segment profit or loss. Transactions between segments are measured at amounts agreed to between the parties.

The principal financial information per operating segment is presented in the table below:

				Year ended August 31, 2013
	Cable		**Other**	**Consolidated**
(in thousands of Canadian dollars)	**$**		**$**	**$**
Revenue	**1,692,466**		**141,791**	**1,834,257**
Operating expenses	**902,374**		**134,457**	**1,036,831**
Management fees – COGECO Inc.	**9,569**		**(9,569)**	**—**
Integration, restructuring and acquisition costs [1]	**21,570**		**92**	**21,662**
Depreciation and amortization	**382,714**		**5,561**	**388,275**
Operating income	**376,239**		**11,250**	**387,489**
Financial expense	**128,314**		**5,699**	**134,013**
Income taxes	**62,842**		**857**	**63,699**
Profit for the year	**185,083**		**4,694**	**189,777**
Total assets	**5,253,097**	**—**	**199,416**	**5,452,513**
Property, plant and equipment	**1,854,155**		**20,711**	**1,874,866**
Intangible assets	**1,910,993**		**92,588**	**2,003,581**
Goodwill	**1,192,015**		**39,125**	**1,231,140**
Acquisition of property, plant and equipment	**389,635** [2]		**3,220**	**392,855**
Acquisition of intangible and other assets	**18,567**		**—**	**18,567**

(1) The integration, restructuring and acquisition costs were primarily related to acquisitions costs with regards to business combinations (see note 5) and to severance costs associated to the restructuring of our employee base in the Cable segment.
(2) Acquisition for the Cable segment includes $937,000 of property, plant and equipment acquired through finance leases.

The following table sets out certain geographic market information at August 31, 2013:

	Canada	**United States**	**Europe**	**Total**
	$	**$**	**$**	**$**
Revenue	**1,488,876**	**327,982**	**17,399**	**1,834,257**
Property, plant and equipment	**1,430,471**	**394,359**	**50,036**	**1,874,866**
Intangible assets	**1,178,350**	**812,280**	**12,951**	**2,003,581**
Goodwill	**352,212**	**816,526**	**62,402**	**1,231,140**

		Year ended August 31, 2012	
	Cable	Other	Consolidated
(in thousands of Canadian dollars)	$	$	$
Revenue(1)	1,277,698	128,655	1,406,353
Operating expenses	679,161	120,350	799,511
Management fees – COGECO Inc.	9,485	(9,485)	—
Integration, restructuring and acquisition costs	1,869	214	2,083
Depreciation and amortization	275,003	4,767	279,770
Operating income	312,180	12,809	324,989
Financial expense	64,007	5,121	69,128
Income taxes	78,656	2,959	81,615
Profit for the year from continuing operations	169,517	4,729	174,246
Profit for the year from discontinued operations	55,446	—	55,446
Profit for the year	224,963	4,729	229,692
Total assets	2,908,079	195,840	3,103,919
Property, plant and equipment(1)	1,322,093	21,811	1,343,904
Intangible assets(1)	1,039,982	93,834	1,133,816
Goodwill(1)	210,442	38,756	249,198
Acquisition of property, plant and equipment	359,581	3,001	362,582
Acquisition of intangible and other assets	15,787	—	15,787

(1) For the year ended August 31, 2012, revenue, property, plant and equipment, intangible assets and goodwill by geographic market were all in Canada.

5. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN FISCAL 2013

On November 30, 2012, the Corporation's subsidiary, Cogeco Cable Inc., completed the acquisition of all the outstanding shares of Atlantic Broadband, an independent cable system operator formed in 2003, serving about 485,000 primary service units and providing Analogue and Digital Television, as well as HSI and Telephony services. The acquisition is an attractive entry point into the United States market, providing a significant increase in Primary Service Units base with further growth potential, a high quality network infrastructure and the ability for the Corporation’s management to leverage its core knowledge and operational experience. The transaction, valued at US$1.36 billion, was financed through a combination of cash on hand, a draw-down on the existing Term Revolving Facility of approximately US$588 million and US$660 million of borrowings under a new committed non-recourse debt financing at Atlantic Broadband (see note 15 m)). Atlantic Broadband operates cable systems in Western Pennsylvania, Southern Florida, Maryland/Delaware and South Carolina.

On January 31, 2013, the Corporation's subsidiary, Cogeco Cable Inc., acquired approximately 96.57% of the issued and outstanding shares of Peer 1 Network Enterprises, Inc. (“PEER 1”). The transaction, valued at approximately $649 million, was financed by new secured revolving credit facilities in the amount of approximately $250 million as well as new secured term credit facilities in the amount of approximately $400 million both having a maturity of four years (see note 15 d)). On April 3, 2013, Cogeco Cable Inc. completed the acquisition of the remaining 3.43% of the issued and outstanding shares of PEER 1 pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act ("British Columbia") for a cash consideration of $17 million. PEER 1 is one of the world's leading internet infrastructure providers, specializing in managed hosting, dedicated servers, cloud services and colocation. This acquisition enhances Cogeco Cable's footprint and builds on its strategic initiatives by increasing scale in an attractive industry segment with significant growth prospects in the state of the art data centre platforms. Cogeco Cable Inc. has the resources to serve additional businesses worldwide through 20 data centres and 56 points-of-presence across North America and Europe. PEER 1's primary network centre and head office are located in Vancouver, Canada.

In addition, Métromédia also completed the acquisition of a non-controlling interest participation of 27.5% in one of its subsidiaries for a cash consideration of approximately $0.5 million.

During the fourth quarter of fiscal 2013, Cogeco Cable Inc. adjusted the preliminary allocation of the purchase price of Atlantic Broadband and retroactively the fair value of assets acquired and liabilities assumed that had been recognized at the acquisition date on November 30, 2012 to reflect new information obtained about facts and circumstances that existed as at the acquisition date and, if they had been known, would have impacted the amounts recognized at that date. At August 31, 2013, the allocation of the purchase price remains preliminary pending the final evaluation of certain intangible assets.
The impact on the previous quarters are as follows:

				Quarters ended
		February 28, 2013		May 31, 2013
	Three months	Six months	Three months	Nine months
(in thousands of Canadian dollars)	$	$	$	$
Increase in depreciation of property, plant and equipment	5,059	5,059	5,126	10,185
Increase in amortization of intangible assets	2,850	2,850	2,936	5,786
Decrease in deferred income taxes	(331)	(331)	(2,930)	(3,261)
Net decrease on profit for the period	7,578	7,578	5,132	12,710

During the fourth quarter of fiscal 2013, Cogeco Cable also adjusted the preliminary allocation of the purchase price of PEER 1, which also remains preliminary pending the completion of the valuation of the net assets acquired.

The acquisitions were accounted for using the purchase method. The preliminary allocation of the purchase price of PEER 1 and Atlantic Broadband are as follows:

	As previously presented					**At August 31, 2013**
	Atlantic Broadband	PEER 1	**Atlantic Broadband**	**PEER 1**	**Métromédia**	**TOTAL**
	Preliminary	Preliminary	**Preliminary**	**Preliminary**	**Final**	
	$	$	**$**	**$**	**$**	**$**
Consideration						
Paid						
Purchase of shares	337,779	494,796	**337,779**	**494,796**	**462**	**833,037**
Working capital adjustments	5,415	—	**5,415**	**—**	**—**	**5,415**
Repayment of secured debts and settlement of options outstanding	1,021,854	170,872	**1,021,854**	**170,872**	**—**	**1,192,726**
	1,365,048	665,668	**1,365,048**	**665,668**	**462**	**2,031,178**
Net assets acquired						
Cash and cash equivalents	5,480	10,840	**5,480**	**10,840**	**—**	**16,320**
Restricted cash	—	8,729	**—**	**8,729**	**—**	**8,729**
Trade and other receivables	9,569	12,772	**12,012**	**12,772**	**—**	**24,784**
Prepaid expenses and other	1,370	3,855	**1,370**	**3,855**	**—**	**5,225**
Income tax receivable	3,418	672	**3,907**	**2,160**	**—**	**6,067**
Other assets	—	3,328	**—**	**2,462**	**—**	**2,462**
Property, plant and equipment	205,353	150,206	**302,211**	**150,013**	**—**	**452,224**
Intangible assets (note 13 A))	763,084	139,703	**711,418**	**144,671**	**—**	**856,089**
Goodwill	603,254	421,986	**522,215**	**412,347**	**—**	**934,562**
Deferred tax assets	33,835	8,355	**98,592**	**4,727**	**—**	**103,319**
Trade and other payables assumed	(26,134)	(26,330)	**(27,620)**	**(26,512)**	**—**	**(54,132)**
Provisions	(721)	—	**(721)**	**—**	**—**	**(721)**
Income tax liabilities assumed	(53)	(4,716)	**—**	**—**	**—**	**—**
Deferred and prepaid revenue and other liabilities assumed	(5,254)	(3,315)	**(7,697)**	**(3,388)**	**—**	**(11,085)**
Long-term debt assumed	—	(1,735)	**—**	**(1,735)**	**—**	**(1,735)**
Deferred tax liabilities	(228,153)	(58,682)	**(256,119)**	**(55,273)**	**—**	**(311,392)**
Non-controlling interest	—	—	**—**	**—**	**462**	**462**
	1,365,048	665,668	**1,365,048**	**665,668**	**462**	**2,031,178**

Atlantic Broadband

The amount of goodwill, $14.0 million of which is expected to be deductible for tax purposes, is mainly attributable to revenue and operating income before depreciation and amortization growth, future market development related to the entry of the Corporation's subsidiary, Cogeco Cable Inc., in the american market, expected benefits from the corporate tax structure and from the future utilization of tax losses carryforward and to the strength of Atlantic Broadband's assembled workforce.

In connection with this acquisition, the Corporation's subsidiary, Cogeco Cable Inc., incurred acquisition-related costs of $11 million of which $9.3 million have been recognized in the current year as “Integration, restructuring and acquisition costs” in the Corporation’s consolidated statements of profit or loss.

PEER 1

The amount of goodwill, none of which is expected to be deductible for tax purposes, is mainly attributable to revenue and operating income before depreciation and amortization growth in the Enterprise services segment, future development of service suite for businesses across the Canadian, United States and European markets to the expected benefits from the corporate tax structure and to the strength of PEER 1's assembled workforce.

In connection with this acquisition, the Corporation's subsidiary, Cogeco Cable Inc., incurred acquisition-related costs of $6.7 million which have been recognized in the current year as “Integration, restructuring and acquisition costs” in the Corporation's consolidated statements of profit or loss.

Impact of acquisitions on the results of COGECO Inc.

Revenue and profit for the year ended August 31, 2013, include revenue of $267.7 million and profit for the year of $12.3 million attributable to the additional operations generated by the acquisition of Atlantic Broadband and revenue of $104.7 million and loss for the year of $13.3 million attributable to the additional operations generated by the acquisition of PEER 1.

Had the business combinations been effective at September 1, 2012, the consolidated revenue of the Corporation would have been $2 billion, and the profit for the year would have been $191 million for the year ended August 31, 2013. Management considers these “pro-forma” numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition dates would have been the same, in all material respects, if the acquisitions had occurred on September 1, 2012.

BUSINESS COMBINATION IN FISCAL 2012

On December 6, 2011, COGECO Inc. concluded an agreement to acquire Métromédia, subject to customary closing adjustments and conditions. Métromédia is a Québec corporation that operates an advertising representation house in the public transit sector. Métromédia represents over 100 public transit markets notably in Montréal, in other Québec regions as well as in major cities and numerous markets in the rest of Canada. The transaction was completed on December 26, 2011. The acquisition was accounted for using the purchase method. The results have been consolidated as of the acquisition date. During the second quarter of fiscal 2013, the Corporation completed the purchase price allocation of Métromédia. Accordingly, the final purchase price allocation is as follows:

(in thousands of Canadian dollars)	Preliminary $	Final $
Consideration		
Paid		
Purchase of shares	36,860	36,860
Repayment of secured debt	2,140	2,140
	39,000	39,000
Balance due on a business combination, bank prime rate plus 1%	2,000	2,000
	41,000	41,000
Net assets acquired		
Cash and cash equivalents	3,265	3,265
Trade and other receivables	7,242	7,364
Prepaid expenses and other	57	57
Income taxes receivable	234	132
Property, plant and equipment	4,764	4,645
Intangible assets	14,747	14,747
Goodwill	20,171	20,540
Trade and other payables	(4,615)	(4,786)
Income tax liabilities	(142)	—
Deferred and prepaid revenue and other liabilities	(374)	(615)
Deferred tax liabilities	(3,887)	(3,887)
Non-controlling interest	(462)	(462)
	41,000	41,000

The amount of goodwill, none of which is deductible for tax purposes, is mainly attributable to expected synergies to be achieved from integrating Métromedia with the Corporation's activities. The acquisition is an opportunity to diversify the Corporation's media activities and create a compelling new media offering for advertisers by combining radio and transit advertising.

In connection with this acquisition, the Corporation incurred acquisition-related costs of $0.3 million of which $0.1 million have been recognized in the current year as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statements of profit or loss.

Furthermore, on November 30, 2011, Cogeco Diffusion concluded an agreement for the sale of two of its four Quebec city FM radio stations, CJEC-FM and CFEL-FM, for a consideration of $4.5 million. On January 19, 2012, the CRTC approved the sale of CJEC-FM and CFEL-FM and the transaction was completed on January 30, 2012.

6. OPERATING EXPENSES

Years ended August 31,	**2013**	2012
(in thousands of Canadian dollars)	**$**	$
Salaries, employee benefits and outsourced services	**355,828**	274,902
Service delivery costs(1)	**513,378**	387,039
Customer related costs(2)	**73,323**	56,232
Other external purchases(3)	**94,302**	81,338
	1,036,831	799,511

(1) Includes cost of equipment sold, content and programming costs, payments to other carriers, data centre expenses, franchise fees and network costs.
(2) Includes advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.
(3) Includes office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees and other administrative expenses.

7. DEPRECIATION AND AMORTIZATION

Years ended August 31,	**2013**	2012
(in thousands of Canadian dollars)	**$**	$
Property, plant and equipment	**335,487**	258,533
Intangible assets	**52,788**	21,237
	388,275	279,770

8. FINANCIAL EXPENSE

Years ended August 31,	**2013**	2012
(in thousands of Canadian dollars)	**$**	$
Interest on long-term debt	**128,647**	64,959
Net foreign exchange losses	**1,920**	121
Amortization of deferred transaction costs	**3,075**	1,825
Capitalized borrowing costs (1)	**(3,866)**	(1,873)
Other	**4,237**	4,096
	134,013	69,128

(1) For the years ended August 31, 2013 and 2012, the weighted average interest rate used in the capitalization of borrowing costs was 6%.

9. INCOME TAXES

Years ended August 31,	**2013**	2012
(in thousands of Canadian dollars)	**$**	$
Current	**87,810**	88,104
Deferred	**(24,111)**	(6,489)
	63,699	81,615

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

Years ended August 31,	**2013**	2012
(in thousands of Canadian dollars)	**$**	$
Profit before income taxes	**253,476**	255,861
Combined income tax rate	**26.96%**	27.45%
Income tax expense at combined income tax rate	**68,337**	70,234
Adjustment for losses or profit subject to lower or higher tax rates	**1,003**	1,027
Increase in net deferred tax liabilities as a result of an increase in substantively enacted tax rate	**—**	11,716
Decrease in income taxes from changes in tax legislation on partnerships income	**—**	(3,450)
Income taxes arising from non-deductible expenses	**3,962**	1,262
Tax impacts related to investments in foreign operations	**(9,554)**	—
Changes in valuation allowance	**39**	—
Other	**(88)**	826
Income tax expense at effective income tax rate	**63,699**	81,615

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

At August 31,	**2013**	2012
(In thousands of Canadian dollars)	**$**	$
Property, plant and equipment	**(168,567)**	(88,707)
Intangible assets	**(402,580)**	(163,878)
Deferred and prepaid revenue	**4,735**	6,025
Partnerships income	**(53,629)**	(71,121)
Non-capital losses and other tax credit carryforwards, net of valuation allowance	**115,438**	9,677
Other	**3,766**	4,235
Net deferred tax liabilities	**(500,837)**	(303,769)
Financial statement presentation		
Deferred tax assets	**137,046**	29,184
Deferred tax liabilities	**(637,883)**	(332,953)
Net deferred tax liabilities	**(500,837)**	(303,769)

The movements in deferred tax asset and liability balances during fiscal 2013 and 2012 were as follows:

						Year ended August 31, 2013
	Balance beginning of the year	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisition through business combinations**	**Cumulative translation adjustment**	**Balance end of the year**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**	**$**
Property, plant and equipment	**(88,707)**	**13,334**	**—**	**(88,598)**	**(4,596)**	**(168,567)**
Intangible assets	**(163,878)**	**(861)**	**—**	**(225,065)**	**(12,776)**	**(402,580)**
Deferred and prepaid revenue	**6,025**	**(1,562)**	**—**	**166**	**106**	**4,735**
Partnerships income	**(71,121)**	**17,492**	**—**	**—**	**—**	**(53,629)**
Non-capital losses and other tax credits carryforwards, net of valuation allowance	**9,677**	**(4,360)**	**—**	**104,296**	**5,825**	**115,438**
Other	**4,235**	**68**	**(1,572)**	**1,128**	**(93)**	**3,766**
	(303,769)	**24,111**	**(1,572)**	**(208,073)**	**(11,534)**	**(500,837)**

						Year ended August 31, 2012
	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition through business combinations	Other	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$	$
Property, plant and equipment	(88,515)	(201)	—	9	—	(88,707)
Intangible assets	(154,519)	(5,059)	—	(4,300)	—	(163,878)
Deferred and prepaid revenue	5,682	612	—	(269)	—	6,025
Partnerships income	(86,801)	15,680	—	—	—	(71,121)
Non-capital losses and other tax credits carryforwards, net of valuation allowance	4,848	4,868	—	(39)	—	9,677
Other	11,949	(9,411)	1,739	—	(42)	4,235
	(307,356)	6,489	1,739	(4,599)	(42)	(303,769)

At August 31, 2013, the Corporation and its subsidiaries had accumulated federal income tax losses amounting to approximately $318.6 million , the benefits of which have been recognized in these financial statements. These losses expire as follows:

	2023	2024	2025	Thereafter	Total
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**
Canada	**—**	**—**	**—**	**37,479**	**37,479**
United States	**3,466**	**44,209**	**43,546**	**166,450**	**257,671**
United Kingdom(1)	**—**	**—**	**—**	**23,447**	**23,447**
	3,466	**44,209**	**43,546**	**227,376**	**318,597**

(1) Net tax losses in United Kingdom can be carried forward indefinitely to offset against profit of the same enterprise.

10. EARNINGS PER SHARE

The following table provides the reconciliation between basic and diluted earnings per share:

Years ended August 31	**2013**	2012
(In thousands of Canadian dollars, except number of shares and per share data)	**$**	$
Profit for the year from continuing operations attributable to owners of the Corporation	**64,088**	59,226
Profit for the year from discontinued operations attributable to owners of the Corporation	**—**	17,825
Profit for the year attributable to owners of the Corporation	**64,088**	77,051
Weighted average number of multiple and subordinate voting shares outstanding	**16,725,576**	16,724,063
Effect of dilutive incentive share units	**107,637**	109,945
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,833,213**	16,834,008
Earnings per share		
Basic		
Profit for the year from continuing operations	**3.83**	3.54
Profit for the year from discontinued operations	**—**	1.07
Profit for the year	**3.83**	4.61
Diluted		
Profit for the year from continuing operations	**3.81**	3.52
Profit for the year from discontinued operations	**—**	1.06
Profit for the year	**3.81**	4.58

11. OTHER ASSETS

At August 31, *(In thousands of Canadian dollars)*	**2013** $	2012 $
Transaction costs	**7,489**	4,984
Other	**3,557**	2,149
	11,046	7,133

12. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2013 and 2012, property, plant and equipment variations were as follows:

Years ended August 31, 2013 and 2012 *(In thousand of Canadian dollars)*	Land, buildings and leasehold improvements $	Network systems (1) $	Data centre equipment (2) $	Home terminal devices $	Rolling stock and equipment (3) $	Total $
Cost						
Balance at September 1, 2011	94,086	1,993,489	19,857	399,968	164,838	2,672,238
Acquisitions through business combinations	—	37	—	—	4,764	4,801
Other additions	10,161	238,700	10,183	71,261	32,277	362,582
Disposals	—	(4,461)	—	(6,621)	(277)	(11,359)
Other	305	—	—	—	(357)	(52)
Discontinued operations	(8,555)	(380,626)	—	(106,588)	(13,590)	(509,359)
Balance at August 31, 2012	**95,997**	**1,847,139**	**30,040**	**358,020**	**187,655**	**2,518,851**
Acquisitions through business combinations	**59,752**	**261,892**	**67,470**	**30,825**	**32,285**	**452,224**
Other additions	**35,873**	**227,084**	**45,728**	**45,172**	**38,998**	**392,855**
Disposals	**—**	**(11,766)**	**(2,226)**	**(5,418)**	**(3,311)**	**(22,721)**
Foreign currency translation adjustment	**1,901**	**16,405**	**3,229**	**2,169**	**1,997**	**25,701**
Balance at August 31, 2013	**193,523**	**2,340,754**	**144,241**	**430,768**	**257,624**	**3,366,910**
Accumulated depreciation and impairment losses						
Balance at September 1, 2011	26,408	1,022,655	2,360	268,669	79,895	1,399,987
Depreciation expense	3,963	136,942	5,088	88,369	24,171	258,533
Disposals	—	(3,687)	—	(4,881)	(240)	(8,808)
Discontinued operations	(5,118)	(354,980)	—	(102,776)	(11,891)	(474,765)
Balance at August 31, 2012	**25,253**	**800,930**	**7,448**	**249,381**	**91,935**	**1,174,947**
Depreciation expense	**8,610**	**197,299**	**25,481**	**69,567**	**34,530**	**335,487**
Disposals	**—**	**(10,605)**	**(2,205)**	**(4,223)**	**(3,125)**	**(20,158)**
Foreign currency translation adjustment	**65**	**963**	**365**	**224**	**151**	**1,768**
Balance at August 31, 2013	**33,928**	**988,587**	**31,089**	**314,949**	**123,491**	**1,492,044**
Carrying amounts						
At August 31, 2012	70,744	1,046,209	22,592	108,639	95,720	1,343,904
At August 31, 2013	**159,595**	**1,352,167**	**113,152**	**115,819**	**134,133**	**1,874,866**

(1) Network systems includes cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

(2) Data centre includes general infrastructure, mechanical and electrical equipment, security and access control. Servers that are included as part of the hosting product line are amortized on a straight-line basis over their expected useful life, which is three years.

(3) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software, assets held under finance lease, and other equipments.

13. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2013 and 2012, intangible assets variations were as follows:

	Finite useful life		Indefinite useful life			
Years ended August 31, 2013 and 2012	Customer relationships[1]	Others [2]	Cable Distribution Licenses	Broadcasting licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at September 1, 2011	72,508	41,829	967,000	79,918	—	1,161,255
Acquisition through a business combination	14,747	—	—	—	—	14,747
Other additions	—	14,787	—	—	—	14,787
Fully amortized	—	(10,627)	—	—	—	(10,627)
Balance at August 31, 2012	**87,255**	**45,989**	**967,000**	**79,918**	—	**1,180,162**
Acquisitions through business combinations	**263,146**	**867**	**566,353**	**—**	**25,723**	**856,089**
Other additions	**—**	**19,721**	**—**	**—**	—	**19,721**
Fully amortized	**—**	**(10,966)**	**—**	**—**	—	**(10,966)**
Foreign currency translation adjustment	**13,282**	**128**	**33,857**	**—**	—	**47,267**
Balance at August 31, 2013	**363,683**	**55,739**	**1,567,210**	**79,918**	**25,723**	**2,092,273**
Accumulated amortization and impairment losses						
Balance at September 1, 2011	14,871	20,865	—	—	—	35,736
Amortization expense	9,896	11,341	—	—	—	21,237
Fully amortized	—	(10,627)	—	—	—	(10,627)
Balance at August 31, 2012	**24,767**	**21,579**	**—**	**—**	**—**	**46,346**
Amortization expense	**39,733**	**13,055**	**—**	**—**	—	**52,788**
Fully amortized	**—**	**(10,966)**	**—**	**—**	—	**(10,966)**
Foreign currency translation adjustment	**520**	**4**	**—**	**—**	—	**524**
Balance at August 31, 2013	**65,020**	**23,672**	**—**	**—**	**—**	**88,692**
Carrying amounts						
At August 31, 2012	62,488	24,410	967,000	79,918	—	1,133,816
At August 31, 2013	**298,663**	**32,067**	**1,567,210**	**79,918**	**25,723**	**2,003,581**

(1) Customer relationships include long-term contractual agreements with customers and public transit corporations.

(2) Includes reconnect and additional service activation costs, direct and incremental costs associated with the acquisition of Enterprise service customers and favorable leases.

B) GOODWILL

During fiscal 2013 and 2012, goodwill variations were as follows:

Years ended August 31, 2013 and 2012	
(In thousands of Canadian dollars)	$
Cost	
Balance at September 1, 2011	551,349
Acquisitions through business combinations	23,396
Discontinued operations	(325,547)
Balance at August 31, 2012	**249,198**
Acquisitions through business combinations	**934,931**
Foreign currency translation adjustment	**47,011**
Balance at August 31, 2013	**1,231,140**
Accumulated impairment losses	
Balance at September 1, 2011	325,547
Discontinued operations	(325,547)
Balance at August 31, 2012	**—**
Foreign currency translation adjustment	**—**
Balance at August 31, 2013	**—**
Carrying amounts	
At August 31, 2012	249,198
At August 31, 2013	**1,231,140**

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The Corporation performs impairment tests annually, or more frequently when there is an indication that assets may be impaired, based on CGUs. For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows:

At August 31,					**2013**			2012
Industry segment	Group of CGUs	**Goodwill**	**Cable Distribution Licenses**	**Trade name**	**Broadcasting Licenses**	Goodwill	Cable Distribution Licenses	Broadcasting Licenses
(In thousands of Canadian dollars)		**$**	**$**	**$**	**$**	$	$	$
Canadian cable services	Ontario	**4,662**	**857,696**	**—**	**—**	4,662	857,696	—
	Quebec	**—**	**109,304**	**—**	**—**	—	109,304	—
American cable services	Miami	**113,668**	**196,911**	**—**	**—**	—	—	—
	South Carolina	**48,425**	**32,643**	**—**	**—**	—	—	—
	Pennsylvania	**325,726**	**327,483**	**—**	**—**	—	—	—
	Maryland/Delaware	**65,554**	**43,173**	**—**	**—**	—	—	—
Enterprise services	Canada	**308,425**	**—**	**25,723**	**—**	205,780	—	—
	United States	**263,153**	**—**	**—**	**—**	—	—	—
	Europe	**62,402**	**—**	**—**	**—**	—	—	—
Other	Radio broadcasting	**18,585**	**—**	**—**	**79,918**	18,585	—	79,918
	Advertising display	**20,540**	**—**	**—**	**—**	20,171	—	—
Total		**1,231,140**	**1,567,210**	**25,723**	**79,918**	249,198	967,000	79,918

At August 31, 2013 and 2012, the Corporation tested the carrying value of goodwill and intangible assets with indefinite useful lives for impairment. The recoverable amount of each CGU is calculated based on value in use. The value in use was determined using cash flow projections derived from financial projections covering a five-year period. They reflect management's expectations of revenue growth, expenses and margin for each CGU based on past experience. Cash flows beyond the five-year period have been extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profile of the individual CGUs. The recoverable amount of each CGU was determined to be higher than its carrying amount and no impairment loss has been recognized at August 31, 2013 and 2012.

The following key assumptions were used to determine the recoverable amounts in the most recent impairment tests performed at August 31, 2013 and 2012:

At August 31,		**2013**		2012	
Industry segment	Goup of CGUs	**Pre-tax discount rate**	**Perpetual growth rates**	Pre-tax discount rate	Perpetual growth rates
		%	**%**	%	%
Canadian cable services	Ontario	**10.9**	**2.0**	10.6	2.0
	Quebec	**11.0**	**2.0**	10.4	2.0
American cable services	Miami	**13.0**	**3.0**	—	—
	South Carolina	**13.0**	**3.0**	—	—
	Pennsylvania	**13.0**	**3.0**	—	—
	Maryland/Delaware	**13.0**	**3.0**	—	—
Enterprise services	Canada	**12.4**	**3.5**	11.0	6.0
	United States	**12.0**	**5.3**	—	—
	Europe	**11.3**	**4.5**	—	—

The following table presents, for each group of CGUs, the change in the discount rate and in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU at August 31, 2013:

		Increase in pre-tax discount rate	**Decrease in perpetual growth rates**
Group of CGUs		**%**	**%**
Canadian cable services	Ontario	**4.8**	**4.6**
	Quebec	**1.9**	**1.7**
American cable services	Miami	**2.1**	**2.0**
	South Carolina	**1.5**	**1.4**
	Pennsylvania	**1.6**	**1.5**
	Maryland/Delaware	**1.2**	**1.1**
Enterprise services	Canada	**1.1**	**1.0**
	United States	**1.4**	**1.0**
	Europe	**0.3**	**0.4**

14. PROVISIONS

During fiscal 2013, provisions variations were as follows:

Year ended August 31, 2013	Withholding and stamp taxes	Programming costs	Other	Total
(In thousands of Canadian dollars)	$	$	$	$
Balance at September 1, 2012	**6,199**	**3,168**	**1,200**	**10,567**
Acquisition through business combinations	**—**	**721**	**—**	**721**
Provisions made during the year	**760**	**2,120**	**2,816**	**5,696**
Provisions used during the year	**—**	**(1,606)**	**—**	**(1,606)**
Provisions reversed during the year	**—**	**(1,945)**	**(700)**	**(2,645)**
Foreign currency translation adjustment	**—**	**67**	**—**	**67**
Balance at August 31, 2013	**6,959**	**2,525**	**3,316**	**12,800**

The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of the Portuguese subsidiary by the Corporation. Pursuant to the completion of the sale of the Portuguese subsidiary (note 21), the Corporation remains responsible for these contingent liabilities up to a maximum amount of €5 million under the terms of the sale agreement.

The provisions for programming costs include provisions for rate increases as well as additional royalties or content costs as a result of periodical audits from service providers .

The other provisions include provisions for contractual obligations and other legal obligations.

15. LONG-TERM DEBT

At August 31,	Maturity	Interest rate		2013	2012
(In thousands of Canadian dollars, except percentage)		%		**$**	$
Parent Corporation					
Term Revolving Facility [a]					
Revolving loans	February 2017	2.97	(1)	**72,891**	73,848
Unsecured Notes [b]	November 2021	6.50		**34,707**	34,671
Finance leases	January 2017	3.23		**93**	118
Subsidiaries					
Term Revolving Facility [c]					
Revolving Facility – US$206 million	November 2017	1.93	(1) (2)	**216,918**	—
Revolving loan	November 2017	2.91		**219,561**	—
Secured Credit Facilities [d]					
Revolving Facility					
Revolving loan – £52.2 million	January 2017	2.24	(1)	**85,180**	—
Revolving loan – US$21.9 million	January 2017	1.93	(1)	**23,061**	—
UK Revolving Facility – £3.4 million	January 2017	2.25	(1)	**5,548**	—
Senior Secured Notes [e]					
Series A – US$190 million	October 2015	7.00	(3)	**199,349**	186,244
Series B	October 2018	7.60		**54,672**	54,619
Senior Secured Notes - US$215 million [f]	June 2025	4.30		**224,872**	—
Senior Secured Debentures Series 1 [g]	June 2014	5.95		**—**	298,694
Senior Secured Debentures Series 2 [h]	November 2020	5.15		**198,686**	198,539
Senior Secured Debentures Series 3 [i]	February 2022	4.93		**198,379**	198,249
Senior Secured Debentures Series 4 [j]	May 2023	4.18		**296,989**	—
Senior Unsecured Debenture [k]	March 2018	5.94		**99,829**	99,850
Senior Unsecured Notes – US$400 million [l]	May 2020	4.88		**413,674**	—
First Lien Credit Facilities [m]					
Term Loan A Facility – US$190 million	November 2017	2.56	(1)	**195,193**	—
Term Loan B Facility – US$416.85 million	November 2019	3.25	(1)	**423,528**	—
Revolving Facility – US$33 million	November 2017	2.62	(1)	**34,749**	—
Finance leases	March 2013 to January 2015	3.38	(4)	**2,077**	837
				2,999,956	1,145,669
Less current portion				**15,216**	855
				2,984,740	1,144,814

(1) Interest rate on debt at August 31, 2013, including applicable margin.

(2) Interest rate swap agreements have resulted in an effective interest rate of 2.15% at August 31, 2013 on a notional amount of US$200 million, including applicable margin.

(3) Cross-currency swap agreements have resulted in an effective interest rate of 7.24% on the Canadian dollar equivalent of the US denominated debt.

(4) Weighted average interest rate on finance leases.

a) The Corporation benefits from a four-year Term Revolving Facility of $100 million credit facility, including a swingline limit of $7.5 million, in the form of a four-year Term Revolving Facility. The Term Revolving Facility was supposed to originally mature on February 1, 2016. On November 30, 2012, the Corporation amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by an additional year and consequently, the Term Revolving Facility will mature on February 1, 2017. The Term Revolving Facility can be repaid at any time without penalty and is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries, excluding Cogeco Cable Inc and its subsidiaries. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense, and total indebtedness. The Term Revolving Facility bears interest, at the Corporation's option, on bankers' acceptance, LIBOR US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion.

b) On November 7, 2011, the Corporation completed, pursuant to a private placement, the issue of 6.50% Unsecured Notes for a total of $35 million maturing November 7, 2021. Interest on these Notes is payable semi-annually in arrears on November 7 and May 7 of each year commencing May 7, 2012.

c) On November 22, 2011, Cogeco Cable Inc., renewed its credit agreement for a $750 million credit facility, with an option to increase to a total amount of up to $1 billion, subject to lenders' participation, in the form of a five-year Term Revolving Facility, which may be extended by additional one-year periods on an annual basis, subject to lenders' approval. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility was supposed to originally mature on November 22, 2016. On October 26, 2012 , the Cogeco Cable Inc. amended its Term Revolving Facility to extend the maturity by an additional year and consequently, the Term Revolving Facility will mature on November 22, 2017. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus the applicable margin.The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Cable Inc. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness. At August 31, 2013 and 2012, Cogeco Cable Inc. was in compliance with all of its covenants.

On July 5, 2013, the Corporation's subsidiary, Cogeco Cable Inc., reduced its Term Revolving Facility from $750 million to $600 million.

d) As a result of the acquisition of PEER 1 on January 31, 2013, the Corporation's subsidiary, Cogeco Cable Inc., concluded Secured Credit Facilities totaling approximately $650 million with a syndicate of lenders in four tranches for net proceeds of $640.3 million net of transaction costs of $2.8 million. The first tranche, a Canadian Term Facility amounted to $175 million, the second tranche, a US Term Facility amounted to US$225 million, the third tranche, a Revolving Facility of $240 million and the fourth tranche, a UK Revolving Facility of £7 million. The Revolving Facility is available in Canadian dollars, US dollars, British Pounds and Euros and interest rates are based on bankers' acceptance, LIBOR loans in US dollars, British Pounds or Euros, prime rate loans or base rate loans in US dollars, plus the applicable margin. The UK Revolving Facility is available in British Pounds and interest rates are based on British Pounds base rate loans or British Pounds LIBOR loans. The Secured Credit Facilities will mature on January 27, 2017. The Secured Credit Facilities are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and most of its subsidiaries excluding Atlantic Broadband and its subsidiaries and certain other immaterial subsidiaries (the "unrestricted subsidiaries"), and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under the facilities provide for restrictions on the operations and activities of Cogeco Cable but do not cover the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness.

On April 23, 2013, Cogeco Cable reimbursed the Canadian Term Facility amounting to $175 million and the US Term Facility amounting to US$225 million.

On July 5, 2013, Cogeco Cable reduced the Revolving Facility of its Secured Credit Facilities from $240 million to $190 million.

e) On October 1, 2008, the Corporation's subsidiary, Cogeco Cable Inc., issued US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. Cogeco Cable Inc. has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US$190 million, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiaries. The notes are redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

f) On June 27, 2013, the Corporation's subsidiary, Cogeco Cable Inc., completed, pursuant to a private placement, the issuance of US $215 million ($225.3 million) Senior Secured Notes net of transaction costs of $1.5 million, for net proceeds of $223.8 million. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2015. The Senior Secured Notes are redeemable at the Coporation's option at any time, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiaries.

g) On June 9, 2009, the Corporation's subsidiary, Cogeco Cable Inc., completed, pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 1. The Senior Secured Debentures Series 1 were redeemable at the Corporation's option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.875%. These debentures were to mature on June 9, 2014 and bore interest at 5.95% per annum, payable semi-annually. These debentures were indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiaries.

On July 29, 2013, Cogeco Cable repaid all the outstanding $300 million of Senior Secured Debentures Series 1 and consequently paid a make-whole premium of $10.2 million on the early repayment of these debentures.

h) On November 16, 2010, the Corporation's subsidiary, Cogeco Cable Inc., completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiaries.

i) On February 14, 2012, the Corporation's subsidiary, Cogeco Cable Inc., completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 3 net of transaction costs of $1.9 million, for net proceeds of $198.1 million. These debentures mature on February 14, 2022 and bear interest at 4.925% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiairies.

j) On May 27, 2013, the Corporation's subsidiary, Cogeco Cable Inc, completed pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 4 for net proceeds of $296.9 million net of transaction costs of $3.1 million. These debentures mature on May 26, 2023 and bear interest at 4.175% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

k) On March 5, 2008, the Corporation's subsidiary, Cogeco Cable Inc., issued a $100 million Senior Unsecured Debenture by way of a private placement. The debenture bears interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture matures on March 5, 2018 and is redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

l) On April 23, 2013, the Corporation's subsidiary, Cogeco Cable Inc., completed a private placement of US$400 million ($410.4 million) aggregate principal amount of Senior Unsecured Notes for net proceeds of $402.5 million net of transaction costs of $7.9 million. These notes mature on May 1, 2020 and bear interest at 4.875% per annum payable semi-annually. They are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments and distributions.

m) In connection with the acquisition of Atlantic Broadband on November 30, 2012, the Corporation's subsidiary, Cogeco Cable Inc., concluded, through two of its US subsidiaries, First Lien Credit Facilities totaling US$710 million in three tranches for net proceeds of US$641.5 million net of transaction costs of US$18.5 million. The first tranche, a Term Loan A Facility will mature on November 30, 2017, the second tranche, a Term Loan B Facility will mature on November 30, 2019 and the third tranche, a Revolving Credit Facility will mature on November 30, 2017. Effective on December 31, 2013, the Term Loan A Facility is subject to quarterly amortization of US$3 million in the first year, US$6 million in the second year and US$7.2 million in the third and fourth years. Effective on December 31, 2012, the Term Loan B Facility is subject to quarterly amortization of 0.25% until its maturity date. In addition to the fixed amortization schedule and commencing in the first quarter of fiscal 2015, loans under the Term Loan Facilities shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year defined as follows:

(i) 50% if the Consolidated First Lien Leverage Ratio is greater than or equal to 4.00 to 1.00;
(ii) 25% if the Consolidated First Lien Leverage Ratio is greater than or equal to 3.00 to 1.00 but less than 4.00 to 1.00; and
(iii) 0% if the Consolidated First Lien Leverage Ratio is less than 3.00 to 1.00.

The First Lien Credit Facilities are non-recourse to Cogeco Cable and its Canadian subsidiaries and PEER 1's subsidiaries and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

On May 28, 2013, the First Lien Credit Facilities were amended. Pursuant to the amendment, US$50 million of the Term Loan A Facility was converted into the Revolving Facility resulting in amounts borrowed under the two tranches of US$190 million and of US$100 million, respectively, while the Term Loan B Facility remained the same. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor for the Term Loan B Facility. The applicable margin was reduced by 0.625% for the Revolving Facility and for the Term Loan A Facility and by 1.00% for the Term Loan B Facility. In addition, the LIBOR floor for the Term Loan B Facility was reduced from 1.00% to 0.75%. All other terms and conditions remained the same. In connection with the amendment, transaction costs of US$6.2 million were incurred.

16. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

At August 31,	2013	2012
(In thousands of Canadian dollars, except number of shares)	**$**	$
1,842,860 multiple voting shares	**12**	12
14,989,338 subordinate voting shares	**121,976**	121,976
	121,988	121,988
107,124 subordinate voting shares held in trust under the Incentive Share Unit Plan (112,471 at August 31, 2012)	**(4,219)**	(4,052)
	117,769	117,936

During fiscal 2013 and 2012, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		2013		2012
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**112,471**	**4,052**	95,733	2,670
Subordinate voting shares acquired	**35,630**	**1,201**	35,542	1,740
Subordinate voting shares distributed to employees	**(40,977)**	**(1,034)**	(17,702)	(325)
Subordinate voting shares sold	**—**	**—**	(1,102)	(33)
Balance, end of the year	**107,124**	**4,219**	112,471	4,052

C) DIVIDENDS

For the year ended August 31, 2013, quarterly dividends of $0.19 per share, for a total of $0.76 per share were paid to the shareholders of multiple and subordinate voting shares, totalling $12.7 million , compared to quarterly dividends of $0.18 per share, for a total of $0.72 per share, or $12 million for the year before.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Cable Inc., offer for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans and Stock Option Plans for certain senior executives and key employees of the Corporation. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation and its subsidiary , Cogeco Cables Inc., offer Incentive Share Unit Plans (“ISU Plans”) for senior executives and designated employees of the Corporation and Deferred Share Unit Plans (“DSU Plans”) for members of the Board of Directors of the Corporation and its subsidiary.

Stock purchase plans

The Corporation and its subsidiary, Cogeco Cable inc., offer for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans, which are accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation and its subsidiary contributes 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer for the benefit of certain executives Stock Options Plans. Under the plans' conditions, the minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options granted after September 1, 2009, vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. Prior to September 1, 2009, options granted vest at the rate of 20% per year beginning the day such options were granted and were exercisable over ten years.

A total of 1,545,700 subordinate voting shares are reserved, for the purpose of COGECO Inc.'s Stock Option Plan. During fiscal year 2013 and 2012, no stock options were granted to employees by COGECO Inc. and no stock options were outstanding at August 31, 2013 and 2012.

A total of 2,400,000 subordinate voting shares are reserved for the purpose of Cogeco Cable Inc.'s Stock Option Plan. For the year ended August 31, 2013, Cogeco Cable Inc. granted 223,942 stock options (91,961 in 2012) with an exercise price ranging from $38.08 to $49.40 ($48.02 to $48.15 in 2012). As a result, a compensation expense of $794,000 ($657,000 in 2012) was recorded for the year ended August 31, 2013. Under the Stock Option Plan of Cogeco Cable Inc., the following options were granted and are outstanding at August 31:

Years ended August 31,		**2013**		2012
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the year	**609,686**	**34.80**	564,377	32.30
Granted	**223,942**	**39.96**	91,961	48.03
Exercised(1)	**(88,115)**	**26.92**	(43,852)	29.52
Cancelled	**(20,420)**	**42.18**	(2,800)	48.02
Balance, end of the year	**725,093**	**37.14**	609,686	34.80
Exercisable, end of the year	**382,676**	**33.68**	410,443	31.64

(1) The weighted average share price for options exercised during the period was $47.22 ($49.48 in 2012).

At August 31, 2013, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

			Options outstanding		**Options exercisable**
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
$			**$**		**$**
21.50 to 26.63	**151,579**	**2.73**	**25.63**	**151,579**	**25.63**
29.05 to 34.46	**147,194**	**4.92**	**32.14**	**125,222**	**32.19**
38.08 to 44.70	**256,485**	**8.72**	**39.13**	**25,389**	**39.45**
45.59 to 49.82	**169,835**	**6.87**	**48.75**	**80,486**	**49.33**
	725,093	**6.26**	**37.14**	**382,676**	**33.68**

The weighted average fair value of stock options granted for the period ended August 31, 2013 was $8.00 ($11.30 in 2012) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

Years ended August 31,	**2013**	2012
	%	%
Expected dividend yield	**2.56**	1.66
Expected volatility(1)	**26.49**	26.85
Risk-free interest rate	**1.53**	1.74
Expected life (in years)	**6.2**	6.1

(1) The expected volatility is based on the historical volatility of Cogeco Cable inc.'s subordinate voting shares for a period equivalent to the expected life of the options.

ISU plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer senior executives and designated employees ISU Plans. According to the plans, senior executives and designated employees periodically receive a given number of Incentive Share Units (“ISUs”) which entitle the participants to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. For the year ended August 31, 2013, the Corporation and Cogeco Cable Inc. granted 35,630 (35,542 in 2012) ISUs and 112,347 (60,479 in 2012) ISUs, respectively. The Corporation and Cogeco Cable Inc. establish the value of the compensation related to the ISUs granted based on the fair value of the subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation. The Corporation and its subsidiary instructed the trustee to purchase 35,630 and 101,047 (35,542 and 61,815 in 2012) subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares were purchased for cash consideration aggregating $1,201,000 and $4,076,000 ($1,740,000 and $3,049,000 in 2012) and are held in trusts for the participants until they are fully vested. The trusts, considered as a special purpose entity, are consolidated in the Corporation’s financial statements with the value of the acquired shares presented as subordinate voting shares held in trust under the ISU Plans in reduction of share capital or non-controlling interest. A compensation expense of $3,918,000 ($3,017,000 in 2012) was recorded for the year ended August 31, 2013 related to this plan.

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at August 31:

Years ended August 31,	**2013**	2012
Outstanding, beginning of the year	**112,471**	95,733
Granted	**35,630**	35,542
Distributed	**(40,977)**	(17,702)
Cancelled	**—**	(1,102)
Outstanding, end of the year	**107,124**	112,471

Under the ISU Plan of Cogeco Cable Inc., the following ISUs were granted and are outstanding at August 31:

Years ended August 31,	**2013**	2012
Outstanding, beginning of the year	**149,802**	105,064
Granted	**112,347**	60,479
Distributed	**(44,141)**	(2,000)
Cancelled	**(8,400)**	(13,741)
Outstanding, end of the year	**209,608**	149,802

DSU plans

The Corporation and its subsidiary, Cogeco Cable Inc., also offers a DSU Plan for members of the Board of Directors to assist in the attraction and retention of qualified individuals to serve on the Board of Directors ("Board") of the Corporation and its subsidiary. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("DSUs") with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding the date preceding by one day the date of grant. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of the member. For the year ended August 31, 2013, the Corporation and its subsidiary issued, respectively, 8,139 and 5,573 (6,435 and 4,446 in 2012) DSUs to the participants in connection with the DSU Plans. A compensation expense of $903,000 (a reduction of expense $161,000 in 2012) was recorded for the year ended August 31, 2013 for the liability related to this plan.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at August 31:

Years ended August 31,	**2013**	2012
Outstanding, beginning of the year	**29,312**	22,415
Issued	**8,139**	6,435
Redeemed	**(7,174)**	—
Dividend equivalents	**577**	462
Outstanding, end of the year	**30,854**	29,312

Under the DSU Plan of Cogeco Cable Inc., the following DSUs were issued and are outstanding at August 31:

Years ended August 31,	**2013**	2012
Outstanding, beginning of the year	**20,491**	15,608
Issued	**5,573**	4,446
Redeemed	**(2,868)**	—
Dividend equivalents	**549**	437
Outstanding, end of the year	**23,745**	20,491

17. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2013 and 2012, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2013 and 2012	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
Balance at September 1, 2011	648	6,642	7,290
Other comprehensive income (loss)	357	(6,611)	(6,254)
Balance at August 31, 2012	**1,005**	**31**	**1,036**
Other comprehensive income (loss)	**(159)**	**5,668**	5,509
Balance at August 31, 2013	**846**	**5,699**	**6,545**

18. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

At August 31,	**2013**	2012
(in thousands of Canadian dollars)	**$**	$
Trade and other receivables	**(5,530)**	607
Prepaid expenses and other	**4,081**	(1,319)
Trade and other payables	**(23,829)**	5,503
Provisions	**(732)**	(4,203)
Deferred and prepaid revenue and other liabilities	**4,460**	(4,067)
	(21,550)	(3,479)

B) CASH AND CASH EQUIVALENTS

At August 31,	**2013**	2012
(in thousands of Canadian dollars)	**$**	$
Cash	**43,793**	65,574
Cash equivalents(1)	**—**	149,949
	43,793	215,523

(1) At August 31, 2012, Banker's acceptances for a total of $149.9 million, bearing interest of 1.10% with maturity dates ranging from September 4, 2012 to September 17, 2012.

19. EMPLOYEE BENEFITS

The Corporation and certain of its subsidiaries offer to their employees contributory defined benefit pension plans, defined contribution pension plans or collective registered retirement savings plans. With respect to the defined contribution pension plans and the collective registered retirement savings plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's portion. Expenses related to the defined contribution plans and the collective registered retirement savings plans amounted to $8,217,000 in fiscal 2013 ($6,663,000 in 2012).

The Corporation and certain of its subsidiaries sponsor defined benefit pension plans for the benefit of its employees and separate defined benefit pension plans for the benefit of its senior executives, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to its senior executives supplementary pension plans. The Corporation measures plan assets at fair value and the accrued benefit obligation at August 31 of each year for all plans. The most recent actuarial valuation for the pension plan for the benefit of the employees was at August 31, 2012 and the next required valuation is at August 31, 2013. For the senior executives' plans, the most recent actuarial valuation was at August 31, 2011 and the next required valuation will be at August 31, 2014.

The total cash amount paid or payable for employee future benefits for all plans, consisting of cash contributed by the Corporation and its subsidiaries to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plans, totaled $13,072,000 for the year ended August 31, 2013 ($10,798,000 in 2012).

The following table provides a reconciliation of the change in the plan benefit obligations and plan assets at fair value and a statement of the funded status at August 31:

Years ended August 31,	2013	2012
(In thousands of Canadian dollars)	**$**	$
Accrued benefit obligation		
Accrued benefit obligation, beginning of the year	**66,833**	54,463
Current service cost	**3,412**	2,431
Past service cost	**—**	668
Interest cost	**2,727**	2,693
Contributions by plan participants	**419**	415
Benefits paid	**(1,520)**	(1,382)
Actuarial loss (gain) on obligation recognized in equity	**(1,778)**	7,545
Accrued benefit obligation, end of the year	**70,093**	66,833
Plan assets at fair value		
Plan assets at fair value, beginning of the year	**35,120**	22,951
Expected return on plan assets	**1,618**	1,347
Difference between expected and actual return on plan assets recognized in equity	**3,282**	(519)
Contributions by plan participants	**419**	415
Employer contributions	**12,068**	12,308
Benefits paid	**(1,520)**	(1,382)
Plan assets at fair value, end of the year	**50,987**	35,120
Funded status		
Plan assets at fair value	**50,987**	35,120
Accrued benefit obligation	**70,093**	66,833
Plan deficit	**19,106**	31,713
Unamortized past service cost	**(12)**	(346)
Net accrued benefit liability	**19,094**	31,367

The accrued net benefit liability is included in the Corporation's statement of financial position under “Pension plan liabilities and accrued employee benefits”.

Years ended August 31,	2013	2012
(In thousands of Canadian dollars)	**$**	$
Defined benefit pension costs		
Current service cost	**3,412**	2,431
Past service cost	**334**	358
Interest cost	**2,727**	2,693
Expected return on plan assets	**(1,618)**	(1,347)
Net benefit cost	**4,855**	4,135

The expected employer contributions to the Corporation's defined benefit pension plans will be $10,673,000 in 2014.

Plan assets consist of:

At August 31,	2013	2012
	%	%
Equity securities	**64**	61
Debt securities	**29**	29
Other	**7**	10
Total	**100**	100

The significant weighted average assumptions used in measuring the Corporation's pension and other obligations are as follows:

At August 31,	**2013**	2012
	%	%
Accrued benefit obligation		
Discount rate	**4.50**	3.90
Rate of compensation increase	**3.00**	3.00
Defined benefit pension costs		
Discount rate	**3.90**	4.70
Expected long-term rate of return on plan assets	**4.50**	6.00
Rate of compensation increase	**3.00**	3.00

20. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Credit risk

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

Credit risk from derivative financial instruments arises from the possibility that counterparties to the cross-currency swaps and interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2013, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is “A” by Standard & Poor's rating services (“S&P”) and “AA (low)” by Dominion Bond Rating Services (“DBRS”).

Cash and cash equivalents consist mainly of highly liquid money market short-term investments The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. At August 31, 2013, management believes that the credit risk relating to its short-term investments is minimal, since the credit rating related to such investment is “A-1 +” by S&P.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At August 31, 2013 and August 31, 2012, no customer balance represented a significant portion of the Corporation's consolidated trade accounts receivable. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada, the United States and Europe, there is no significant concentration of credit risk.

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

At August 31,	**2013**	2012
(In thousands of Canadian dollars)	**$**	$
Trade accounts receivable	**112,018**	95,170
Allowance for doubtful accounts	**(4,687)**	(4,156)
	107,331	91,014
Other accounts receivable	**10,981**	7,613
	118,312	98,627

Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of the Corporation's customers are billed and pay before their services are rendered. The Corporation considers amount outstanding at the due date as trade accounts receivable past due. The following table provides further details on trade accounts receivable past due net of allowance for doubtful accounts at August 31, 2013 and 2012:

At August 31,	**2013**	2012
(In thousands of Canadian dollars)	**$**	$
Less than 60 days overdue	**44,161**	23,906
60 to 90 days overdue	**4,062**	2,828
More than 90 days overdue	**2,860**	1,745
	51,083	28,479

The following table shows changes in the allowance for doubtful accounts for the year ended August 31, 2013 and 2012:

	2013	2012
(In thousands of Canadian dollars)	**$**	$
Balance, beginning of the year	**4,156**	8,725
Provision for impaired receivables	**27,118**	25,440
Reversal of provision for amounts collected	**(5,903)**	(4,778)
Amounts written off as uncollectible	**(20,754)**	(21,330)
Foreign currency translation adjustment	**70**	—
Discontinued operations	**—**	(3,901)
Balance, end of the year	**4,687**	4,156

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2013, the available amount under the Corporation's Term Revolving Facility and Cogeco Cable Inc.'s revolving credit facilities was $260.7 million. Management believes that the committed revolving credit facilities will, until their maturities in January, February and November 2017, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. Two subsidiaries of Cogeco Cable Inc. also benefit from a Revolving Facility of US$100 million related to the acquisition of Atlantic Broadband, of which US$34.1 million ($35.8 million) was used at August 31, 2013.

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2013:

		Contractual cash flows						
(In thousands of Canadian dollars)	Carrying amount $	2014 $	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
Bank indebtedness	**13,166**	**13,166**	**—**	**—**	**—**	**—**	**—**	**13,166**
Trade and other payables(1)	**263,421**	**263,421**	**—**	**—**	**—**	**—**	**—**	**263,421**
Long-term debt(2)	**2,997,786**	**13,900**	**26,536**	**233,555**	**221,538**	**685,180**	**1,854,425**	**3,035,134**
Balance due on a business combination	**2,000**	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Other liabilities	**2,163**	**—**	**1,253**	**1,253**	**1,253**	**48**	**—**	**3,807**
Derivative financial instruments	**(833)**	**—**	**—**	**1,805**	**—**	**—**	**—**	**1,805**
Finance leases(3)	**2,170**	**1,369**	**820**	**29**	**12**	**—**	**—**	**2,230**
	3,279,873	**293,856**	**28,609**	**236,642**	**222,803**	**685,228**	**1,854,425**	**3,321,563**

(1) Excluding accrued interest.
(2) Principal excluding finance leases.
(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on finance leases) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at August 31, 2013 and their respective maturities:

	2014	2015	2016	2017	2018	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on long-term debt	**124,756**	**124,192**	**116,362**	**105,726**	**92,518**	**261,186**	**824,740**
Interest receipts on derivative financial instruments	**(14,393)**	**(14,360)**	**(7,002)**	**—**	**—**	**—**	**(35,755)**
Interest payments on derivative financial instruments	**15,448**	**15,379**	**7,307**	**—**	**—**	**—**	**38,134**
	125,811	**125,211**	**116,667**	**105,726**	**92,518**	**261,186**	**827,119**

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2013, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Revolving Facilities and Term Facilities. To mitigate such risk, the Corporation has entered on July 22, 2013 into interest rate swap agreements to fix the interest rate on US$200 million of its LIBOR based loans. These agreements have the effect of converting the US LIBOR base rate at an average fixed rate of 0.39625% under the Term Revolving Facility until July 25, 2015. The Corporation elected to apply hedge accounting on these derivative financial instruments. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Revolving Facilities and Term Facilities is approximately $8.4 million based on the outstanding debt at August 31, 2013.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollars net investments. In order to mitigate this risk, the Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Corporation's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Corporation elected to apply cash flow hedge accounting on these derivative financial instruments. The impact of a 10% change in the exchange rate of the US dollar and British Pounds into Canadian dollars would change financial expense by approximately $5.8 million based on the outstanding debt at August 31, 2013.

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and trade and other payables denominated in US dollars, Euros or British Pounds. The Corporation's exposure to foreign currency risk is as follows:

At August 31,	**2013**			2012	
	US	**Euros**	**British Pounds**	US	Euros
(In thousands of Canadian dollars)	**$**	**$**	**$**	$	$
Financial assets (liabilities)					
Cash and cash equivalents	**7,536**	**1,171**	**257**	3,630	1,243
Trade and other payables and provisions	**(16,554)**	**(6,933)**	**—**	(21,569)	(7,068)
	(9,018)	**(5,762)**	**257**	(17,939)	(5,825)

Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% fluctuation in the foreign exchange rates (US dollar, Euro and British Pound) would change financial expense by approximately $1.5 million.

Furthermore, Cogeco Cable Inc.'s net investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk was mitigated since the major part of the purchase prices for Atlantic Broadband and PEER 1 were borrowed directly in US dollars and British Pounds. At August 31, 2013, the net investment for Atlantic Broadband and for PEER 1 amounted to US$1.1 billion and £72.6 million while long-term debt hedging these net investments were US$842.9 million and £55.6 million.The exchange rate used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at August 31, 2013 was $1.0530 per US dollar and $1.6318 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $28.0 million.

Fair value of financial instruments

Fair value is the amount at which willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for debts of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

a) The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables and balance due on business combinations approximates fair value because of the short-term nature of these instruments.

b) Interest rates under the terms of the Corporation's term and revolving facilities are based on Bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US or British Pounds base rate loan plus applicable margin. Therefore, the carrying value approximates fair value for the term and revolving facilities, since these facilities have conditions similar to those currently available to the Corporation.

c) The fair value of the Senior Secured Debentures Series 1, 2, 3 and 4, Senior Secured Notes Series A and B, Senior Secured Notes, Unsecured Notes, Senior Unsecured Notes and Senior Unsecured Debenture are based upon current trading values for similar financial instruments.

d) The fair values of finance leases are not significantly different from their carrying amounts.

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

At August 31,		**2013**		2012
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Long-term debt	**2,999,956**	**3,039,908**	1,145,669	1,228,324

All financial instruments recognized at fair value on the consolidated statement of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

B) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debts using cash generated by operations and the level of distribution to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, bank indebtedness, long-term debt, balance due on business combinations and assets or liabilities related to derivative financial instruments.

The provisions of the financing agreements provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the incurrence and maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense and total indebtedness. At August 31, 2013 and August 31, 2012 the Corporation and its subsidiaries were in compliance with all of their debt covenants and were not subject to any other externally imposed capital requirements.

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

Years ended August 31,	**2013**	2012
Net senior indebtedness(1)(2) / operating income before depreciation and amortization(3)	**2.7**	1.3
Net indebtedness(2)(4) / operating income before depreciation and amortization(3)	**3.4**	1.6
Operating income before depreciation and amortization(3) / financial expense(3)	**6.2**	8.8

(1) Net senior indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Unsecured Notes, Senior Unsecured Debenture and Senior Unsecured Notes.
(2) Excluding Atlantic Broadband's cash and cash equivalents and non-recourse First Lien Credit Facilities at August 31, 2013.
(3) Calculation based on operating income before depreciation and amortization and financial expense for the twelve-month period ended August 31, 2013 and August 31, 2012 excluding Atlantic Broadband and including PEER 1 results for the seven-month period ended August 31, 2013.
(4) Net indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt, balance due on business combinations and obligations under derivative financial instruments, less cash and cash equivalents.

C) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	**2013**	2012
(In thousands of Canadian dollars)	**$**	$
Financial assets		
Loans and receivable	**162,105**	314,150
Derivative instruments in designated hedge accounting relationships	**833**	—
	162,938	314,150
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**—**	11,668
Other liabilities	**3,309,136**	1,408,632
	3,309,136	1,420,300

21. DISPOSAL OF SUBSIDIARY AND DISCONTINUED OPERATIONS

On February 29, 2012, the Corporation's subsidiary, Cogeco Cable Inc., completed the sale of its Portuguese subsidiary, Cabovisão – Televisão por Cabo, S.A. As a result of the sale and in accordance with *IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations*, Cogeco Cable reclassified the prior year results and cash flows of these operations, up to the date of disposal, as discontinued operations.

The profit or loss of the discontinued operations for the year ended August 31, 2012 were as follows:

(In thousands of Canadian dollars)	$
Revenue	80,546
Operating expenses	70,247
Depreciation and amortization	2,814
Operating income	7,485
Financial income	155
Gain on disposal	48,215
Profit before income taxes	55,855
Income taxes	409
Profit for the period	55,446

The cash flows of the discontinued operations for the year ended August 31, 2012 were as follows:

(In thousands of Canadian dollars)	$
Net cash flows from operating activities	13,637
Net cash flows from investing activities	36,826
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(866)
Net increase in cash and cash equivalents	49,597

22. RELATED PARTY TRANSACTIONS

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board of Directors and of the Management Committee of the Corporation. The compensation paid or payable to key management personnel for employee services is as follows:

Years ended August 31,	**2013**	2012
(In thousands of Canadian dollars)	**$**	$
Salaries and other short-term employee benefits	**5,802**	4,162
Post-employment benefits	**1,287**	1,127
Share-based payments	**2,206**	2,565
	9,295	7,854

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2013, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2014	2015	2016	2017	2018	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Operating lease agreements(1)	**35,567**	**35,326**	**33,095**	**30,244**	**28,401**	**93,447**
Other long-term contracts(2)	**30,352**	**20,499**	**13,904**	**10,257**	**9,308**	**35,825**
	65,919	**55,825**	**46,999**	**40,501**	**37,709**	**129,272**

(1) Include operating lease agreements for rent premises and support structures.
(2) Include long-term commitments with suppliers to provide services including minimum spend commitments.

B) CONTINGENCIES

The Corporation and its subsidiaries are involved in matters involving litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigation to be significant to these financial statements.

C) GUARANTEES

In the normal course of business, the Corporation enters into agreements containing features that meet the criteria of a guarantee including the following:

Business combinations and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation and its subsidiaries have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will in certain circumstances be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors' and officers' liability insurance with a deductible per loss. At August 31, 2013 and 2012, no liability has been recorded with respect to these indemnifications, except for those disclosed in note 14.

Long-term debt

Under the terms of Cogeco Cable's Senior Secured Notes, the cable subsidiary has agreed to indemnify the other parties against changes in regulations relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents Cogeco Cable from estimating the maximum potential liability it could be required to pay. At August 31, 2013 and 2012, no liability has been recorded with respect to these indemnifications.

Employees and contractuals indemnification agreements

The Corporation's subsidiary, Cogeco Diffusion, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss. At August 31, 2013 and 2012, no liability has been recorded with respect to these indemnifications.

24. NON-MONETARY TRANSACTIONS

During fiscal year 2013, the Corporation's subsidiary, Cogeco Diffusion Acquisition Inc., has entered into non-monetary transactions. An amount of $6,432,000 ($5,716,000 in 2012) of revenue and $7,054,000 ($6,384,000 in 2012) of operating expenses were recorded.

25. GOVERNMENT ASSISTANCE

In 2013 and 2012, the Corporation's subsidiary, Cogeco Cable Inc., recorded tax credits related to research and development costs in the amount of $690,000 and $1,144,000, respectively. These credits were accounted as a reduction of operating expense in 2013 and as a reduction of property, plant and equipment and operating expense for amounts of $382,000 and $762,000, respectively, in 2012.

INVESTOR INFORMATION

CONSOLIDATED CAPITALIZATION

At August 31,	2013	2012	2011
(in thousands of dollars)	**$**	$	$
Indebtedness(1)	**3,054,275**	1,180,971	1,056,214
Shareholders' equity	**457,285**	397,799	343,525
Total	**3,511,560**	1,578,770	1,399,739

(1) Indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt, balance due on business combinations and obligations under derivative financial instruments.

CREDIT RATINGS

COGECO CABLE CREDIT RATINGS

On August 23, 2013, Dominion Bond Rating Service ("DBRS") confirmed their ratings on the Senior Secured Debentures and Notes to "BBB (low)", on the Senior Unsecured Notes to BB and confirmed the Issuer Rating of BB (high). The "BBB (low)" rating is one notch above the Issuer ratings of "BB (high)" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as of adequate credit quality, where the degree of protection afforded interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. DBRS has assigned a recovery rating of "RR1" to Cogeco Cable's Senior Secured Debentures and Notes reflecting the likelihood that holders would recover 100% of principal in the event of payment default. Obligations rated in the "BB" category are speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain and vulnerable to future events. DBRS has assigned a recovery rating of "RR5" to Cogeco Cable's Senior Unsecured Notes reflecting the likelihood that holders would recover 10% to 30% of their value in a default scenario.

On April 15, 2013, Standard & Poor's Ratings Services ("S&P") confirmed their ratings on the Senior Secured Debentures and Notes to "BBB" and the corporate credit rating to "BB+". The "BBB" rating is two notches above the corporate credit ratings of "BB+" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as investment-grade. Such obligations show adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The ratings may be modified by the addition of a plus "(+)" or minus "(-)" sign to show relative standing within the major rating categories. S&P has assigned a recovery rating of "1" to Cogeco Cable's credit facility and other senior secured first-priority debt. The "1" recovery rating indicates expectations of very high recovery (90%-100%) of principal in the event of payment default. On April 15, 2013, S&P issued a 'BB-' rating (two notches below the corporate credit rating) on its Senior Unsecured Notes, with a recovery rating of '6', indicating lenders can expect negligible (0%-10%) recovery in the event of a payment default. An obligation rated in the "BB" category is less vulnerable to payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

On February 1, 2013, Fitch Ratings ("Fitch") has downgraded the Issuer Default Rating (IDR) of Cogeco Cable from "BBB-" to "BB+" as a result of the increased leverage following the debt financed acquisitions of Atlantic Broadband and PEER 1. However, the rating on Senior Secured Notes was confirmed at "BBB-". Obligations rated in the "BBB" category are regarded as of good credit quality, where the capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. On April 15, 2013, Fitch issued a "BB+" rating (same notching as the IDR rating) on its Senior Unsecured Notes. Obligations rated 'BB' category are regarded as speculative and indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

Atlantic Broadband

On August 20, 2013, Moody's Investors Service ("Moody's") maintained their ratings on Atlantic Broadband's credit facilities at "Ba3", one notch above the B1 corporate family rating. Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's also maintained the Loss Given Default (LGD) on Atlantic Broadband's credit facilities at 3 (which reflect a loss range between 30% and 50%). LGD assessments are opinions about expected loss given default expressed as a percent of principal and accrued interest at the resolution of the default.

On January 25, 2013, S&P raised their ratings on Atlantic Broadband's credit facilities to "BB", one notch above the "BB-" Issuer Rating. S&P has assigned a recovery rating of "2" to Atlantic Broadband's credit facilities, indicating lenders can expect substantial (70%-90%) recovery in the event of a payment default.

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

At August 31, 2013	Moody's	DBRS	Fitch	S&P
Cogeco Cable				
Senior Secured Notes and Debentures	**NR**	**BBB (low)**	**BBB-**	**BBB**
Senior Unsecured Notes	**NR**	**BB**	**BB+**	**BB-**
Atlantic Broadband				
Senior Secured Credit Facilities	**Ba3**	**NR**	**NR**	**BB**

NR : Not rated

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

SHARE INFORMATION

At August 31, 2013		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	**1,842,860**	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1 800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	**14,989,338**	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

DIVIDENDS

DIVIDEND DECLARATION

At its October 30, 2013 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.22 per share for multiple voting and subordinate voting shares, payable on November 27, 2013, to shareholders of record on November 13, 2013. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

TRADING STATISTICS

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2013 Total
(in dollars, except subordinate voting share volumes)	**$**	**$**	**$**	**$**	
The Toronto Stock Exchange					
High	**36.24**	**40.89**	**43.25**	**48.48**	
Low	**32.08**	**31.36**	**39.45**	**38.33**	
Close	**32.40**	**39.61**	**41.70**	**46.00**	
Volume (shares)	**402,966**	**1,647,289**	**344,772**	**188,587**	**2,583,614**

Quarters ended	Nov. 30	Feb. 29	May 31	Aug. 31	2012 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	50.15	50.64	54.49	46.90	
Low	39.00	45.75	41.02	30.64	
Close	49.99	48.90	42.09	34.70	
Volume (shares)	987,484	333,314	388,210	384,369	2,093,377

CABLE SEGMENT CUSTOMER STATISTICS

	August 31, 2013	May 31, 2013	February 28, 2013	November 30, 2012	August 31, 2012	August 31, 2011
Primary service units(1)	**2,465,780**	**2,481,017**	**2,482,096**	**2,476,022**	1,975,054	1,901,409
CANADA	**1,980,122**	**1,992,143** (2)	**1,993,156** (2)	**1,990,842** (2)	1,975,054 (2)	1,901,409 (2)
UNITED STATES	**485,658**	**488,874**	**488,940**	**485,180**	—	—
Television service customers	**1,065,075**	**1,079,285**	**1,087,692**	**1,098,352**	863,115	877,985
CANADA	**834,771**	**845,344**	**852,707**	**861,039**	863,115	877,985
Penetration as a percentage of homes passed	**49.9%**	**50.7%**	**51.4%**	**52.1%**	52.4%	54.1%
UNITED STATES	**230,304**	**233,941**	**234,985**	**237,313**	—	—
Penetration as a percentage of homes passed	**44.5%**	**45.3%**	**45.5%**	**46.0%**	—	–
Digital Television service customers	**923,812**	**924,155**	**922,703**	**922,576**	771,503	678,326
CANADA	**781,386**	**779,950**	**778,728**	**780,724**	771,503	678,326
Penetration as a percentage of homes passed	**46.7%**	**46.8%**	**46.9%**	**47.2%**	46.8%	41.8%
UNITED STATES	**142,426**	**144,205**	**143,975**	**141,852**	—	–
Penetration as a percentage of homes passed	**27.5%**	**27.9%**	**27.9%**	**27.5%**	—	–
Analogue Television service customers	**141,263**	**155,130**	**164,989**	**175,776**	91,612	199,659
CANADA	**53,385**	**65,394**	**73,979**	**80,315**	91,612	199,659
Penetration as a percentage of homes passed	**3.2%**	**3.9%**	**4.5%**	**4.9%**	5.6%	12.3%
UNITED STATES	**87,878**	**89,736**	**91,010**	**95,461**	—	–
Penetration as a percentage of homes passed	**17.0%**	**17.4%**	**17.6%**	**18.5%**	—	–
High Speed Internet service customers	**838,445**	**837,348**	**832,745**	**821,561**	640,455	605,154
CANADA	**661,337**	**661,178** (2)	**657,766** (2)	**652,008** (2)	640,455 (2)	605,154 (2)
Penetration as a percentage of homes passed	**39.5%**	**39.7%** (2)	**39.6%** (2)	**39.4%** (2)	38.8% (2)	37.3% (2)
UNITED STATES	**177,108**	**176,170**	**174,979**	**169,553**	—	–
Penetration as a percentage of homes passed	**34.3%**	**34.1%**	**33.9%**	**32.9%**	—	–
Telephony service customers	**562,260**	**564,384**	**561,659**	**556,109**	471,484	418,270
CANADA	**484,014**	**485,621**	**482,683**	**477,795**	471,484	418,270
Penetration as a percentage of homes passed	**28.9%**	**29.1%**	**29.1%**	**28.9%**	28.6%	25.8%
UNITED STATES	**78,246**	**78,763**	**78,976**	**78,314**	—	–
Penetration as a percentage of homes passed	**15.1%**	**15.2%**	**15.3%**	**15.2%**	—	–

(1) Represents the sum of Television, High Speed Internet (“HSI”) and Telephony service customers.
(2) In the fourth quarter of fiscal 2013, HSI service customers have been adjusted upwards retroactively to comply with the industry practices and consequently, PSU and penetration rates have been also adjusted

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

JAN PEETERS, Board Chair[(1)]
Montréal (Québec)
President and Chief Executive Officer
Board Chair
Olameter Inc. (Telemetry company)

★ **LOUIS AUDET**, Eng., MBA
Westmount (Québec)
President and Chief Executive Officer
Cogeco Cable Inc. and COGECO Inc.

■● **ELISABETTA BIGSBY**, M. Econ.
Toronto (Ontario)
Corporate Director
Director

●⧫ **PIERRE L. COMTOIS**, B. SC., COM., ADM. A.
Montréal (Québec)
Vice-Chairman of the Board and Chief Investment Officer
Optimum Asset Management Inc. (Canadian Private International Financial Group)
Director

■⧫ **PAULE DORÉ**
Montréal (Québec)
Corporate Director
Director

■★● **CLAUDE A. GARCIA**, B.A., B. COM.
Deschambeault-Grondines (Québec)
Corporate Director
Director

★ **NORMAND LEGAULT, B.B.A**
Montréal (Québec)
Corporate Director
Director

⧫★ **DAVID MCAUSLAND**, B.C.L., LL.B.
Beaconsfield (Québec)
Partner
McCarthy Tétrault (Major Law firm in Canada)
Director

Legend :
● Member of the Audit Committee
■ Member of the Human Resources Committee
⧫ Member of the Corporate Governance Committee
★ Member of the Strategic Opportunities Committee

(1) MR. JAN PEETERS, BOARD CHAIR, IS ENTITLED TO ATTEND AS AN OBSERVER AND TO PARTICIPATE IN MEETINGS OF THE AUDIT, HUMAN RESOURCES, CORPORATE GOVERNANCE AND STRATEGIC OPPORTUNITIES COMMITTEES.

CORPORATE HEAD OFFICE

5 Place Ville Marie
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Montréal (Québec)
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www.cogeco.ca

CORPORATE MANAGEMENT

LOUIS AUDET
President and Chief Executive Officer

ELIZABETH ALVES
Vice President, Internal Audit

PIERRE GAGNÉ
Senior Vice President and Chief Financial Officer

RENÉ GUIMOND
Vice President, Public Affairs and Communications

CHRISTIAN JOLIVET
Vice President, Chief Legal Officer and Secretary

YVES MAYRAND
Vice President, Corporate Affairs

ANDRÉE PINARD
Vice President and Treasurer

ALEX TESSIER
Vice President, Corporate Development

CORPORATE INFORMATION

ANNUAL MEETING
The Annual Shareholders Meeting will be held at 11:30 a.m. on Tuesday, January 14, 2014, at the Centre Mont-Royal, Mont-Royal room 1, 4th Floor, Montréal (Québec).

AUDITORS
Deloitte s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montréal (Québec)
H3B 4T9

LEGAL COUNSEL
Stikeman Elliott
1155 René-Lévesque Blvd. West,
40th Floor
Montréal (Québec)
H3B 3V2

TRANSFER AGENT SENIOR SECURED DEBENTURES AND SENIOR SECURED NOTES
Computershare Trust Company of Canada

QUARTER ENDS
November, February, May

YEAR END
August 31

INQUIRIES

The Annual Report, Annual Information Form and Quarterly Reports are available in the Investor Relations section of the Corporation's website (www.cogeco.ca) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle et des rapports trimestriels sont disponibles à la section Relations avec les investisseurs du site Internet de la société (www.cogeco.ca) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

For financial information about the Corporation, please contact the Department of Finance of the Corporation.

SHAREHOLDERS

For any inquiries regarding a change of address, financial information or a change of registration of shares, please contact Computershare. For any other inquiiries please contact the Legal Affairs Department of the Corporation.

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

ETHICS LINE

COGECO makes available an anonymous and confidential Ethics Line for its employees and the employees of any of its subsidiaries, and other individuals to report any perceived or actual instances of violations of the COGECO Group Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is comprised of toll-free telephone lines as well as a secure web site (see details below). The Ethics Line is operated by a specialized external provider that is independent of COGECO. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit or the Vice President, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting in good faith.

By telephone:

Canada or United States:	**1-877-706-2640**
United Kingdom:	**0 800 016 3854**
France:	**0 800 914 343**

Web site of ClearView Connects: www.clearviewconnects.com

SUBSIDIARIES AND OPERATING SEGMENT

CABLE SEGMENT

COGECO CABLE INC. - CORPORATE

5 Place Ville Marie
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H3B 0B3
www.cogeco.ca

LOUIS AUDET
President and Chief Executive Officer

ELIZABETH ALVES
Vice President, Internal Audit

ANDRÉ BERGEVIN
Vice President, Control

NATHALIE DORVAL
Vice President, Regulatory Affairs and Copyright

PIERRE GAGNÉ
Senior Vice President and Chief Financial Officer

RENÉ GUIMOND
Vice President, Public Affairs and Communications

PHILIPPE JETTÉ
Senior Vice President and Chief Technology Officer

CHRISTIAN JOLIVET
Vice President, Chief Legal Officer and Secretary

PIERRE MAHEUX
Vice President, Corporate Controller

YVES MAYRAND
Vice President, Corporate Affairs

RON A. PERROTTA
Vice President, Marketing and Strategic Planning

ANDRÉE PINARD
Vice President and Treasurer

ALEX TESSIER
Vice President, Corporate Development

COGECO CABLE CANADA

LOUISE ST-PIERRE
President and Chief Executive Officer

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ATLANTIC BROADBAND

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President and Chief Executive Officer

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www.atlanticbb.com

COGECO ENTERPRISE SERVICES

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COGECO DATA SERVICES

ANTONIO CICIRETTO
President

413 Horner Avenue
Toronto (Ontario) M8W 4W3
www.cogecodata.com

PEER 1 NETWORK ENTERPRISE

FABIO BANDUCCI
Co-Chief Executive Officer

GARY SHERLOCK
Co-Chief Executive Officer

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www.peer1.com

OTHER

COGECO DIFFUSION / MÉTROMÉDIA

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Senior Vice President, Cogeco Diffusion

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www.cogecodiffusion.com

CLAUDE LAMOUREUX
Vice President and General Manager, Métromédia

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