ANNUAL REPORT
2014

COGECO

PROFILE

COGECO Inc. ("COGECO" or "the Corporation") is a diversified holding corporation. Through its Cogeco Cable subsidiary, COGECO provides to its residential and business customers analogue and digital television, high speed Internet and telephony services with its two-way broadband fibre networks. Cogeco Cable operates in Canada under the Cogeco Cable Canada name in Québec and Ontario, and in the United States under the Atlantic Broadband name in Western Pennsylvania, South Florida, Maryland/Delaware and South Carolina. Through its subsidiaries, Cogeco Data Services and Peer 1 Hosting[(1)], Cogeco Cable Inc. provides to its commercial customers a suite of information technology services (colocation, managed and dedicated hosting, managed IT, cloud and connectivity services) with 20 data centres, extensive fibre networks in Montréal and Toronto as well as points-of-presence in North America and Europe.

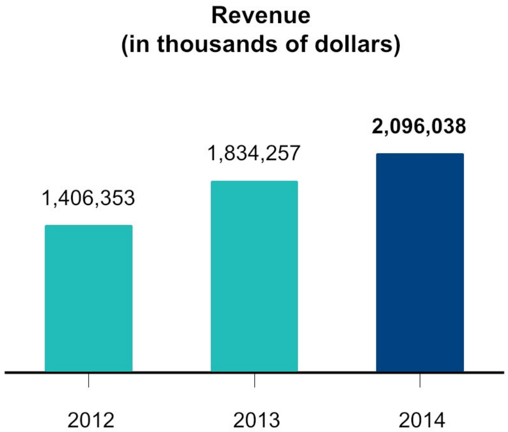
Through its subsidiary, Cogeco Diffusion, COGECO owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences as well as Cogeco News, its news agency. COGECO also operates Métromédia, an out-of-home advertising company specialized in the public transit sector.

COGECO's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CGO). The subordinate voting shares of Cogeco Cable are also listed on the Toronto Stock Exchange (TSX: CCA).

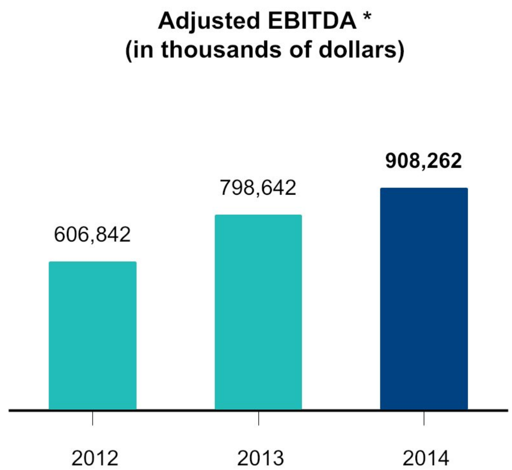
(1) Peer 1 Hosting refers to Peer 1 Network (USA) Holdings Inc., Peer 1 (UK) Ltd. and Peer 1 Network Enterprises, Inc.

Annual Report

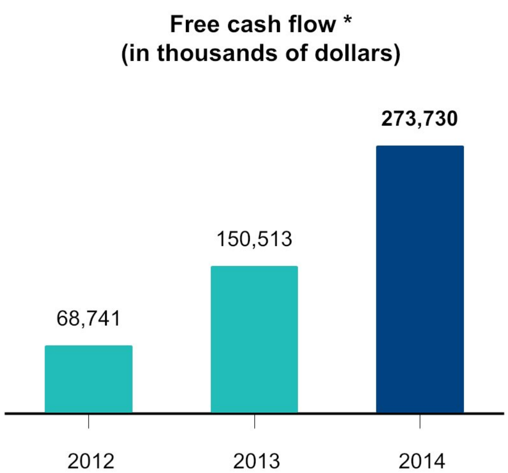
THREE-YEAR FINANCIAL PERFORMANCE



CAGR** + 14.2%



CAGR + 14.4%



CAGR + 43.2%

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

** CAGR is defined as the Compound Annual Growth Rate

FINANCIAL HIGHLIGHTS

Years ended August 31,	2014	2013 (2)	Change
(in thousands of dollars, except percentages and per share data)	**$**	$	%
Operations			
Revenue	**2,096,038**	1,834,257	14.3
Adjusted EBITDA	**908,262**	798,642	13.7
Impairment of property, plant and equipment	**35,493**	—	—
Profit for the year	**210,170**	189,821	10.7
Profit for the year attributable to owners of the Corporation	**67,680**	64,260	5.3
Cash Flow			
Cash flow from operating activities	**764,770**	552,195	38.5
Cash flow from operations(1)	**693,909**	561,935	23.5
Acquisitions of property, plant and equipment, intangible and other assets(3)	**420,179**	411,422	2.1
Free cash flow	**273,730**	150,513	81.9
Financial Condition			
Property, plant and equipment	**1,852,270**	1,874,866	(1.2)
Total assets	**5,367,730**	5,348,627	0.4
Indebtedness(4)	**2,848,040**	3,054,275	(6.8)
Equity attributable to owners of the Corporation	**513,965**	456,905	12.5
Per Share Data(5)			
Earnings per share			
Basic	**4.05**	3.84	5.5
Diluted	**4.02**	3.82	5.2
Weighted average number of multiple and subordinate voting shares outstanding	**16,731,069**	16,725,576	—

(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) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

(3) 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.

(4) 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.

(5) Per multiple and subordinate voting share.

MESSAGE TO SHAREHOLDERS

COGECO had an excellent year in fiscal 2014 with strong financial results driven by a focus on delivering sustainable and profitable growth. Through the successful execution of our operational objectives and effective cost control, we achieved continued solid growth and profitability, while further strengthening our ability to create value in the years ahead.

Jan Peeters

Our ability to grow profitably despite intense competition from existing and new players, changing market dynamics and rapid technology advances reflects our capacity to adapt effectively and offer compelling services and solutions to our customers.

Louis Audet

Dear fellow shareholders:

COGECO Inc. ("COGECO" or the "Corporation") had an excellent year in fiscal 2014 with strong financial results driven by a focus on delivering sustainable and profitable growth. Through the successful execution of our operational objectives and effective cost control, we achieved continued solid growth and profitability, while further strengthening our ability to create value in the years ahead.

Consolidated revenue increased by 14.3% in fiscal 2014 to nearly $2.1 billion, while adjusted EBITDA reached $908.3 million, up by 13.7%. Profit for the year amounted to $210.2 million and the Corporation generated free cash flow of $273.7 million. Dividends paid to our shareholders increased by 15.8% to $14.7 million. Our subsidiary Cogeco Cable Inc. (''Cogeco Cable'') made good progress, reducing its leverage ratios and we ended the year in a strong financial position.

COGECO CABLE

A year of growth in all segments

Fiscal 2014's solid performance was driven mainly by organic growth and effective cost control in our three operating segments - Canadian cable services, American cable services and Enterprise data services, as well as by the inclusion of a full year of operating results from Atlantic Broadband and Peer 1 Hosting(1) ("the recent acquisitions"), both of which were acquired during the course of fiscal 2013. Our ability to grow profitably despite intense competition from existing and new players, changing market dynamics and rapid technology advances reflects our capacity to adapt effectively and offer compelling services and solutions to our customers. Our strong Canadian cable footprint and our recent geographic expansion into the United States of America ("United States"), as well as our broader presence in Canada, the United States and United Kingdom in the expanding data hosting and managed IT services market, position us well to create and deliver an even broader variety of communications services to a much larger customer base. Our solid management teams strive to further strengthen and enhance our market position in all our operating segments, while remaining focused on reaching Cogeco Cable's conservative debt level objectives.

Initiatives

Over the last few years, the cable industry has been subject to intense competition redefining the interplay of market forces and consumers are more solicited than ever with a range of choices from varied service providers. At the same time, consumer appetite for communication services overall has increased. Cogeco Cable has historically demonstrated its capacity to adapt to fulfill customers' needs and create value for its shareholders. Below are a few examples of initiatives and achievements that position our operating segments for future growth.

Canadian cable services segment

- Through our subsidiary Cogeco Cable Canada, we concluded a partnership with TiVo Inc. ("TiVo") and will launch the service in Ontario on November 3rd, 2014 and in Spring of fiscal 2015 in Québec. TiVo is a global leader in next-generation television services that enable viewers to consume content across all screens in and out-of-the home.
- For the fifth year out of the last seven, Service Quality and Measurement Group awarded Cogeco Cable Canada two ''Voice of Customer Excellence Awards'' - for highest customer satisfaction for the TV and telecom consumer industry in Canada, and for best interactive voice response customer experience in North America. We were also awarded the "*Service Award (large company category)"* by the Burlington Chamber of Commerce during its 2014 Business Excellence Awards Gala. The combination of superior customer service and leading edge networks is the foundation of our competitive advantage and profitable growth.

American cable services segment

- Our subsidiary Atlantic Broadband has launched TiVo service at the beginning of fiscal 2014 and has successfully deployed it to 95% of its footprint. It has also concluded a partnership with Netflix Inc. ("Netflix") to enable customers to easily find and watch the best shows and movies from Netflix through the same set-top box they use to watch Live TV.
- Atlantic Broadband increased residential and business Internet speeds, including the launch of our first Gigabit Internet services in the greater Miami area, leading to a notable increase in Internet subscriber growth.

(1) Peer 1 Hosting refers to Peer 1 Network (USA) Holdings Inc., Peer 1 (UK) Ltd. and Peer 1 Network Enterprises, Inc.

Enterprise data services segment

- As a result of higher demand than anticipated, Cogeco Data Services is building additional pods ahead of schedule at its Barrie data centre. When complete, the addition will add approximately 24,000 square feet to the facility. Cogeco Data Services also began preparations for the construction of the first pod of a new 100,000 square feet facility in Kirkland (Montréal) that is scheduled to receive its first clients in the spring of fiscal 2015.
- Peer 1 Hosting added data centre capacity in the United States, United Kingdom and Canada to meet growing customer demand and expanded the existing capabilities of its cloud services to better support distributed workloads and big data analytics operations.

Corporate Social Responsibility - Progress and recognition

Sustained efforts continue to be deployed to integrate Corporate Social Responsibility (“CSR”) best practices into our operations, in accordance with our CSR Policy. We published our second CSR Report, detailing our environmental, social, economic and governance practices and performance. We were thrilled to see our efforts recognized by Corporate Knights Magazine, which listed the Corporation in its *The Future 40 Responsible Corporate Leaders in Canada* ranking, and by being selected for the *Jantzi Social Index*, which consists of 60 Canadian companies that passed a set of broadly based environmental, social, and governance rating criteria. For fiscal 2015, our focus will continue to be the integration of the recent acquisitions into our CSR program as well as strengthening our responsible purchasing practices.

REGULATORY MATTERS

In fiscal 2014, the CRTC launched its “Let’s Talk TV” proceeding with a view to adapting the broadcasting regulatory framework in Canada to the new market realities resulting from technological change and the new ways through which Canadian consumers receive and use video programming content. Our Canadian cable operating entity, Cogeco Cable Canada, took an active part in the proceeding to share its position on the future of Canada’s media broadcasting system and regulatory environment. Cogeco Cable Canada and the broadcasting distribution industry have been faced with multiple challenges over the years and have successfully continued their growth by adapting and meeting evolving consumer needs. COGECO strongly believes that continuing to do so is the best and most effective way to satisfy the expectations of Canadian consumers, thus keeping them engaged in the Canadian broadcasting system. COGECO is also actively participating in an important proceeding initiated by the CRTC aiming to review the regulatory framework for wholesale wireless services. COGECO seeks the adoption of regulatory measures that would mandate the provision of wholesale radio access network services by the major wireless service carriers and hence enable the entry of competitive Mobile Virtual Network Operators ("MVNOs") in Canada.

RADIO BROADCASTING AND OUT-OF-HOME ADVERTISING

Despite a slowdown in advertising spending in the second half of fiscal 2014, Cogeco Diffusion Inc. (‘CDI’’) enjoyed a successful year thanks to solid audience ratings and tight cost management. BBM Canada's winter 2014 survey in the Montréal region reported that our talk radio station, 98.5 FM, is still the leader in the Greater Montréal market, while Rythme FM maintained its leadership position among the Montréal French-language music stations. Our English radio station, *The Beat*, keeps improving its performance. In our other Québec radio markets, both our talk and music format radio stations continue to either perform well or increase their audience in a highly competitive environment. CDI expanded its radio broadcasting network with the addition of an affiliated Rythme FM radio station in Gatineau. Our Cogeco Métromédia subsidiary extended its footprint with the addition of transit and underground properties in the Greater Montréal area.

2015 OUTLOOK

In the Cable and Enterprise data services segment, we expect revenue growth to be driven by higher penetration rates of our High Speed Internet ("HSI") and Telephony services in the business sector in Canada and the United States. Residential digital video and HSI services should benefit from the full-year availability of TiVo digital advanced television service in the United States markets and the Fall 2014 launch of TiVo in Ontario and in Spring of fiscal 2015 in Québec. For the Enterprise data services, revenue growth is expected primarily from the expansion of data centre facilities as well as from the migration of services in the portfolio toward higher margin revenue.

Our radio broadcasting business expects to benefit from strong audience ratings while continuing to develop strategies to provide advertisers with even more compelling media offerings. In out-of-home advertising, with its larger footprint in the Montréal underground network, Métromédia is better positioned to attract advertisers.

For fiscal 2015, COGECO expects to generate revenue of $2.2 billion adjusted EBITDA of $945 million, free cash flow of $280 million and profit for the year of $265 million of which $88 million will be attributable to owners of the Corporation.

From a strategic standpoint, we are entirely focused on optimizing the operating results of our existing operating segments and Cogeco Cable is focused on reducing its leverage ratio.

CONCLUDING REMARKS

We wish to thank the members of our Board of Directors for their counsel and unwavering support, which contributed to the Corporation’s profitable growth.

We also wish to acknowledge the contribution of more than 4,800 employees who work towards COGECO’s success on a daily basis by upholding our values of dedication to customers, teamwork, innovation, respect and integrity.

Jan Peeters Chairman of the Board	Louis Audet President and Chief Executive Officer

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 Inc's ("COGECO" or "the Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. 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 namely 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 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, 2014.

OVERVIEW OF THE BUSINESS

COGECO is a diversified holding corporation concentrated in various segments of the communication sector.

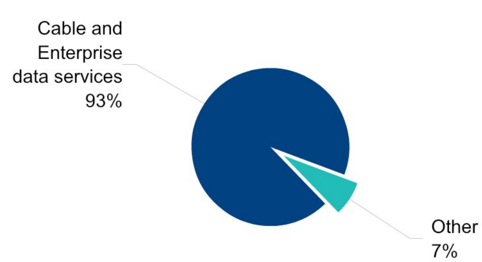
Through its Cogeco Cable subsidiary, COGECO provides to its residential and business customers analogue and digital television, high speed Internet and telephony services with its two-way broadband fibre networks. Cogeco Cable operates in Canada under the Cogeco Cable Canada name in Québec and Ontario, and in the United States under the Atlantic Broadband name in Western Pennsylvania, South Florida, Maryland/ Delaware and South Carolina. Through its subsidiaries, Cogeco Data Services and Peer 1 Hosting(1), Cogeco Cable Inc. provides to its commercial customers a suite of information technology services (colocation, managed and dedicated hosting, managed IT, cloud and connectivity services) with 20 data centres, extensive fibre networks in Montréal and Toronto as well as points-of-presence in North America and Europe. As at August 31, 2014, the Canadian cable operations provided Television service to 797,165 customers, HSI service to 679,584 customers and Telephony service to 469,273 customers for a total of 1,946,022 primary service units(2) ("PSU"). The American cable operations provided Television service to 225,929 customers, HSI service to 189,869 customers and Telephony service to 80,364 customers for a total of 496,162 PSU.

Through its subsidiary, 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; *Rythme FM 97.1* in Outaouais; *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. Cogeco Diffusion also operates Cogeco News, one of Québec's largest news agencies, feeding 24 affiliates, independent and community radio stations.

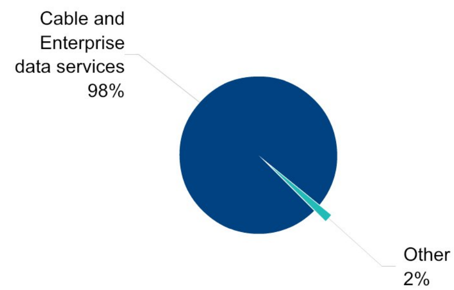
Through its subsidiary, Métromédia, COGECO operates an out-of-home advertising company specialized in the public transit sector.

In fiscal 2014, the Corporation reported its operating results in two principal operating segments: Cable and Enterprise data services and Other. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance. For the year ended August 31, 2014, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA(3) were as follows:

Fiscal 2014 revenue by operating segments



Fiscal 2014 adjusted EBITDA by operating segments



(1) Peer 1 Hosting refers to Peer 1 Network (USA) Holdings Inc., Peer 1 (UK) Ltd. and Peer 1 Network Enterprises, Inc.
(2) Represents the sum of Television, HSI and Telephony service customers.
(3) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.

BUSINESS DEVELOPMENTS AND OTHER

CABLE AND ENTERPRISE DATA SERVICES SEGMENT

On October 30, 2014, the Corporation's subsidiary, Cogeco Cable Canada, officially announced the launch of TiVo's digital advanced television services in Ontario on November 3, 2014. TiVo is the leader in advanced television services. The TiVo experience provides TV viewers with simple universal search, discovery, viewing and recording from any device, creating the ultimate viewing experience.

OTHER

Numeris' summer 2014 survey in the Montréal region, conducted with the *Portable People Meter* ("PPM"), reported that *98.5 FM* is the leading radio station in the Montréal French market amongst all listeners as well as men two years old and over ("2+"), while *Rythme FM* has maintained its leadership position in the women 2+ segment among the musical stations. *The Beat* is the leading radio station in the women 35-64 segment in the Montréal English market. Most of our other regional radio stations in Quebec registered good ratings.

CORPORATE OBJECTIVES AND STRATEGIES

COGECO's objectives are to provide outstanding service to its customers and create shareholder value by increasing profitability and ensuring continued revenue growth. The strategies employed to reach these objectives, supported by strict control over spending and improved business processes, are specific to each segment.

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

The radio and out-of-home advertising activities focus on continuous improvement of its programming and by diversifying its product portfolio in order to increase its market share and thereby its profitability.

The Corporation measures its performance, with regard to these objectives by monitoring adjusted EBITDA and free cash flow[(1)].

STRICT CONTROL OVER SPENDING AND IMPROVED BUSINESS PROCESSES

The Corporation maximizes profitability and shareholder value by maintaining strict control over spending. In order to achieve this, COGECO seeks to become more efficient with its processes. In addition, tight controls over processes ensure that shareholders receive timely and factual information on the Corporation's development.

CABLE AND ENTERPRISE DATA SERVICES 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 or 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 be sustained 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 adjusted EBITDA, operating margin, free cash flow and capital intensity. For further details please refer to the 2014 Annual Report of Cogeco Cable Inc. available on www.sedar.com or on the Corporation's website at www.cogeco.ca.

ANTICIPATED RESULTS OF THE CORPORATION'S STRATEGIES

Results from the successful implementation of the above-described strategies should increase revenue and adjusted EBITDA 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 2015 financial guidelines" section):

- COGECO expects in fiscal 2015 to achieve adjusted EBITDA of $945 million mainly due to the Cable and Enterprise data services segment's projected operating results in fiscal 2015 as well as the improved results of the radio and out-of-home advertising activities; and
- The Corporation expects to generate free cash flow of $280 million resulting from the growth in adjusted EBITDA, partly offset by increases in acquisitions of property, plant and equipment and 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 and performance highlights" section for further details on the fiscal 2014 results and achievements.

(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".

CABLE AND ENTERPRISE DATA SERVICES SEGMENT NETWORKS AND INFRASTRUCTURE

CABLE OPERATIONS

Cogeco Cable Canada and Atlantic Broadband provide Television, Video on Demand ("VOD") services, HSI, Telephony services and Business telecommunications services through advanced fibre optic and two-way broadband distribution networks. Cogeco Cable Canada and Atlantic Broadband deliver 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.

Cogeco Cable Canada distribution network expands over 39,000 kilometres of which over 28% is pure optical systems while Atlantic Broadband distribution networks expands over 17,000 kilometres of which 23% is purely optical systems. The leading-edge inter-city optical transport networks extend for a distance of over 10,000 kilometres and 800 kilometres in Canada and the United States, respectively. The broad reach of Cogeco Cable Canada and Atlantic Broadband core transport network is designed to easily interconnect, at very high speed, its many local distribution systems to video content providers, public telephony networks, software application providers and to the world-wide Internet.

For residential services, Cogeco Cable Canada and Atlantic Broadband are deploying optical fibres to nodes serving clusters of typically 400 and 345 homes passed, respectively, 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, VOD and Telephony while maximizing the efficiency of capital investments. The HFC distribution infrastructure is designed with Radio Frequency ("RF") capacity of 450 MHz, 550 MHz, 750 MHz, 860 MHz or 1 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. Cogeco Cable believes that active use of fibre optic technology in combination with 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 system reliability and reduce system maintenance cost. This hybrid combination of fibre optic and coaxial cable 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 Canada is completing the following network enhancement programs:

(a) second phase of the conversion of video services from analogue to digital with the deployment of Digital-To-Analog ("DTA") converters to its customers having older analogue television equipment which is expected to be completed by the end of 2014 calendar year in major systems and within the next two years in smaller systems. This significant capacity enhancement will replace each analogue channel by up to four HD channels or sixteen SD channels; and

(b) conversion to Switched Digital Video ("SDV") technology. This technology allows Cogeco Cable Canada 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. Conversion is completed in Ontario and technology will be extended in Québec over the next two fiscal years.

In order to recover bandwidth necessary for HSI growth as well as additional HD channels, Atlantic Broadband is continuing with a multi-point strategy to enhance the network and increase overall network performance:

(a) in markets where overall bandwidth is below 750 MHz, we are completing the conversion of video services from analogue to digital with the deployment of DTA converters to our customers having older analogue television equipment. This significant capacity enhancement will replace each analogue channel by up to four HD channels or sixteen SD channels. This program has been underway for 2 years and the last of these systems is anticipated to be completed in fiscal 2015;

(b) in 750 MHz markets where we have a larger subscriber base, we are completing the implementation of SDV technology. This technology allows Atlantic Broadband 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; and

(c) in 860 MHz and 1 GHz markets, we are using the available spectrum to add bonded DOCSIS channels to increase speeds and to provide additional HD channels.

Cogeco Cable Canada and Atlantic Broadband use DOCSIS systems to deliver HSI and Business IP 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 250 Mbps and beyond and for providing other products like symmetrical services, which are particularly well suited for commercial customer applications.

Finally, Cogeco Cable Canada and Atlantic Broadband are deploying FTTH systems in all new residential developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. Cogeco Cable Canada and Atlantic Broadband use 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 offers increased reliability, lower maintenance costs and is an excellent platform for the delivery of enhanced video services and higher speed internet services in the future. Late in fiscal 2014, Atlantic Broadband became the first provider in the greater Miami areas to offer FTTH and Metro-Ethernet services to the residents of Indian Creek Village, a high end residential neighborhood. The RFoG technology is used to provide video and voice services. Metro-Ethernet technology is used to provide 1 Gbps symmetrical HSD services. The high demographic nature of this market and the size of the estates have allowed us to offer this high level of service on a bulk basis to 100% of the residents in that community.

The following table shows the percentage of homes passed in Canada and in the United States where Digital Television, VOD, HSI and Telephony services were available as at August 31, 2014:

	% of homes passed where service is available	
Service	**Canada**	**United States**
Digital Television	99%	99%
Video On Demand	97%	86%
HSI (DOCSIS 2.0)	97%	99%
HSI (DOCSIS 3.0)	94%	94%
Telephony	95%	99%

ENTERPRISE DATA SERVICES OPERATIONS

Cogeco Enterprise Services Inc., a wholly-owned subsidiary of Cogeco Cable, is the parent company of Cogeco Data Services and Peer 1 Hosting.

Cogeco Enterprise Services provides its services through 20 data centres covering in aggregate more than 320,000 square feet and more than 50 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 all the other data centres and points-of-presence.

Cogeco Enterprise Services' data centres include highly secure and geo-redundant IT infrastructure, including state of the art 24/7/365 monitoring, regulated climate control, power redundancy, support, and biometrics security access. In addition, Cogeco Data Services data centres are built to the Uptime Institute US Tier 3 standard level. Also, Cogeco Data Services has obtained certifications from the Canadian Standard on Assurance Engagements ("CSAE") 3416 and Payment Card Industry Data Security Standard ("PCI-DSS"). With these standards and certifications, Cogeco Data Services is able to meet the expectations of large enterprises and organizations.

During fiscal 2014, Cogeco Data Services has begun building an approximately 100,000 gross square feet data hosting facility in Montréal, which is expected to open in early 2015. Cogeco Data Services' Montréal data hosting centre will be built-out in many stages over several years, aligned with the pace at which Cogeco Data Services secures multi-year contracts.

Cogeco Data Services provides its connectivity services through an extensive wholly-owned, all-optical fibre optic network in Montréal and Toronto and interconnections with other significant carriers. Peer 1 Hosting provides its services through an extensive fully-managed, all-optical fibre optic network in location 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 to secure 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 adjusted EBITDA and free cash flow.

	Original projections October 30, 2013	Revised projections July 9, 2014(1)	**Actual**	Achievement of the revised projections(2)
	Fiscal 2014	Fiscal 2014	**Fiscal 2014**	Fiscal 2014
(in millions of dollars, except percentages)	$	$	**$**	
Financial guidelines				
Revenue	2,075	2,105	**2,096**	✓
Adjusted EBITDA	900	915	**908**	✓
Integration, restructuring and acquisition costs	—	4	**5**	×
Financial expense	134	137	**137**	✓
Current income taxes	101	99	**86**	✪
Profit for the year	233	215	**210**	✓
Profit for the year attributable to owners of the Corporation	75	70	**68**	✓
Acquisitions of property, plant and equipment, intangible and other assets	430	430	**420**	✓
Free cash flow	235	245	**274**	✪

✓: Achieved ×: Under-achieved ✪: Surpassed

(1) Revenue, adjusted EBITDA and free cash flow of the original projections were revised to take into consideration the overall performance of all of our operating segments as well as the appreciation of the US dollar and British Pound currency compared to the Canadian dollar. Current income taxes and profit for the year of the original projections were revised considering the impairment of property, plant and equipment of $32.2 million which occurred during the third quarter of fiscal 2014 in the Cable and Enterprise data services segment and additional integration, restructuring and acquisitions costs related to restructuring activities were also considered.

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

For fiscal 2014, COGECO achieved or surpassed virtually all of its key performance indicators compared to its revised projections issued on July 9, 2014. For further details on the Corporation's operating results, please refer to the “Operating and financial results” and the "Cash flow analysis" sections.

ADJUSTED EBITDA

Adjusted EBITDA is a benchmark commonly used in the telecommunications industry, as it allows comparisons with companies that have different capital structures and is more current measures since it excludes the impact of historical investments in assets. Adjusted EBITDA evolution assesses COGECO's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its debt. Adjusted EBITDA is a proxy for cash flow from operations[1]. Consequently, adjusted EBITDA is one of the key metrics used by the financial community to value the business and its financial strength. In the 2013 annual report, the Corporation projected adjusted EBITDA of $900 million for fiscal 2014, which was then increased to $915 million in the revised projections issued on July 9, 2014 in order to reflect the overall performance of all of our operating segments as well as the appreciation of the US dollar and British Pound currency compared to the Canadian dollar. Adjusted EBITDA in fiscal 2014 amounted to $908 million, achieving the Corporation's revised projections.

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 2014 free cash flow amounted to $274 million, surpassing the Corporation's revised projections mainly due to lower current income taxes mainly as a result of the favorable tax structure implemented following the acquisitions of Atlantic Broadband and Peer 1 Hosting ("the recent acquisitions") which both occurred during fiscal 2013 in the Cable and Enterprise data services segment combined with lower acquisitions of property, plant and equipment, intangible and other assets than expected in Canadian cable operations mainly due to the delayed launch of a new digital advanced television platform in fiscal 2015 resulting in delay of capital spending in customer premise equipment and other equipment.

(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.

CABLE AND ENTERPRISE DATA SERVICES SEGMENT

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

The capital intensity ratio is defined as amount spent 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 fiscal 2014, Cogeco Cable reached acquisitions of property, plant and equipment, intangible and other assets of $415 million and revenue close to $1.9 billion for a capital intensity of 21% compared to 22% as projected, thus achieving its revised guidelines. Capital intensity decreased from 24% in fiscal 2013 to 21% in fiscal 2014 as a result of lower acquisitions of property, plant and intangible assets and other assets than expected as explained above. Cogeco Cable expects to use the increased free cash flow to reduce its indebtedness and further invest where appropriate.

For further details on Cogeco Cable's key performance indicators and performance highlight, please refer to the 2014 Annual Report of Cogeco Cable Inc. available on www.sedar.com or on the Corporation's website at www.cogeco.ca.

OTHER

RADIO ACTIVITIES

Fiscal 2014 results from Cogeco Diffusion were in line with COGECO's expectations despite an economy that remains fragile. Our stations were able to capitalize on their shares of listening and beat the indexes in most of the markets measured by *Trans-Canada Radio Advertising* by Market ("TRAM"). We are seeing encouraging signs of ratings growth following the latest Numeris survey. *Rythme FM* and *98.5 FM* in Montréal are consolidating their leading positions in their respective niche. *The Beat* promises to deliver strong competition to *Virgin* and the rebranding of *CFOM FM* by *M FM 102.9* on August 25, 2014 in Québec City should reinvigorate our classic hits station. Regionally, our strategic alliances with Radio-Nord Communications ("RNC") in Gatineau for the affiliation of a Rythme FM station and the proposed local sales agreement that will emerge if accepted by regulatory authorities, should allow us to improve our financial performance significantly in that market.

OUT-OF-HOME ADVERTISING ACTIVITIES

Fiscal 2014 results from Métromédia exceeded COGECO's initial objective considering the unstable market dynamic. During 2014, we added new partners: Ivanhoé Cambridge underground properties, Coach Canada touristic buses and a new transit contract with Longueuil transit authority for transit shelters. We also concluded the expansion of the Metrovision digital network in the Montréal subway now covering 100% of the stations with a total of 337 screens.

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

Years ended August 31,	**2014**	2013 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**2,096,038**	1,834,257	14.3
Operating expenses	**1,187,776**	1,035,615	14.7
Adjusted EBITDA	**908,262**	798,642	13.7

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

REVENUE

Fiscal 2014 revenue amounted to $2.1 billion, an increase of $261.8 million, or 14.3% compared to the same period of fiscal 2013 primarily due to the Cable and Enterprise data services segment as explained below as well as from the improvement of the media business activities.

In the Cable and Enterprise data services segment, revenue for fiscal 2014 amounted to over $1.95 billion, an increase of $255.1 million, or 15.1% compared to fiscal 2013. Revenue increase was mainly attributable to the full year impact of the recent acquisitions which both occurred during fiscal 2013 combined with the organic growth from all of our operating segments and favorable foreign exchange rates for our foreign operations. For further details on the Cable and Enterprise data services segment's revenue, please refer to the "Cable and Enterprise data services segment" section.

OPERATING EXPENSES

Fiscal 2014 operating expenses amounted to over $1.19 billion, an increase of $152.2 million, or 14.7%, compared to the same period of fiscal 2013. The increase in operating expenses is mainly attributable to the Cable and Enterprise data services segment operating results.

Operating expense in the Cable and Enterprise data services segment for fiscal 2014 amounted to over $1.04 billion, an increase of $142.4 million, or 15.8%, compared to the same period of fiscal 2013. These additional operating expenses are mostly attributable to the full year impact of the recent acquisitions and the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by cost reduction initiatives and restructuring activities in Canada. For further details on the Cable and Enterprise data services segment's operating expenses, please refer to the "Cable and Enterprise data services segment" section.

ADJUSTED EBITDA

Fiscal 2014 adjusted EBITDA increased by $109.6 million, or 13.7%, to reach $908.3 million of which $893.4 million came from the Cable and Enterprise data services segment. For further details on Cogeco Cable's adjusted EBITDA, please refer to the "Cable and Enterprise data services segment" section.

FIXED CHARGES

Years ended August 31,	**2014**	2013 [(1)]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation and amortization	**465,648**	388,275	19.9
Financial expense	**137,455**	135,169	1.7

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

Fiscal 2014 depreciation and amortization expense reached $465.6 million compared to $388.3 million in the prior year. The increase is attributable to the full year impact from the recent acquisitions in the Cable and Enterprise data services segment as well as the appreciation of the US dollar and the British Pound currency compared to the Canadian dollar and from additional acquisitions of property, plant and equipment.

For fiscal 2014 financial expense increased by $2.3 million, or 1.7%, to reach $137.5 million compared to $135.2 million in the prior year. Stemming primarily from the Cable and Enterprise data services segment, financial expense increased as a result of the financing costs related to the recent acquisitions as well as the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by a make-whole premium of $10.2 million related to the early repayment by Cogeco Cable of the Senior Secured Debentures Series 1 which occurred in the fourth quarter of fiscal 2013.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

During the fourth quarter of fiscal 2014, Cogeco Cable recognized in its Enterprise data services segment an impairment of $3.3 million of property, plant and equipment related to the rationalization of its automation platforms with regards to data centre operating activities.

During the third quarter of fiscal 2014, the Corporation's subsidiary, Cogeco Cable Canada, recognized an impairment of $32.2 million of property, plant and equipment, capitalized wages and borrowing costs related to an Internet Protocol Television ("IPTV") solution and related projects on which its Canadian cable services segment had worked. As a result of the unexpected performance issues encountered with the platform, it had to be abandoned by Cogeco Cable Canada.

INCOME TAXES

Fiscal 2014 income taxes amounted to $54.8 million, compared to $63.7 million in the prior year. The decrease in fiscal 2014 is mostly attributable to the impairment of property, plant and equipment explained above, the increase in fixed charges as well as the favorable impact of the tax structure implemented when the recent acquisitions in the Cable and Enterprise data services segment were concluded, partly offset by the improvement of adjusted EBITDA.

PROFIT FOR THE YEAR

Fiscal 2014 profit for the year amounted to $210.2 million of which $67.7 million, or $4.05 per share, is attributable to owners of the Corporation, compared to a profit of $189.8 million of which $64.3 million, or $3.84 per share, is attributable to owners of the Corporation in fiscal 2013. Profit for the year progression is mostly attributable to the improvement of adjusted EBITDA explained above as well as the decreases in integration, restructuring and acquisition costs and income taxes, partly offset by the impairment of property, plant and equipment and the increase in fixed charges explained above.

The non-controlling interest represents a participation of approximately 68% in Cogeco Cable's results. Fiscal 2014, profit for the year attributable to non-controlling interest amounted to $142.5 million compared to $125.6 million for fiscal 2013.

The Corporation obtained a return on equity[(1)] of 13.9% for the year ended August 31, 2014 compared to 15.0% for 2013.

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

CASH FLOW ANALYSIS

Years ended August 31,	2014	2013 [1]
(in thousands of dollars)	**$**	$
Operating activities		
Cash flow from operations	**693,909**	561,935
Changes in non-cash operating activities	**47,981**	(21,550)
Amortization of deferred transaction costs and discounts on long-term debt	**(7,905)**	(11,492)
Income taxes paid	**(66,268)**	(103,556)
Current income taxes	**86,170**	87,810
Financial expense paid	**(126,572)**	(96,121)
Financial expense	**137,455**	135,169
Cash flow from operating activities	**764,770**	552,195
Investing activities	**(418,421)**	(2,413,466)
Financing activities	**(327,813)**	1,686,443
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**1,502**	3,098
Net change in cash and cash equivalents	**20,038**	(171,730)
Cash and cash equivalents, beginning of year	**43,793**	215,523
Cash and cash equivalents, end of year	**63,831**	43,793

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

OPERATING ACTIVITIES

Fiscal 2014 cash flow from operating activities reached $764.8 million compared to $552.2 million for fiscal 2013, representing an increase of $212.6 million, or 38.5% compared to the same period. The increase is mainly explained by the improvement of adjusted EBITDA of $109.6 million combined with the decrease in income taxes paid of $37.3 million and the increase in non-cash operating activities of $69.5 million as a result of an increase in trade and other payables compared to a decrease in the comparable period, partly offset by an increase in prepaid and other compared to a decrease in fiscal 2013.

For fiscal 2014, cash flow from operations reached $693.9 million compared to $561.9 million last year, representing an increase of $132.0 million, or 23.5% primarily due to the improvement of adjusted EBITDA of $109.6 million combined with the decrease of $16.9 million in integration, restructuring and acquisition costs.

INVESTING ACTIVITIES

For fiscal 2014, investing activities amounted to $418.4 million mainly due to the acquisitions of property, plant and equipment, intangible and other assets. For the comparable period of fiscal 2013, investing activities amounted to $2.4 billion as explained below.

BUSINESS COMBINATIONS IN FISCAL 2013

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 Hosting, a global web infrastructure and cloud company specializing in managed IT, managed and dedicated hosting, colocation and cloud services.

On November 30, 2012, the Corporation's subsidiary, Cogeco Cable, completed the acquisition of all the outstanding shares of Atlantic Broadband, an independent cable system operator formed in 2003, providing Analogue and Digital Television, as well as HSI and Telephony services serving at the time of the acquisition about 485,000 PSUs in Western Pennsylvania, South Florida, Maryland/Delaware and South Carolina.

During the first quarter of fiscal 2014, Cogeco Cable finalized the purchase price allocation of Atlantic Broadband which remained unchanged from that presented in the 2013 Annual consolidated financial statements, except as noted below. The purchase price allocation of Peer 1 Hosting was finalized by Cogeco Cable during the second quarter of fiscal 2014. During the fourth quarter of fiscal 2014 the purchase price allocations of Atlantic Broadband and Peer 1 Hosting were modified to adjust for an error in the presentation of deferred tax assets acquired and deferred tax liabilities assumed. The error in presentation is that the Corporation, in 2013, did not offset deferred tax assets and liabilities related to the same taxation authorities, as required by IAS 12.The impact of the modification reduced deferred tax assets and deferred tax liabilities by $105.9 million. In addition, the finalization of the purchase price allocations of Atlantic Broadband during the first quarter ended November 30, 2013 and of Peer 1 Hosting during the second quarter ended February 28, 2014 had no impact on the statement of profit or loss and reduced comprehensive income by $1.2 million for the year ended August 31, 2013.

The final purchase price allocations of Atlantic Broadband and Peer 1 Hosting, reflecting the modification, are as follows:

	Peer 1 Hosting	Atlantic Broadband	TOTAL
	Final	Final	Final
(In thousands of Canadian dollars)	$	$	$
Consideration paid			
Purchase of shares	**494,796**	**337,779**	**832,575**
Working capital adjustments	**—**	**5,415**	**5,415**
Repayment of secured debts and settlement of options outstanding	**170,872**	**1,021,854**	**1,192,726**
	665,668	**1,365,048**	**2,030,716**
Net assets acquired			
Cash and cash equivalents	**10,840**	**5,480**	**16,320**
Restricted cash	**8,729**	**—**	**8,729**
Trade and other receivables	**12,772**	**12,012**	**24,784**
Income taxes receivable	**2,797**	**3,907**	**6,704**
Prepaid expenses and other	**3,855**	**1,370**	**5,225**
Other assets	**2,462**	**—**	**2,462**
Property, plant and equipment	**150,013**	**302,211**	**452,224**
Intangible assets	**144,231**	**711,418**	**855,649**
Goodwill	**410,454**	**522,215**	**932,669**
Deferred tax assets	**1,599**	**—**	**1,599**
Trade and other payables assumed	**(26,512)**	**(27,620)**	**(54,132)**
Provisions	**—**	**(721)**	**(721)**
Deferred and prepaid revenue and other liabilities assumed	**(3,388)**	**(7,697)**	**(11,085)**
Long-term debt assumed	**(1,735)**	**—**	**(1,735)**
Deferred tax liabilities	**(50,449)**	**(157,527)**	**(207,976)**
	665,668	**1,365,048**	**2,030,716**

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

For the year ended August 31, 2014, acquisition of property, plant and equipment amounted to $405.6 million compared to $392.9 million for fiscal 2013 mainly as a result of the following factors in the Cable and Enterprise data services segment:

- An increase in customer premise equipment mainly due to the launch in fiscal 2014 of TiVo's digital advanced television and the PSU growth in the United States as well as to the acquisition of additional customer premise equipment in the fourth quarter of fiscal 2014 in Canada in view of the launch of TiVo digital advanced television services planned for November 3, 2014 in Ontario and in Spring of fiscal 2015 in Québec;
- A decrease in scalable infrastructure and network upgrades and rebuild due to the deployment in fiscal 2012 and early fiscal 2013 of advanced technologies such as DOCSIS 3.0 and SDV in existing areas served; and
- A decrease in capital expenditures related to data centre facilities mainly due to the construction of a new data centre facility in Barrie (north of Toronto), Canada, in fiscal 2013, partly offset by the initial construction by Cogeco Data Services in fiscal 2014 of all remaining pods (pods 2, 3, 4) at the Barrie data centre as well as the expansion of Portsmouth, United Kingdom, data centre facility.

Acquisition of intangible and other assets are mainly attributable to reconnect and additional service activation costs as well as other customer acquisition costs. Fiscal 2014 acquisition of intangible and other assets amounted to $14.6 million compared to $18.6 million for last year as a result of lower reconnect activities in the cable operations in Canada.

FREE CASH FLOW AND FINANCING ACTIVITIES

Fiscal 2014 free cash flow amounted to $273.7 million, $123.2 million higher than last year. Free cash flow increase over the prior year is due to the improvement of $109.6 million of adjusted EBITDA and the decrease of $16.9 million in integration, restructuring and acquisition costs, partly offset by additional acquisition of property, plant and equipment, intangible and other assets of $8.8 million.

During fiscal 2014, lower Indebtedness level provided for a cash decrease of $268.9 million, mainly due to the following:

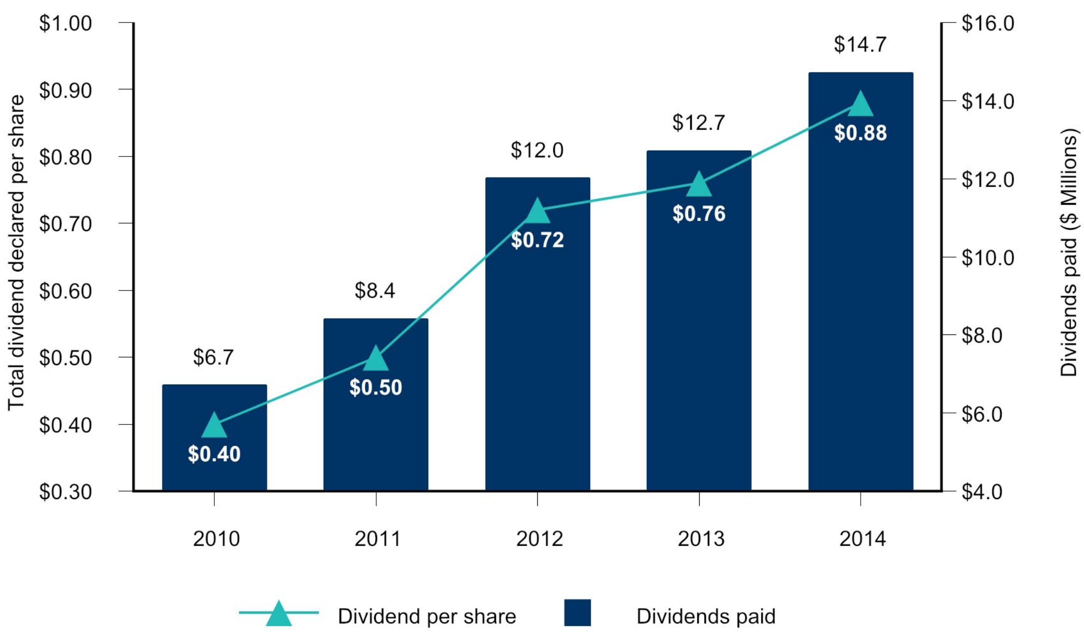
- the decrease of $9.9 million in bank indebtedness;
- the repayments under the revolving facilities of $428.3 million and of $68.9 million of long-term debt;
- the issuance, on March 5, 2014, of a private placement of $50.0 million Senior Unsecured Notes for net proceeds of $48.7 million, net of transaction costs of $1.3 million;
- the issuance, on August 27, 2014, in the Cable and Enterprise data services segment, of a private placement of $27.2 million (US$25 million) Senior Secured Notes Series A for net proceeds of $27.1 million, net of transaction costs of $0.1 million and of $164.3 million (US$150 million) Senior Secured Notes Series B for net proceeds of $162.5 million, net of transaction costs of $0.9 million.

During fiscal 2013, Indebtedness affecting cash increase of $1.8 billion mainly due to the following long-term debt issuances and draw-downs on existing Term Revolving Facilities in the Cable and Enterprise data services 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 Hosting; 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 Atlantic Broadband.
- All of the above were partly offset by the following repayments: 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 Hosting and a portion of the Term Revolving Facility used to finance Atlantic Broadband acquisition in the amount of $367.3 million.

In fiscal 2014, quarterly dividends of $0.22 per share, totaling $0.88 per share were paid to the holders of subordinate and multiple voting shares, for a total of $14.7 million. 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 addition, dividends paid by a subsidiary to non-controlling interests in fiscal 2014 amounted to $39.7 million compared to $34.3 million in the prior year. Overall, during the last five years, total dividend per share increased by 17.1% as a compounded annual basis.

The total dividend per share trend over the last five years is as follow:



FINANCIAL POSITION

During the year ended August 31, 2014, the following balances have changed significantly: "cash and cash equivalents', "property, plant and equipment", "goodwill", "trade and other payables", "income tax liabilities", "long-term debt" and "deferred tax liabilities".

Cash and cash equivalents increased by $20.0 million mainly as a result of the increase of $51.9 million in trade and other payables related to the timing of payments made to suppliers. Property, plant and equipment decreased by $22.6 million due to the impairment of property, plant and equipment of $35.5 million as well as depreciation expense exceeding the acquisitions, taking into account the impact of the US dollar and British Pound currency appreciation against the Canadian dollar. Goodwill increased by $31.3 million as a result of the US dollar and the British Pound currency appreciation against the Canadian dollar during fiscal 2014. The income tax liabilities increase of $23.6 million is due to the excess of current income taxes over income taxes paid. The decrease of $202.0 million in long-term debt is due to the factors previously discussed in the "Cash flow analysis" section, partly offset by the appreciation of the US dollar and British Pound currency compared to the Canadian dollar. The decrease of $36.3 million in deferred tax liabilities results mainly from the implementation of certain federal tax measures in fiscal 2011 limiting the tax deferrals for corporations with significant interest in partnership over a period of five years as well as the impairment of property, plant and equipment which occurred in the third and fourth quarter of fiscal 2014.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2015 guidelines:

Years ended August 31,	2015 Guidelines	**2014**	2013
Average cost of indebtedness(1)	4.3%	**4.4%**	4.1%
Fixed rate indebtedness(2)	70%	**78%**	64%
Average term: long-term debt (in years)	5.5	**6.2**	6.3
Net secured indebtedness(3)(4) / Adjusted EBITDA(5)	N/A (7)	**2.1**	2.7
Net indebtedness(4)(6) / Adjusted EBITDA(5)	N/A (7)	**3.0**	3.4
Adjusted EBITDA(5) / financial expense(5)	N/A (7)	**6.5**	6.2

(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, Senior Unsecured Notes and Unsecured Notes.

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

(5) Calculation excludes Atlantic Broadband. Fiscal 2013 adjusted EBITDA includes seven months of operating results for Peer 1 Hosting.

(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) Specific guidance on these ratios cannot be provided given that the American cable operations segmented financial guidance are not provided.

In fiscal 2015, the financial leverage ratios relating to net indebtedness and net secured indebtedness over adjusted EBITDA should decline due to the projected increase in adjusted EBITDA, combined with a reduction in Indebtedness from generated free cash flow. The financial expense coverage ratio should increase mainly as a result of the projected increase in adjusted EBITDA. The % of fixed rated indebtedness is expected to decline by August 31, 2015, as the interest rate swaps on a principal value of US$200 million will mature on July 25, 2015.

OUTSTANDING SHARE DATA

A description of COGECO's share data at September 30, 2014 is presented in the table below. Additional details are provided in Note 17 of the consolidated financial statements.

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

FINANCING

On August 27, 2014, the Corporation's subsidiary, Cogeco Cable, completed, pursuant to a private placement, the issuance of US$25 million ($27.2 million) Senior Secured Notes Series A net of transaction costs of $0.1 million, for net proceeds of $27.1 million and of US$150 million ($163.4 million) Senior Secured Notes Series B net of transaction costs of $0.9 million, for net proceeds of $162.5 million. The Senior Secured Notes Series A bear interest at 4.14% per annum payable semi-annually and mature on September 1, 2024, and the Senior Secured Notes Series B bear interest at 4.29% per annum payable semi-annually and mature on September 1, 2026. The Senior Secured Notes Series A and B are redeemable at any time at Cogeco Cable’s option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiaries.

On June 30, 2014, Cogeco Cable's subsidiary, Atlantic Broadband, amended its First Lien Credit Facilities. Pursuant to the amendment, US$15 million of the Term Loan A Facility was converted into the Revolving Facility. In addition, the Revolving Facility was increased by US$35 million of which the proceeds were used to reimburse a portion of the Term Loan B. Giving effect to this amendment, the amount available under the Revolving Facility now amounts to $150 million. However, the combined amounts borrowed under the Term Loan A, Term Loan B and the Revolving Facility have not changed. All other terms and conditions related to covenants, interest rates and maturity remained the same. In connection with the amendment, transaction costs of US$0.4 million were incurred.

On March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes for net proceeds of $48.7 million, net of transaction costs of approximately $1.3 million. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The net proceeds of the Senior Unsecured Notes was used to reimburse a portion of the Corporation's Term Revolving Facility of $100 million which facility was consequently reduced to $50 million.

On December 20, 2013, the Corporation amended its Term Revolving Facility. Under the terms of the amendment, the maturity was extended by an additional year until February 1, 2018. In addition, the amendment reduced the margin for the calculation of the interest rate and reduced restrictions on some covenants including financial ratios.

On November 22, 2013, the Corporation's subsidiary, Cogeco Cable, amended and restated its Term Revolving Facility of $800 million with a syndicate of lenders. The maturity was extended until January 22, 2019 and can be further extended annually. The amendments reduced the margin for the calculation of the interest rate and reduced restrictions on some covenants. The amended and restated Term Revolving Facility also replaced Cogeco Cable’s Secured Credit Facilities coming to maturity on January 27, 2017 which was fully repaid on November 22, 2013. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to $788 million and the second tranche, a UK tranche, amounting to $12 million. Both Cogeco Cable and Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche is available in Canadian dollars, US dollars, Euros and British Pound and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pound, plus the applicable margin. The UK tranche is available in British Pounds and interest rates are based on British Pounds base rate loans and British Pounds LIBOR loans. The Term Revolving Facility is indirectly secured by first priority fixed and floating charges and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of 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 adjusted EBITDA, financial expense and total indebtedness.

As at August 31, 2014, the Corporation had a working capital deficiency of $277.5 million compared to $223.1 million at August 31, 2013. The increase of $54.4 million in the deficiency is mainly due to the increases of trades and other payables of $51.9 million and of income tax liabilities of $23.6 million, partly offset by the increase of cash and cash equivalents of $20.0 million. As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of trade and other receivables 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, 2014, COGECO had used $16.5 million of its $50 million Term Revolving Facility for a remaining availability of $33.5 million. Furthermore, at August 31, 2014, Cogeco Cable had used $182.8 million of its $800 million amended and restated Term Revolving Facility for a remaining availability of $617.2 million. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Revolving Facility of $163.1 million (US$150 million), of which $55.7 million (US$51.2 million) was used at August 31, 2014 for a remaining availability of $107.4 million (US $98.8 million).

COGECO CABLE CREDIT RATINGS

On July 29, 2014, 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 to 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 28, 2014, Standard & Poor’s Ratings Services (“S&P”) confirmed their ratings on the Senior Secured Debentures and Notes to “BBB” , on the Senior Unsecured Notes to "BB-" and confirmed the corporate credit rating of “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. Obligations rated in the “BB” category are speculative, non-investment grade credit quality. Such obligation 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. S&P assigned a recovery rating of ‘6’ to Cogeco Cable’s Senior Unsecured Notes reflecting the likelihood that holders could expect negligible (0%-10%) recovery in the event of a payment default.

On September 30, 2014, Fitch Ratings (“Fitch”) has confirmed the Issuer Default Rating ("IDR") of Cogeco Cable to “BB+” and has also confirmed the rating on Senior Secured Notes to “BBB-” and Senior Unsecured Notes to “BB+”. 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. Obligations rated in the "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 14, 2014, 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 April 1, 2014, S&P confirmed 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, 2014	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

The Corporation's subsidiary, 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 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. Cogeco Cable elected to apply cash flow hedge accounting on these derivative financial instruments. During fiscal 2014, amounts due under the US$190 million Senior Secured Notes Series A increased by $6.5 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 $5.9 million, of which a decrease of $6.5 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.6 million was recorded as a decrease of other comprehensive income. 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 over 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.

In addition, on July 22, 2013, Cogeco Cable 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 and First Lien Credit Facilities until July 25, 2015. Cogeco Cable elected to apply hedge accounting on these derivative financial instruments. During fiscal 2014, the fair value of interest rate swaps asset decreased by a net amount of $0.6 million which was recorded as a decrease of other comprehensive income.

The sensitivity of the Corporation’s annual financial expense to a variation of 1% in the interest rate applicable to these Facilities is approximately $3.8 million based on the current debt at August 31, 2014.

Furthermore, Cogeco Cable’s investments 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 Hosting were borrowed directly in US dollars and British Pounds. At August 31, 2014, the investments for Atlantic Broadband and for Peer 1 Hosting in aggregate amounted to US$1.1 billion and £62.6 million while long-term debt hedging these net investments amounted to US$860.5 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, 2014 was $1.0873 per US dollar and $1.8052 per British Pound compared to $1.0530 per US dollar and $1.6318 per British Pound at August 31, 2013. 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 $26.1 million.

Since Cogeco Cable's consolidated financial statements are expressed in Canadian dollar but a portion of its business is conducted in US dollar and British Pound currency, exchange rate fluctuations can increase or decrease the Corporation's operating results. For the year ended August 31, 2014, the average rates prevailing used to convert the operating results of the Cable and Enterprise data services segment were as follows:

			Years ended
	August 31, 2014	August 31, 2013	Change
	$	$	%
US dollar vs Canadian dollar	**1.0777**	1.0186	5.8
British Pound vs Canadian dollar	**1.7821**	1.5738	13.2

The following highlights in Canadian dollars, the impact of a 10% increase in US dollar or British Pound against the Canadian dollar as the case may be, of Cogeco Cable's operating results for the year ended August 31, 2014:

	Cable and Enterprise data services segment	
	As reported	Exchange rate impact
(in thousands of dollars)	$	$
Revenue	**1,947,591**	**54,122**
Operating expenses	**1,044,560**	**35,377**
Management fees - COGECO Inc.	**9,674**	**—**
Adjusted EBITDA	**893,357**	**18,745**
Acquisitions of property, plant and equipment, intangible and other assets	**415,472**	**17,147**

COMMITMENTS AND GUARANTEES

COGECO's contractual obligations at August 31, 2014 are shown in the table below:

Years ended August 31,	2015	2016	2017	2018	2019	Thereafter	Total
(in thousands of dollars)	$	$	$	$	$	$	$
Long-term debt(1)	**31,757**	**239,994**	**35,845**	**268,230**	**242,150**	**2,028,673**	**2,846,649**
Balance due on a business combination	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Derivatives financial instruments	**—**	**(4,712)**	**—**	**—**	**—**	**—**	**(4,712)**
Finance leases(2)	**592**	**28**	**12**	**—**	**—**	**—**	**632**
Operating lease agreements(3)	**36,859**	**34,253**	**31,416**	**29,731**	**26,847**	**81,931**	**241,037**
Other long-term contracts(4)	**4,501**	**2,435**	**—**	**544**	**—**	**17,614**	**25,094**
Acquisition of property, plant and equipment(5)	**36,334**	**21,269**	**16,201**	**13,600**	**10,028**	**29,642**	**127,074**
Pension plan liabilities and accrued employees benefits (6)	**—**	**—**	**—**	**—**	**—**	**17,169**	**17,169**
Total contractual obligations(7)	**112,043**	**293,267**	**83,474**	**312,105**	**279,025**	**2,175,029**	**3,254,943**

(1) Including principal and excludes finance leases.

(2) Including interest.

(3) Include significant operating lease agreements for rented premises and support structures.

(4) Include long-term commitments with suppliers to provide services including minimum spend commitments.

(5) Include minimum spend commitments under acquisitions of home terminal devices and software licenses.

(6) The nature of these obligations prevents the Corporation from estimating an annual breakdown.

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

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

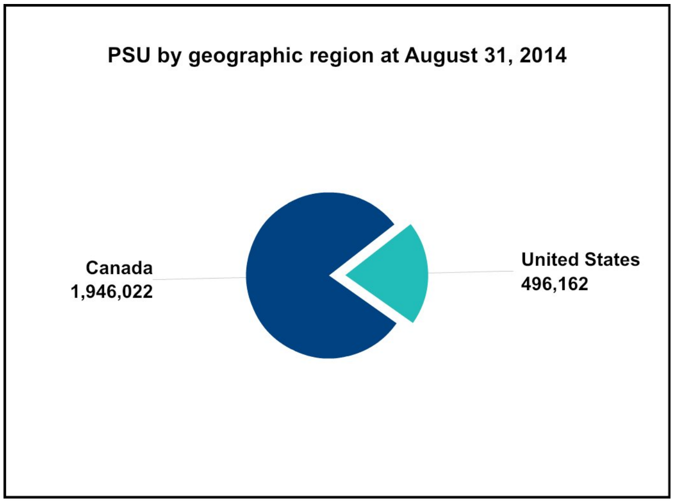
In connection with the acquisition or sale of businesses or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation has agreed to indemnify the seller or the purchaser against claims related to events that 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. At August 31, 2014 and 2013, no liability with respect to these indemnifications has been recorded, except for those disclosed in Note 15 of the consolidated financial statements.

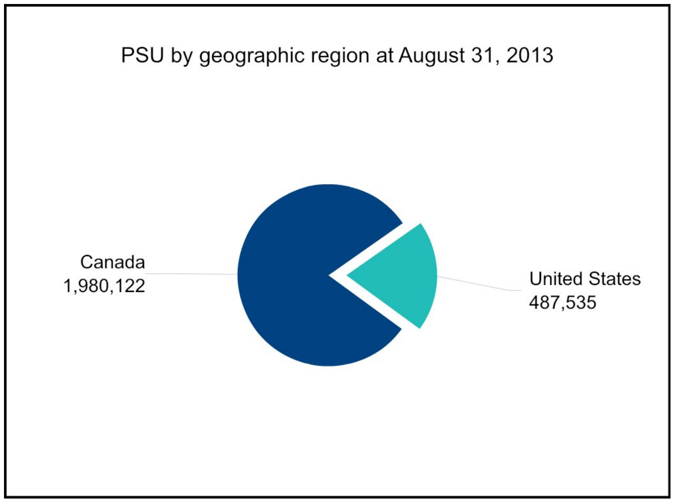
Under the terms of the Senior Secured Notes and Senior Unsecured Notes, Cogeco Cable has agreed to indemnify the other parties against changes in regulation relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related 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. At August 31, 2014 and 2013, no liability with respect to these indemnifications has been recorded.

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 liability insurance with a deductible per loss. At August 31, 2014 and 2013, no liability has been recorded with respect to these indemnifications.

CABLE AND ENTERPRISE DATA SERVICES SEGMENT

CUSTOMER STATISTICS





	August 31, 2014			Net additions (losses) Years ended August 31,		% of penetration[1] August 31,	
	Consolidated	**UNITED STATES**	**CANADA**	**2014**	2013	**2014**	2013
PSU	**2,442,184**	**496,162**	**1,946,022**	**(25,473)**	7,423		
Television service customers	**1,023,094**	**225,929**	**797,165**	**(43,858)**	(33,476)	**46.4**	48.7
HSI service customers	**869,453**	**189,869**	**679,584**	**31,008**	28,437	**39.5**	38.3
Telephony service customers	**549,637**	**80,364**	**469,273**	**(12,623)**	12,462	**24.9**	25.7

(1) As a percentage of homes passed.

At August 31, 2014, PSU reached 2,442,184 of which 1,946,022 came from Canada and 496,162 came from the United States. Fiscal 2014 PSU net losses stood at 25,473 compared to net additions of 7,423 for the prior year. Fiscal 2014 net losses for Television services customers stood at 43,858 compared to 33,476 for the prior year mainly as a result of service category maturity and competitive offers in the industry. For fiscal 2014, HSI service customers grew by 31,008 compared to 28,437 and the Telephony services customers net losses stood at 12,623 compared to net additions of 12,462 for the prior year. HSI net additions continued to stem from the enhancement of the product offering and the positive impact of the bundle offer. The decrease in Telephony services customers is mainly attributable to the increasing mobile penetration rate in North America and various unlimited offers launched by mobile operators causing customers to cancel their landline Telephony services for mobile telephony services only.

In Canada, PSU decreased by 34,100 in fiscal 2014 compared to an increase of 5,068 in the previous year. The decrease is explained by service category maturity and a more competitive environment for all services.

In the United States, PSU increased by 8,627 in fiscal 2014 compared to an increase of 2,355 in the prior year. The PSU growth stem primarily from additional HSI and Telephony services combined with a lower decrease in the Television service. The comparable figures include only nine months of net additions since Atlantic Broadband acquisition occurred at the end of the first quarter of fiscal 2013.

OPERATING RESULTS

Years ended August 31,	**2014**	2013 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**1,947,591**	1,692,466	15.1
Operating expenses	**1,044,560**	902,174	15.8
Management fees – COGECO Inc.	**9,674**	9,569	1.1
Adjusted EBITDA	**893,357**	780,723	14.4

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

REVENUE

Fiscal 2014 revenue amounted to $1.95 billion, an increase of $255.1 million, or 15.1% compared to fiscal 2013 driven by a growth of 2.4% in the Canadian cable services operations, of 46.3% in the American cable services operations and of 51.4% in the Enterprise data services operations. Revenue increased mainly attributable to the full year impact of the recent acquisitions which both occurred during fiscal 2013 combined with the organic growth from all of our operating segments and favorable foreign exchange rates in our foreign operations.

OPERATING EXPENSES AND MANAGEMENT FEES

For fiscal 2014, operating expenses amounted to over $1.04 billion, an increase of $142.4 million, or 15.8%, compared to the same period of fiscal 2013. These additional operating expenses are mostly attributable to the full year impact of the recent acquisitions and the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by cost reduction initiatives and restructuring activities in Canada.

Management fees paid to COGECO amounted to $9.7 million compared to $9.6 million in fiscal 2013.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2014 adjusted EBITDA increased by $112.6 million, or 14.4%, to reach $893.4 million as a result of the improvement from all our operating segments, the favorable foreign exchange rates in our foreign operations compared to fiscal 2013 as well as the full year impact of the recent acquisitions. Cogeco Cable's operating margin slightly decreased to 45.9% when compared to 46.1% for the prior year essentially due to lower margin business activities from the Enterprise data services operations, partly offset by the improvement of operating margin in the Canadian cable services operations.

THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS AND QUARTERLY FINANCIAL HIGHLIGHTS

THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	**2014**	2013 [(1)]	2012
(in thousands of dollars, except percentages and per share data)	**$**	$	$
Revenue	**2,096,038**	1,834,257	1,406,353
Adjusted EBITDA	**908,262**	798,642	606,842
Impairment of property, plant and equipment	**35,493**	—	—
Income taxes	**54,760**	63,715	81,615
Profit for the year from continuing operations	**210,170**	189,821	174,246
Profit for the year from discontinued operations	**—**	—	55,446
Profit for the year	**210,170**	189,821	229,692
Profit for the year attributable to owners of the Corporation	**67,680**	64,260	77,051
Cash flow from operating activities	**764,770**	552,195	448,764
Cash flow from operations	**693,909**	561,935	447,110
Acquisitions of property, plant and equipment, intangible and other assets	**420,179**	411,422	378,369
Free cash flow	**273,730**	150,513	68,741
Total assets	**5,367,730**	5,348,627	3,103,919
Indebtedness	**2,848,040**	3,054,275	1,180,971
Per Share Data[(2)]			
Earnings per share attributable to owners of the Corporation			
From continuing and discontinued operations			
Basic	**4.05**	3.84	4.61
Diluted	**4.02**	3.82	4.58
From continuing operations			
Basic	**4.05**	3.84	3.54
Diluted	**4.02**	3.82	3.52
From discontinued operations			
Basic	**—**	—	1.07
Diluted	**—**	—	1.06
Dividends	**0.88**	0.76	0.72

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 Employee Benefits. For further details, please refer to Note 3 of the consolidated financial statements.

(2) Per multiple and subordinate voting share.

QUARTERLY FINANCIAL HIGHLIGHTS

	Fiscal 2014				Fiscal 2013 [3]			
Quarters ended[1]	**Nov. 30**	**Feb. 28**	**May. 31**	**Aug. 31**	Nov. 30	Feb. 28	May. 31	Aug. 31
(in thousands of dollars, except percentages and per share data)	**$**	**$**	**$**	**$**	$	$	$	$
Revenue	**516,971**	**518,477**	**536,067**	**524,523**	366,608	458,501	504,434	504,714
Adjusted EBITDA	**224,040**	**221,807**	**233,083**	**229,332**	156,884	196,272	220,878	224,608
Impairment of property, plant and equipment	**—**	**—**	**32,197**	**3,296**	—	—	—	—
Income taxes	**15,837**	**14,147**	**9,068**	**15,708**	19,172	15,089	19,080	10,374
Profit for the period	**56,839**	**58,467**	**35,635**	**59,229**	47,106	48,950	49,995	43,770
Profit for the period attributable to owners of the Corporation	**23,055**	**17,391**	**11,469**	**15,765**	18,530	14,676	17,185	13,869
Cash flow from operating activities	**60,235**	**187,611**	**184,706**	**332,218**	(6,005)	157,095	167,641	233,464
Cash flow from operations	**159,222**	**173,415**	**176,491**	**184,781**	101,501	140,124	158,172	162,138
Acquisitions of property, plant and equipment, intangible and other assets	**86,580**	**81,997**	**84,960**	**166,642**	83,155	106,019	113,492	108,756
Free cash flow	**72,642**	**91,418**	**91,531**	**18,139**	18,346	34,105	44,680	53,382
Earnings per share attributable to the owners of the Corporation[2]								
Basic	**1.38**	**1.04**	**0.69**	**0.94**	1.11	0.88	1.03	0.83
Diluted	**1.37**	**1.03**	**0.68**	**0.94**	1.10	0.87	1.02	0.82

(1) The addition of quarterly information may not correspond to the annual total due to rounding.
(2) Per multiple and subordinate voting share.
(3) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

SEASONAL VARIATIONS

COGECO's operating results are not generally subject to material seasonal fluctuations except as follows. In the Cable and Enterprise data services segment, the number of customers in the Television services and HSI services 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 in the Pennsylvania region, and to a lesser extent in South Carolina, Maryland/Delaware in the United States. In the United States, the 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

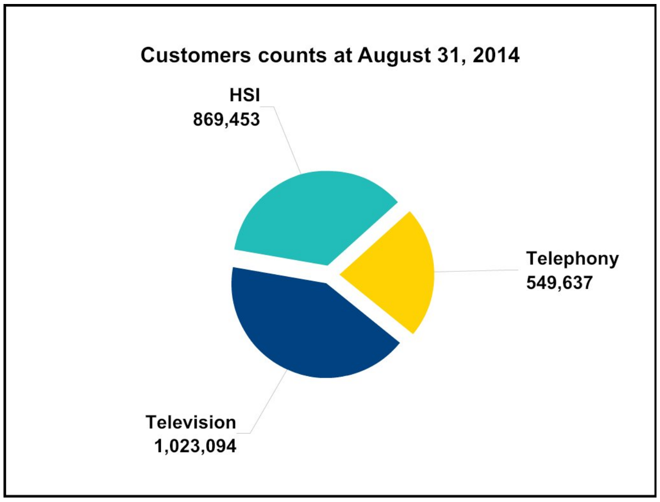
Quarters ended August 31,	**2014**	2013 [1]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**524,523**	504,714	3.9
Operating expenses	**295,191**	280,106	5.4
Adjusted EBITDA	**229,332**	224,608	2.1

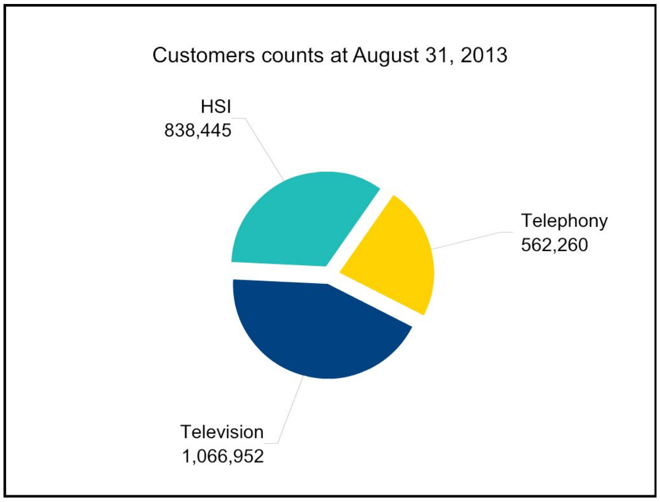
(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

Fiscal 2014 fourth-quarter consolidated revenue improved by $19.8 million, or 3.9%, to reach $524.5 million compared to $504.7 million for the prior year primarily due to the Cable and Enterprise data services segment and the revenue generated by the radio and out-of-home advertising activities. For the fourth quarter ended August 31, 2014, consolidated operating expenses increased by $15.1 million, or 5.4%, at $295.2 million compared to $280.1 million for the prior year mainly attributable to the Cable and Enterprise data services segment. As a result, consolidated adjusted EBITDA increased by $4.7 million, or 2.1%, to reach $229.3 million.

Cable and Enterprise data services segment's fiscal 2014 fourth-quarter consolidated revenue improved by $19.8 million, or 4.2%, to reach $490.2 million compared to $470.4 million for the prior year due to the organic growth from all its business units and the appreciation of the US dollar and the British Pound against the Canadian dollar from its foreign operations. For the fourth quarter ended August 31, 2014, consolidated operating expenses increased by $11.5 million, or 4.6%, at $259.3 million compared to $247.8 million for the prior year mainly due to favorable foreign exchange rates and the organic growth. As a result, consolidated adjusted EBITDA increased by $8.3 million, or 3.7%, to reach $230.8 million.

CABLE AND ENTERPRISE DATA SERVICES SEGMENT CUSTOMER STATISTICS





	August 31, 2014			Net additions (losses) Quarters ended	
	Consolidated	**UNITED STATES**	**CANADA**	**August 31, 2014**	August 31, 2013
PSU	**2,442,184**	**496,162**	**1,946,022**	**(9,934)**	(13,360)
Television service customers	**1,023,094**	**225,929**	**797,165**	**(11,897)**	(12,333)
HSI service customers	**869,453**	**189,869**	**679,584**	**3,856**	1,097
Telephony service customers	**549,637**	**80,364**	**469,273**	**(1,893)**	(2,124)

Fiscal 2014 fourth-quarter PSU net losses stood at 9,934 compared to 13,360 in the comparable period of the prior year mainly as a result of service category maturity and competitive offers in the cable industry. In Canada, PSU decreased by 10,422 in the fourth quarter of fiscal 2014 compared to 12,021 in the comparable period of the prior year. In the United States PSU increased by 488 in the fourth quarter of fiscal 2014 compared to a decrease of 1,339 in the fourth quarter of fiscal 2013. Net customer losses for Television service customers stood at 11,897 compared to 12,333 for the same period of last year. Television service customer net losses are mainly due to promotional offers of competitors for the video service, service category maturity and the IPTV footprint growth from competitors, partly offset by the successful deployment of the TiVo digital advanced television platform in the United States with positive acceptance by our customers. Fiscal 2014 fourth-quarter HSI service customers grew by 3,856 compared to 1,097 in the fourth quarter of the prior year. HSI net additions continue to stem from the enhancement of the product offering, the impact of the bundled offer of Television, HSI and Telephony services and promotional activities. Telephony service customers net losses stood at 1,893 customers compared to 2,124 customers for the same period of last year.

CASH FLOW ANALYSIS

Quarters ended August 31,	2014	2013 [(1)]
(in thousands of dollars)	**$**	$
Operating activities		
Cash flow from operations	**184,781**	162,138
Changes in non-cash operating activities	**130,360**	58,644
Amortization of deferred transaction costs and discounts on long-term debt	**(2,049)**	(4,255)
Income taxes paid	**(10,380)**	(24,066)
Current income taxes	**13,792**	11,583
Financial expense paid	**(19,256)**	(20,850)
Financial expense	**34,970**	50,270
Cash flow from operating activities	**332,218**	233,464
Investing activities	**(165,489)**	(104,976)
Financing activities	**(133,536)**	(125,642)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**112**	1,304
Net change in cash and cash equivalents	**33,305**	4,150
Cash and cash equivalents, beginning of period	**30,526**	39,643
Cash and cash equivalents, end of period	**63,831**	43,793

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

Fourth-quarter 2014 cash flow from operating activities reached $332.2 million compared to $233.5 million last year, an increase of $98.8 million , or 42.3%, primarily due to the improvement of adjusted EBITDA of $4.7 million, the decrease in financial expense of $15.3 million as well as the increase of $71.7 million in cash inflows from non-cash operating activities as a result of a higher increase in trade and other payables compared to the same period of the prior year.

Fourth-quarter 2014 cash flow from operations reached $184.8 million compared to $162.1 million last year, an increase of $22.6 million, or 14.0%, primarily due to the improvement of adjusted EBITDA of $4.7 million combined with the decrease of financial expense of $15.3 million as a result of a make-whole premium of $10.2 million on the early repayment by Cogeco Cable of the Senior Secured Debentures Series 1 which occurred in the fourth quarter of fiscal 2013.

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

For the quarter ended August 31, 2014, acquisition of property, plant and equipment amounted to $165.7 million compared to $103.8 million for the comparable period of fiscal 2013 mainly as a result of the following factors in the Cable and Enterprise data services segment:

- An increase in customer premise equipment mainly due to the acquisition of additional customer premise equipment occurred in the fourth quarter of fiscal 2014 in Canada in view of the launch of TiVo digital advanced television services planned for November 3, 2014 in Ontario and in Spring of fiscal 2015 in Québec;
- An increase in scalable infrastructure to extend and improve network capacity in the areas served;
- An increase in capital expenditures related to data centre facilities as a result of the initial construction by Cogeco Data Services of all remaining pods (pods 2, 3, 4) at the Barrie data centre; and
- A decrease in upgrade and rebuild due to the deployment in fiscal 2012 and early fiscal 2013 of advanced technologies such as DOCSIS 3.0 and SDV in existing areas served.

Acquisition of intangible and other assets are mainly attributable to reconnect and additional service activation costs as well as other customer acquisition costs. Fiscal 2014 fourth-quarter acquisition of intangible and other assets amounted to $1.0 million compared to $4.9 million for the fourth quarter of fiscal 2013 mainly due to lower reconnect activities in the cable operations in Canada.

FREE CASH FLOW AND FINANCING ACTIVITIES

Fourth-quarter 2014 free cash flow amounted to $18.1 million, a decrease of $35.2 million compared to $53.4 million in the fourth quarter of fiscal 2013, mainly as a result of the increase of $57.9 million in acquisitions of property, plant and equipment, intangible and other assets due to the timing of certain initiatives that were delayed in the three first quarters of fiscal 2014, partly offset by improvement of $4.7 million of adjusted EBITDA combined with the decreases of $15.3 million in financial expense and of $3.8 million in integration, restructuring and acquisition costs.

In the fourth quarter of fiscal 2014, Indebtedness level resulted in a cash decrease of $120.7 million, mainly due to the following reasons:

- the repayments of $242.2 million under the revolving facilities and of $58.0 million of long-term debt;
- the decrease of $10.0 million in bank indebtedness;
- the issuance, on August 27, 2014, in the Cable and Enterprise data services segment, of a private placement of $27.2 million (US$25 million) Senior Secured Notes Series A for net proceeds of $27.1 million, net of transaction costs of $0.1 million; and
- the issuance, on August 27, 2014, in the Cable and Enterprise data services segment, of a private placement of $164.3 million (US $150 million) Senior Secured Notes Series B for net proceeds of $162.5 million, net of transaction costs of $0.9 million.

In the fourth quarter of fiscal 2013, Indebtedness level resulted in a cash decrease of $113.5 million, mainly due to the issuance 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.

During the fourth quarter of fiscal 2014, a quarterly eligible dividend of $0.22 per share was paid to the holders of subordinate and multiple voting shares, totaling $3.7 million, when compared to a dividend paid of $0.19 per share, or $3.2 million in the fourth quarter of fiscal 2013.

FISCAL 2015 FINANCIAL GUIDELINES

COGECO revised its fiscal 2015 preliminary financial guidelines with regards to free cash flow, as issued on July 9, 2014, to take into consideration non-cash items of approximately $10 million to be excluded from the calculation.

For fiscal 2015, COGECO expects revenue to reach $2.19 billion and adjusted EBITDA should reach $945 million, as a result of the Cable and Enterprise data services segment's 2015 guidelines and the projected results of the radio and out-of-home advertising activities. Free cash flow should reach approximately $280 million and profit for the year attributable to the owners of the Corporation is expected to attain $88 million.

Fiscal 2015 financial guidelines are as follows:

	Projections October 31, 2014	Preliminary projections July 9, 2014	Actuals
	Fiscal 2015	Fiscal 2015	Fiscal 2014
(in millions of dollars)	**$**	$	**$**
Financial guidelines			
Revenue	**2,185**	2,185	**2,096**
Adjusted EBITDA	**945**	945	**908**
Integration, restructuring and acquisition costs	**—**	—	**5**
Financial expense	**132**	132	**137**
Current income taxes	**105**	105	**86**
Profit for the year	**265**	265	**210**
Profit for the year attributable to owners of the Corporation	**88**	88	**68**
Acquisitions of property, plant and equipment, intangible and other assets	**438**	438	**420**
Free cash flow(1)	**280**	270	**274** (2)

(1) Free cash flow is calculated as adjusted EBITDA plus non-cash items of approximately $10 million and less, integration, restructuring and acquisition costs, financial expense, current income taxes and acquisitions of property, plant and equipment, intangible and other assets.

(2) Fiscal 2014 free cash flow excludes non-cash items of approximately $14 million, mainly related to share-based payment and amortization of deferred transaction costs and discounts on long-term debt.

CABLE AND ENTERPRISE DATA SERVICES SEGMENT

Cogeco Cable revised its fiscal 2015 preliminary financial guidelines with regards to free cash flow, as issued on July 9, 2014, to take into consideration non-cash items of approximately $10 million to be excluded from the calculation.

Fiscal 2015 financial guidelines take into consideration the current uncertain global economic and the intense competitive environment that prevails in Canada, the United States and Europe by the incumbent telecommunications or IT infrastructure providers, as the case may be. In addition, these financial guidelines are supported by Cogeco Cable's objectives which are to improve profitability to create shareholder value. Cogeco Cable focus on customer's needs by offering services at attractive prices, expanding its offering with respect to geography and by diversifying its product and services. As the Corporation operates in an industry characterized by rapid technological innovation which requires substantial capital, Cogeco Cable will continue the expansion and upkeep maintenance of its networks and data centre facilities as well as the launch and expansion of new or additional services. The Corporation recognizes that customer service is a key brand attribute that has potential to differentiate its services compared to its competitors and that superior customer service earns their loyalty and retention. As cost containment is a core element of financial performance and remains a key factor to maintain strong operating margins, Cogeco Cable intends to continue executing its strategy of tight operating and capital cost controls and rigorous customer-related processes.

For fiscal 2015, Cogeco Cable expects to achieve revenue of $2.03 billion, representing a growth of $82 million or 4.2% compared to fiscal 2014. In the Cable services segments, revenue should stem primarily from targeted marketing initiatives to improve penetration rates of HSI and Telephony services in the business sector while the penetration of residential Telephony and Television services should remain sluggish in the Canadian cable services, reflecting service category maturity and intense competition. Furthermore, the penetration of Digital video and HSI services should continue to benefit from customers' ongoing interest in TiVo's digital advanced television services in the American cable services segment as well as the launch of TiVo digital advanced television services in the Canadian cable services segment. Cable services segment will also benefit from the impact of rate increases in most of its services. In the Enterprise data services segment, revenue growth should stem primarily from managed and dedicated hosting and colocation services due to the expansion of the Barrie data centre facility as well as from the migration of services in the business portfolio that generate revenue with higher margins. In addition, the construction of the first pod of a new data centre facility in Kirkland, Montréal, is expected to be completed in the Spring of fiscal 2015 and should begin generating revenue. The revenue growth should also be driven by connectivity services as a result of network expansions and new customer installations.

Fiscal 2015 operating expenses are expected to expand by approximately $50 million, or 4.7%, compared to fiscal 2014 mainly due to additional expenditures to support the Enterprise data services segment growth, salary increases as well as the continuation of the marketing initiatives and retention strategies. These increases should be partly offset by cost reduction initiatives from improved systems and processes and by the restructuring activities that were completed in fiscal 2014.

For fiscal 2015, the Corporation expects adjusted EBITDA of $925 million, an increase of $32 million, or 3.6%, compared to fiscal 2014. The operating margin is expected to reach approximately 45.6% in fiscal 2015, compared to 45.9% for fiscal 2014, reflecting lower margins business activities from the Enterprise data services segment as well as operating expenses increasing slightly faster than the revenue.

Cogeco Cable expects the depreciation and amortization of property, plant and equipment and intangible assets to increase by $5 million for fiscal 2015, mainly from the increase in capital expenditures in fiscal 2015. Cash flows from operations should finance capital expenditures which are expected to reach $430 million compared to $415 million for fiscal 2014. Fiscal 2015 capital expenditures should increase mainly due to the completion of the expansion of the Barrie data centre facility and the construction of the first pod of a new data centre in Kirkland in the Enterprise data services segment.

Fiscal 2015 free cash flow is expected to amount to $280 million compared to fiscal 2014 free cash flow of $275 million due to the adjusted EBITDA growth, partly offset by additional capital expenditures. As a result, generated free cash flow will reduce Indebtedness net of cash and cash equivalent, thus improving the Corporation's net leverage ratios. Financial expense should amount to $125 million, a decrease of $5 million, or 3.8%, from lower Indebtedness level. Finally, profit for the year should reach approximately $260 million compared to $209 million for fiscal 2014.

Fiscal 2015 financial guidelines are as follows:

	Projections October 31, 2014	Preliminary projections July 9, 2014	Actuals
	Fiscal 2015	Fiscal 2015	Fiscal 2014
(in millions of dollars, except percentages)	**$**	$	$
Financial guidelines			
Revenue	**2,030**	2,030	1,948
Adjusted EBITDA	**925**	925	893
Operating margin	**45.6%**	45.6%	45.9%
Integration, restructuring and acquisition costs	**—**	—	5
Depreciation and amortization	**465**	465	460
Financial expense	**125**	125	130
Current income taxes	**100**	100	83
Profit for the year	**260**	260	209
Acquisitions of property, plant and equipment, intangible and other assets	**430**	430	415
Free cash flow(1)	**280**	270	275 (2)
Capital intensity	**21.2%**	21.2%	21.3%

(1) Free cash flow is calculated as adjusted EBITDA plus non-cash items of approximately $10 million and less, integration, restructuring and acquisition costs, financial expense, current income taxes and acquisitions of property, plant and equipment, intangible and other assets.

(2) Fiscal 2014 free cash flow excludes non cash items of approximately $15 million, mainly related to share-based payment and amortization of deferred transaction costs and discounts on long-term debt.

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 the principal business 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 the Canadian cable services segment of Cogeco Cable, we currently face competition in our service areas from several 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 Québec 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 Québec;
- 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. ("Rogers"), an operator of a mobile telecommunications network in Ontario and Québec 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 Québec footprint and is actively marketing its mobile telecommunications services in Québec.

Other advanced wireless service mobile telecommunications service operators, such as Wind and Mobilicity, are also operating in the Ontario market. 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, anticipated consolidation of new entrants in the mobile telecommunications space in Canada may lead to more vigorous competition for voice telephony, Internet access and data services within our Ontario and Québec service footprints.

Although we provide "double-play" and "triple-play" service bundles in Canada, with various combinations of television, HSI and telephony services being offered at bundled 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 costs 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 segment of Cogeco Cable, the competition is fragmented and varies by geographical area. Our principal competitor for television services is Direct Broadcast Satellite ("DBS") from two providers, DirecTV, Inc. and Dish Network, and our principal competitor for HSI services is Direct Subscriber Line ("DSL") from a variety of service providers. In our Maryland/Delaware market, Verizon has built a FiOS (FTTH) network that offers HSI, voice and television services. AT&T U-verse currently provides service in our Miami market and plans to enter our Aiken, South Carolina market. Additionally, we face limited competition from Comcast in Aventura and the southern section of Miami-Dade County where Atlantic Broadband has "overbuilt" the incumbent Comcast systems. 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.

The ILECs in the territories where we operate, notably Bell and Telus in Canada and Verizon and AT&T in the United States, are building fibre optic networks to deploy IP television services in substantial portions of their service areas. The fibre technologies they are using are capable of carrying two-way television, HSI with substantial bandwidth and telephone services, each of which is comparable to the services Cogeco Cable Canada and Atlantic Broadband offer. The ILECs also have the ability to bundle wireless services provided by owned or affiliated companies.

We also currently face competition in both the Canadian and American cable services segments of Cogeco Cable 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.

The Enterprise data services segment of Cogeco Cable in which we compete is highly competitive, constantly changing, and fragmented. It includes a large number of small local and regional providers and several national and international providers. The principal competitive differentiators include network and facilities scalability, reliability and security, quality of technical and customer service, breadth and depth of services offered, geographical locations, price, management experience and financial resources.

In the Enterprise data services segment of Cogeco Cable, we face in the market competition in relation with cloud, managed IT, managed and dedicated hosting from national and international managed services providers such as Sungard and Rackspace, smaller regional and local specialized firms and in some cases with the larger integrators (e.g. IBM, CGI). We also compete on our data centre offerings with Q9 Networks (owned by Bell), Blackiron (owned by Rogers), TELUS and other data centre service providers like Century Link, Terramark and Equinix. We also face competition in relation to connectivity services from a number of incumbent telecommunications carriers including Bell, Rogers, TELUS and MTS Allstream, all of whom offer a similar suite of services as those offered by us.

Competition in the Enterprise data services segment of Cogeco Cable is intense and 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 last year, Bell currently controls about 45% 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 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 local broadcast programming. This escalation will likely 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, most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Also, in order to obtain the most popular programming services, programmers require us to carry a number of the programmers' less popular services, further increasing our costs. 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 .

The pending mergers of Comcast with Time Warner and AT&T with DirecTV could also impact our programming costs and are generating concerns that the respective combinations will increase each company's incentive and ability to charge other operators higher carriage fees for the vertically integrated programming content owned by each company.

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. Some broadcasters are launching cable networks and are conditioning broadcast retransmission consent on carriage of their cable networks on all systems. We expect to be subject to increased cash demands by broadcasters in exchange for their required consent for the retransmission of broadcast programming to our customers. Over fifty percent of our retransmission consent agreements expire at the end of 2014 calendar year, and we are currently in the process of renewal negotiations. 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.

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 cable operations in Canada.

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, the composition of the basic cable service, 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.

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 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 licence, the issuance of new licences, including additional spectrum licences to our competitors, the distribution and packaging of services, wholesale or retail service terms, terms for the licensing of programming services for distribution in Canada on various distribution platforms, complaint or dispute resolution processes, industry codes of conduct, or the tax status or treatment of competitive suppliers or their respective services, 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.

More specifically, the CRTC has warned in Broadcasting Information Bulletin CRTC 2014-461 that its pending *Let’s Talk TV* broadcasting proceeding may result in the adoption of major changes to the broadcasting system which will have an impact on current and future licensees, their conditions of licence and the regulations which govern their activities. The changes considered by the CRTC include the obligation for terrestrial and satellite broadcasting distributors to offer to all their customers a small all-Canadian basic service and discretionary television services, both individually *à-la-carte* and as part of customized packages. In addition, over-the-air television stations could be authorized to shut down their transmitters, which has led to demands for retransmission consent and fee-for carriage by some public and private television networks. The outcome of this proceeding and its impact on Cogeco Cable’s Canadian cable operations and financial performance cannot be assessed at this time.

The CRTC has also initiated a telecommunications proceeding to consider a regulatory framework for the introduction of wholesale mobile telecommunications resale in Canada. While this proceeding is still pending and its outcome cannot be assessed at this time, it will likely have a material impact on the Corporation’s prospect for the eventual deployment of mobile virtual network operator ("MVNO") services providing mobility telecommunications service options and "quadruple-play" service bundles to its customers.

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:

- Rules for franchise renewals and transfers;
- 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;
- 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;
- Subscriber privacy regulations; 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 has 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. Further, DBS providers are not required to obtain franchise agreements, pay franchise fees, provide public, educational and governmental access channel capacity and support payments or provide other free services to franchising authorities. These varying regulatory requirements will benefit our competitors.

In addition, both the United States Congress and the FCC are considering various forms of "network neutrality" regulation which may have the impact of restricting our ability to contract with third-party broadband content providers and manage our network efficiently. The proposed FCC rulemaking only applies to broadband providers and does not currently extend to content and edge providers, which could adversely impact our ability to obtain broadband content.

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

The larger cable systems operated by us in Canada are subject to periodic licence renewals by the CRTC. The maximum licence term is seven years. While CRTC licences 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 new competition from terrestrial facilities-based and non-facilities based service providers.

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 terminated 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. Some states, including South Carolina and Florida, regulate franchises on a state level. Franchising authorities are required to grant additional franchises to competitors in the same geographic area. In some cases municipal utilities may legally compete with Atlantic Broadband..

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, including several interconnects with adjacent cable operators to be able to use their signals as a backup, 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. This risk is being slowly mitigated as we complete our fibre rings and headend interconnects, providing for a more robust redundant architecture.

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*. Access to the structures of provincial or municipal electric utilities is subject to provincial and municipal requirements, and the terms for access to these structures may need to be obtained through provincial and municipal authorities. 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 could be adversely impacted by our customers' switch from cable television services to programming content available over the Internet through fixed and mobile broadband connections.

The growing trend towards the use of programming content available over the Internet through fixed and mobile broadband connections causes substitution with our cable television services or “cord-shaving” (when users cancel certain pay television and other discretionary linear or on-demand television services). This trend is accelerating as Canadian consumers increasingly subscribe to OTT services such as Netflix, which are not currently regulated under the *Broadcasting Act* in Canada and do not pay consumer and other taxes in Canada for their Internet-delivered programming services. In the United States, we expect the trend of increasing viewership of Internet delivered programming to continue.

We depend on a limited number of third‑party service suppliers and on third-party Internet providers 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 and Integrated DNA Technologies, Inc. ("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 TiVo, Arris, Pace and Cisco, for certain specialized services, hardware and equipment that are critical to our operations. These materials and services include set-top boxes; 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.

As we expand the TiVo service in our American and Canadian footprint, we will rely increasingly on TiVo to provide both the customer premises equipment ("CPE"), as well as guide and user interface software to enable our customers to seamlessly access programming content. Currently TiVo is our sole provider of this hardware and software. While Pace is now building a TiVo compatible hardware platform, we have not tested nor integrated with its solution. A failure by TiVo in its ability to deliver product could result in a meaningful impact until an alternate solution from Pace could be implemented. 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 data services. A failure to supply could materially adversely affect our enterprise data services businesses, financial condition and results of operations.

We depend on power utility suppliers in the geographical areas in which our data centres are located. 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.

In addition, Peer 1 Hosting depends on third-party Internet providers with regards to the purchase of bandwidth. A failure by the Internet providers in their ability to provide the service or the inability from Peer 1 Hosting to acquire additional network capacity and maintain direct connections to multiple IP backbone networks in order to meet future customer demand could materially adversely affect our financial condition and operating results.

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, or comply with regulatory requirements, 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 have very limited insurance coverage 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 and fibre networks.

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 revenue 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 variations on our operating results and financial condition and consequently, our reported earnings and indebtedness could fluctuate materially as a result of foreign‑exchange rate fluctuations. 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.

All the data centres operated by Peer 1 Hosting 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, 2014, approximately 19% of our employees were represented by several unions under collective bargaining agreements. Several collective agreements in our Canadian cable services segment have expired or will be expiring in the near future. The Corporation has been successful in negotiating satisfactory collective agreements with unions without significant labour disruption. While the Corporation's labour relations have been satisfactory in the past, 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 or 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 having 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 voting and subordinate voting shares of COGECO. Both COGECO and Cogeco Cable are reporting issuers in Canada with subordinate voting shares listed on the TSX. Pursuant to the Conflicts Agreement in effect between COGECO and Cogeco Cable, 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

The Corporation has implemented a Corporate Social Responsibility ("CSR") program aimed at operating responsibly and sustainably and being a good corporate citizen. Concretely, this means we seek to integrate practices that improve the environmental and social impacts of our operations while ensuring the Corporation's continued growth. The COGECO Group Code of Ethics together with the Corporate Social Responsibility Policy, which was adopted in 2013, form the framework of our CSR program.

Our CSR policy integrates our corporate social responsibility objectives articulated around six pillars:

- Managing our environmental footprint;
- Taking part in developing communities;
- Taking part in developing our employees;
- Integrating the best CSR practices;
- Being transparent in communicating our CSR activities; and
- Ensuring the company's growth sustained by a solid corporate governance foundation.

Supported by a corporate management structure, overseen by a Steering Committee composed of Executives from all business units, and a sound corporate governance framework, we will strive to improve our performance going forward in line with the expectations of our stakeholders, our corporate values and our business objectives.

FISCAL 2014 ACTIVITIES AND ACHIEVEMENTS

During fiscal 2014, the CSR Program was moved to the corporate level and is now under the responsibility of the Vice-President Internal Audit and Risk Management. One of the main responsibilities of the Corporate CSR team is to roll-out the CSR program and related initiatives to all business units. Cogeco Cable Canada and Cogeco Data Services were already part of our extra financial reporting. Other business units will be integrated progressively.

Some examples of COGECO's CSR initiatives that were conducted in fiscal 2014 include:

- We published our second CSR report, following the Global Reporting Initiative guidelines. We increased the number of indicators that were disclosed;
- We published our third Carbon Disclosure Project ("CDP") report and completed for the first time the Information and Communications Technology additional module;
- We measured our Greenhouse gas emissions ("GHG") and have achieved one of three GHG emissions reduction targets (for Cogeco Cable Canada);
- 20% of Cogeco Cable's facilities underwent environmental assessments conducted by a third party.
- We started the implementation of an in-house Environmental Management System ("EMS");
- We obtained the BOMA BEST certification for the Trois-Rivières location, our largest facility in Québec. 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;
- Cogeco Cable Canada adopted a Corporate Social Responsibility and Ethics section in its new and revised Procurement Policy. We started to develop tools and processes that will enable the procurement department in the assessment of the sustainability performance of its suppliers when releasing a request for proposal;
- Cogeco Cable Canada voluntarily purchased carbon offsets to cover the greenhouse gas emissions from its business travel in fiscal 2013 (638 tons of CO_2e). The offsets purchased are Gold Standard and Gold Standard Transition, and will fund emissions reduction projects located in Québec and in developing countries;
- We agreed to sponsor the "Amphitheatre Cogeco" for a five-year period, a new performance hall and one of the biggest projects in the Mauricie region in recent years. This important partnership reflects COGECO's long-standing presence in the region and its commitment to support cultural life; and
- We donated approximately $2 million and offered air time for fund raising purposes. Our principal focus areas are the health, culture and education sectors.

For more information on our initiatives and our performance, please refer to the CSR Report published in January 2014, which covers fiscal 2012 and 2013.

ACHIEVEMENTS

COGECO's CSR program and related initiatives were recognized during fiscal 2014:

- We secured a place on a new ranking launched in 2014 by Corporate Knights, *The Future 40 Responsible Corporate Leaders in Canada*. Corporate Knights selected the Corporation on the basis of its performance relative to 12 indicators measuring social and environmental performance and corporate governance; and
- Since April 2014, Cogeco Cable is part of the *Jantzi Social Index*, consisting of 60 Canadian companies that passed a set of broadly based environmental, social, and governance rating criteria. The analysis highlights Cogeco Cable's implementation of relatively strong policies and management systems to ensure customer data security and privacy. It also underlines the Cogeco Cable's engagement with key suppliers regarding its social and environmental performance.

FISCAL 2015 CORPORATE SOCIAL RESPONSIBILITY FOCUS

In 2015, our focus will continue to be the integration of newly acquired business units into our CSR program. We will monitor and report on our CSR performance to the CSR Steering Committee and to the the Corporate governance Committee. We will also work with the various business units to develop an environmental management system that will enable us to ensure we manage our environmental risks appropriately.

In order to have a better understanding of the sustainability issues that are critical to our business, we will undergo our first stakeholder engagement exercise, through which we will engage with our internal and external stakeholders.

The Corporation recognizes that there are risks and opportunities arising from sustainability challenges such as climate change, resources scarcity, volatility in energy prices, supply chain risks, etc. The Corporation will be working in the upcoming year on two topics that are currently receiving a lot of attention in the telecommunications industry are the energy consumption of the equipments (such as set top boxes) and conflict minerals. Other initiatives will include the reduction of air travel, the development of a Suppliers Code of Conduct and the strengthening of our responsible purchasing practices throughout the Corporation.

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 a monthly or quarterly basis, as appropriate. The indicators are communicated to the Management level employees.

The Corporation continues to believe that the Cable and Enterprise data services 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 further improving balance between its environmental, social and economic objectives.

CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer (“CEO”) and the Vice President, Corporate Controller, who, in absence of a Chief Financial Officer since the departure of the Corporation's Chief Financial Officer on July 21, 2014, is performing similar functions to those of a Chief Financial Officer (" interim CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. COGECO’s internal control framework is based on the criteria published in the updated version released in May 2013 of the report Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The CEO and interim CFO, supported by Management, evaluated the design and effectiveness of the Corporation's DC&P and ICFR as at August 31, 2014, and concluded that, as described below, there exists a material weakness in ICFR at Peer 1 Hosting. A material weakness in ICFR exists if there exists a deficiency or combination of deficiencies in ICFR such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The Corporation's subsidiary, Cogeco Cable, acquired 96.57% of the issued and outstanding shares of Peer 1 Hosting on January 31, 2013 pursuant to the public offer made by Cogeco Cable, through its indirectly wholly-owned subsidiary 0957926 B.C. LTD. The remaining shares of Peer 1 Hosting were acquired on April 3, 2013. Management has been working diligently since the acquisition to complete its review of the design of ICFR at Peer 1 Hosting. As of August 31, 2014, a significant portion of the design review has been completed and Management has identified certain deficiencies in ICFR at Peer 1 Hosting principally relating to the financial statement close process and inadequate segregation of duties over certain information system access controls.

Management has committed additional resources in order to remediate the deficiencies identified through the design review exercise. The remediation exercise is currently in progress and aims to ensure the implementation of a system of key controls that will be in line with Cogeco Cable's design standards by the end of 2014 calendar year. Good progress has been achieved to date in terms of the implementation of a number of measures to address the deficiencies identified. More specifically, Management has implemented several detailed review processes that provide for a more granular level of analysis. Moreover, access rights are currently being reviewed and adjusted accordingly to reflect proper segregation of duties. The Corporation cannot currently assess the potential impact of any further design deficiencies which may be identified during the completion of its review of Peer 1 Hosting's ICFR.

Based on the review completed to date, the CEO and the interim CFO believe that (i) the Corporation's consolidated filings for the year ended August 31, 2014 do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, and (ii) the annual consolidated financial report together with the other financial information included in the consolidated filings fairly present, in all material respects, the financial condition, financial performance and cash flows of COGECO for the year ended August 31, 2014.

Peer 1 Hosting represents 10% of revenue, -16% of profit for the period, 14% of total assets, 14% of current assets, 15% of non current assets, 5% of current liabilities and 17% of non current liabilities of the consolidated financial statements for the year ended August 31, 2014.

ACCOUNTING POLICIES

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 are 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 data services customers are capitalized.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION OF 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's judgment is used to determine the timing, likelihood and to quantify expected cash outflows as well as the discount rate.

FAIR VALUE MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

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

MEASUREMENT OF DEFINED BENEFIT OBLIGATION

The net defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase, the indexation rate of pension paid and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability 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 at fair value through profit or loss and are recognized immediately in profit or loss; and
- Bank indebtedness, 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 revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

Derivative financial instruments and hedge accounting

The Cable subsidiary 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 Cable subsidiary uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Cable subsidiary does not hold or use any derivative financial instruments for speculative trading purposes.

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

When a derivative financial instrument 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 forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in accumulated other comprehensive income and presented in cash flow hedges reserve in equity. The amount recognized in other accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged item affects profit or loss and in the same line item as the hedged items. Any ineffective portion of changes in the fair value of the derivative financial instrument 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, 2014 and 2013, 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 premises and 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.

ADOPTION OF NEW ACCOUNTING STANDARDS

The Corporation adopted the following new accounting standards on September 1, 2013. The impacts of the application of this standard are described in Note 3 of the consolidated financial statements.

- Amendments to IAS 19 *Employee Benefits*: The principal difference in the amended standard is that the expected long-term rate of return on plan assets will no longer be used to calculate the defined benefit costs. The defined benefit costs concepts of "interest cost" and "expected return on plan assets" are replaced by the concept of "net interest" calculated by applying the discount rate to the net liability or asset. The amended standard does not prescribe the classification within the statement of profit or loss of defined benefit net interest. The Corporation has decided to include the net interest expense or income in financial expense.

The Corporation also adopted the following standards on September 1, 2013 which had no impact on the consolidated financial statements.

- Amendments to IFRS 7 *Financial Instruments: Disclosures;*
- IFRS 10 *Consolidated Financial Statements;*
- IFRS 12 *Disclosure of Interest in Other Entities;* et
- IFRS 13 *Fair Value Measurement.*

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, 2014, 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 9 *Financial Instruments*	January 1, 2018	Early adoption permitted
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2017	Early adoption permitted
Amendments to IAS 19 *Defined Benefits Plans: Employee Contributions*	July 1, 2014	Early adoption permitted
IFRIC 21 *Levies*	January 1, 2014	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions; however, for a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customer*s and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

The amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income taxes. The interpretation addresses what an obligating event is that gives rise to pay a levy and when should a liability be recognized.

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

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 “adjusted EBITDA”.

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 taxes, 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, 2014	August 31, 2013 (1)	**August 31, 2014**	August 31, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**332,218**	233,464	**764,770**	552,195
Changes in non-cash operating activities	**(130,360)**	(58,644)	**(47,981)**	21,550
Amortization of deferred transaction costs and discounts on long-term debt	**2,049**	4,255	**7,905**	11,492
Income taxes paid	**10,380**	24,066	**66,268**	103,556
Current income taxes	**(13,792)**	(11,583)	**(86,170)**	(87,810)
Financial expense paid	**19,256**	20,850	**126,572**	96,121
Financial expense	**(34,970)**	(50,270)	**(137,455)**	(135,169)
Cash flow from operations	**184,781**	162,138	**693,909**	561,935

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

Free cash flow is calculated as follows:

	Quarters ended		Years ended	
	August 31, 2014	August 31, 2013 (1)	**August 31, 2014**	August 31, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operations	**184,781**	162,138	**693,909**	561,935
Acquisition of property, plant and equipment	**(165,688)**	(102,902)	**(405,553)**	(391,918)
Acquisition of intangible and other assets	**(954)**	(4,917)	**(14,626)**	(18,567)
Assets acquired under finance leases	**—**	(937)	**—**	(937)
Free cash flow	**18,139**	53,382	**273,730**	150,513

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

ADJUSTED EBITDA

Adjusted EBITDA is a benchmark commonly used in the telecommunications industry, as it allows comparisons with companies that have different capital structures and is more current measures since it excludes the impact of historical investments in assets. Adjusted EBITDA evolution assesses COGECO's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its debt. Adjusted EBITDA is a proxy for cash flow from operations. Consequently, adjusted EBITDA 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 profit for the period. Adjusted EBITDA is calculated as follows:

	Quarters ended		Years ended	
	August 31, 2014	August 31, 2013 (1)	**August 31, 2014**	August 31, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Profit for the period	**59,229**	43,770	**210,170**	189,821
Income taxes	**15,708**	10,374	**54,760**	63,715
Financial expense	**34,970**	50,270	**137,455**	135,169
Impairment of property, plant and equipment	**3,296**	—	**35,493**	—
Depreciation and amortization	**115,173**	115,444	**465,648**	388,275
Integration, restructuring and acquisitions costs	**956**	4,750	**4,736**	21,662
Adjusted EBITDA	**229,332**	224,608	**908,262**	798,642

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 *Employee Benefits*. For further details, please refer to Note 3 of the consolidated financial statements.

ADDITIONAL INFORMATION

This MD&A was prepared on October 31, 2014. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at www.cogeco.ca.

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 auditor appointed by the shareholders, Deloitte LLP, Chartered Professional 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 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 Maheux
Vice-President, Corporate Controller
Interim Chief Financial Officer

Montréal, October 31, 2014

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, 2014 and August 31, 2013, and 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, 2014 and August 31, 2013, 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, 2014 and August 31, 2013, and its financial performance and its cash flows for the years ended August 31, 2014 and August 31, 2013 in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

October 31, 2014
Montreal, Québec

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	*Notes*	**2014**	2013
(In thousands of Canadian dollars, except per share data)		**$**	$
			(restated, Note 3)
Revenue		**2,096,038**	1,834,257
Operating expenses	*7*	**1,187,776**	1,035,615
Integration, restructuring and acquisition costs	*5*	**4,736**	21,662
Depreciation and amortization	*8*	**465,648**	388,275
Impairment of property, plant and equipment	*13*	**35,493**	—
Financial expense	*9*	**137,455**	135,169
Income taxes	*10*	**54,760**	63,715
Profit for the year		**210,170**	189,821
Profit for the year attributable to:			
Owners of the Corporation		**67,680**	64,260
Non-controlling interest		**142,490**	125,561
		210,170	189,821
Earnings per share	*11*		
Basic		**4.05**	3.84
Diluted		**4.02**	3.82

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, *(In thousands of Canadian dollars)*	*Note*	**2014** **$**	2013 $ *(restated, Notes 3 and 6)*
Profit for the year		**210,170**	189,821
Other comprehensive income			
Items to be subsequently reclassified to profit or loss			
Cash flow hedging adjustments			
Net change in fair value of hedging derivative financial instruments		**5,299**	12,501
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		**(6,517)**	(12,787)
Related income taxes		**(94)**	(211)
		(1,312)	(497)
Foreign currency translation adjustments			
Net foreign currency translation differences on net investments in foreign operations		**24,803**	41,194
Net changes in unrealized adjustments on translation of long-term debt designated as hedges of net investments in foreign operations		**(14,268)**	(24,700)
		10,535	16,494
		9,223	15,997
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability	*20*	**1,394**	5,334
Related income taxes		**(373)**	(1,438)
		1,021	3,896
Other comprehensive income for the year		**10,244**	19,893
Comprehensive income for the year		**220,414**	209,714
Comprehensive income for the year attributable to:			
Owners of the Corporation		**71,504**	71,558
Non-controlling interest		**148,910**	138,156
		220,414	209,714

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2014 and 2013	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 of the Corporation					
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 17)		*(Note 18)*			
			(restated, Note 6)	*(restated, Note 3)*	*(restated, Note 6)*	*(restated, Notes 3 and 6)*
Balance at September 1, 2012	117,936	5,338	1,036	273,236	806,606	1,204,152
Profit for the year	—	—	—	64,260	125,561	189,821
Other comprehensive income for the year	—	—	5,141	2,157	12,595	19,893
Comprehensive income for the year	—	—	5,141	66,417	138,156	209,714
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 (Note 17 C))	—	—	—	(1,401)	—	(1,401)
Dividends on subordinate voting shares (Note 17 C))	—	—	—	(11,312)	(34,272)	(45,584)
Effect of changes 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 a business combination (Note 6)	—	—	—	—	16,962	16,962
Acquisition of non-controlling interest (Note 6)	—	—	—	—	(17,424)	(17,424)
Total contributions by (distributions to) shareholders	(167)	669	—	(12,701)	(33,451)	(45,650)
Balance at August 31, 2013	**117,769**	**6,007**	**6,177**	**326,952**	**911,311**	**1,368,216**
Profit for the year	**—**	**—**	**—**	**67,680**	**142,490**	**210,170**
Other comprehensive income for the year	**—**	**—**	**2,954**	**870**	**6,420**	**10,244**
Comprehensive income for the year	**—**	**—**	**2,954**	**68,550**	**148,910**	**220,414**
Share-based payment	**—**	**3,715**	**—**	**—**	**3,940**	**7,655**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(585)**	**—**	**—**	**6,657**	**6,072**
Dividends on multiple voting shares (Note 17 C))	**—**	**—**	**—**	**(1,622)**	**—**	**(1,622)**
Dividends on subordinate voting shares (Note 17 C))	**—**	**—**	**—**	**(13,100)**	**(39,672)**	**(52,772)**
Effect of change in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**215**	**(215)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(1,941)**	**—**	**—**	**—**	**—**	**(1,941)**
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	**2,135**	**(2,136)**	**—**	**1**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**—**	**—**	**—**	**(6,934)**	**(6,934)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**(1,143)**	**—**	**17**	**1,126**	**—**
Total contributions by (distributions to) shareholders	**194**	**(149)**	**—**	**(14,489)**	**(35,098)**	**(49,542)**
Balance at August 31, 2014	**117,963**	**5,858**	**9,131**	**381,013**	**1,025,123**	**1,539,088**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, *(In thousands of Canadian dollars)*	*Notes*	**2014** **$**	2013 $ *(restated, Notes 3 and 6)*
Assets			
Current			
Cash and cash equivalents		**63,831**	43,793
Trade and other receivables	*21 A)*	**123,094**	118,312
Income taxes receivable		**22,254**	18,372
Prepaid expenses and other		**18,090**	14,182
		227,269	194,659
Non-current			
Other assets	*12*	**11,637**	11,046
Property, plant and equipment	*13*	**1,852,270**	1,874,866
Intangible assets	*14 A)*	**1,986,187**	2,002,677
Goodwill	*14 B)*	**1,259,654**	1,228,356
Derivative financial instruments		**6,132**	833
Deferred tax assets	*10*	**24,581**	36,190
		5,367,730	5,348,627
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**3,228**	13,166
Trade and other payables		**345,910**	294,014
Provisions	*15*	**16,749**	12,800
Income tax liabilities		**47,561**	23,924
Deferred and prepaid revenue		**57,012**	56,656
Balance due on a business combination, bank prime rate plus 1%		**2,000**	2,000
Current portion of long-term debt	*16*	**32,349**	15,216
		504,809	417,776
Non-current			
Long-term debt	*16*	**2,782,712**	2,984,740
Deferred and prepaid revenue and other liabilities		**25,086**	21,287
Pension plan liabilities and accrued employee benefits	*20*	**17,169**	21,459
Deferred tax liabilities	*10*	**498,866**	535,149
		3,828,642	3,980,411
Shareholders' equity			
Equity attributable to owners Corporation			
Share capital	*17 B)*	**117,963**	117,769
Share-based payment reserve		**5,858**	6,007
Accumulated other comprehensive income	*18*	**9,131**	6,177
Retained earnings		**381,013**	326,952
		513,965	456,905
Non-controlling interest		**1,025,123**	911,311
		1,539,088	1,368,216
		5,367,730	5,348,627

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,	*Notes*	**2014**	2013
(In thousands of Canadian dollars)		**$**	$
			(restated, Note 3)
Cash flow from operating activities			
Profit for the year		**210,170**	189,821
Adjustments for:			
Depreciation and amortization	*8*	**465,648**	388,275
Impairment of property, plant and equipment	*13*	**35,493**	—
Financial expense	*9*	**137,455**	135,169
Income taxes	*10*	**54,760**	63,715
Share-based payment	*17 D)*	**9,422**	5,615
Loss (gain) on disposals and write-offs of property, plant and equipment		**2,129**	(586)
Defined benefit plans contributions, net of expense		**(5,448)**	(8,349)
Other		**—**	(238)
		909,629	773,422
Changes in non-cash operating activities	*19*	**47,981**	(21,550)
Financial expense paid		**(126,572)**	(96,121)
Income taxes paid		**(66,268)**	(103,556)
		764,770	552,195
Cash flow from investing activities			
Acquisition of property, plant and equipment	*13*	**(405,553)**	(391,918)
Acquisition of intangible and other assets		**(14,626)**	(18,567)
Business combinations, net of cash and cash equivalents acquired	*6*	**—**	(2,006,129)
Other		**1,758**	3,148
		(418,421)	(2,413,466)
Cash flow from financing activities			
Increase (decrease) in bank indebtedness		**(9,938)**	12,425
Net increases (repayments) under the revolving facilities		**(428,305)**	549,765
Issuance of long-term debt, net of discounts and transaction costs		**238,214**	1,953,016
Repayments of long-term debt		**(68,918)**	(761,976)
Increase in deferred transaction costs		**(1,669)**	(5,487)
Repayment of balance due on a business combination		**—**	(11,400)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	*17 B)*	**(1,941)**	(1,201)
Dividends paid on multiple voting shares	*17 C)*	**(1,622)**	(1,401)
Dividends paid on subordinate voting shares	*17 C)*	**(13,100)**	(11,312)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**6,072**	2,362
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan		**(6,934)**	(4,076)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(39,672)**	(34,272)
		(327,813)	1,686,443
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**1,502**	3,098
Net change in cash and cash equivalents		**20,038**	(171,730)
Cash and cash equivalents, beginning of the year		**43,793**	215,523
Cash and cash equivalents, end of the year		**63,831**	43,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2014 and 2013

NATURE OF OPERATIONS

COGECO Inc. (the “Corporation” or the “Parent Corporation”) is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange (“TSX”) under the trading symbol CGO. 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 Europe, mostly in the United Kingdom ("UK") through Cogeco Cable Inc. ("Cogeco Cable"), in radio broadcasting through Cogeco Diffusion Acquisitions Inc. (“Cogeco Diffusion”) and in out-of-home advertising specialized in the public transit sector through Métromédia CMR Plus Inc. (“Métromédia”) (see Note 5 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 financial instruments and derivative financial instruments (see Note 2 N)), cash-settled share-based payment arrangements (see Note 2 K)) and pension plan assets (see Note 2 L)), which are measured at fair value, and for the defined benefit obligation (see Note 2 L)) and provisions (see Note 2 J)), 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 31, 2014.

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' year-end and accounting policies are aligned with those adopted by the Corporation. Operating segments and percentage of interest in the principal subsidiaries at August 31, 2014 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Cable and Enterprise data services	Cogeco Cable Inc.	32	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.

A right to receive or an obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not remeasured 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 combination 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 Enterprise data service 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 equipment 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.

(4) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software 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 write-offs 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 and impairment losses, if they are amortizable, otherwise, only 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 and impairment losses, if they are amortizable, otherwise only 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 Enterprise data service 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 Franchises ("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 Broadcasting 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, its proven ability to maintain market leadership and profitable operations over long periods of time and the Corporation's commitment to develop and enhance its 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 more frequently if there is an indication of 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 of impairment. 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 more frequently if there is an indication of impairment.

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 or group of 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 occurs.

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 amount of the obligation. 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 members of 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 members of the Board of Directors. The accrued liability is remeasured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the TSX 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 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 plans are recognized as an expense in the periods during which services are rendered by employees.

Defined benefit plans

On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation. The Corporation's net defined benefit liability in respect of defined benefit plans is calculated separately for each plan.

The present values of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service) based on management's best-estimate assumptions on the discount rate, the expected rate of compensation increase, the indexation rate of pensions paid and the mortality table.

Management determines the discount rate based on a review of the current market interest rates on investment-grade fixed-rate corporates bonds, which are rates adjusted to reflect the duration of the expected future cash outflows of retirement benefit payments.

The net defined benefit liability or asset recognized in the consolidated statement of financial position corresponds to the fair value of plan assets net of the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The net defined benefit cost components of the defined benefit plans are recognized as follows:

- Service cost is recognized in profit or loss;
- Net interest on the net defined benefit liability or asset is recognized in profit or loss;
- Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income.

The service cost recognized in profit or loss comprises:

- Current service cost provided in exchange for employees services rendered during the period;
- Past service cost recognized in profit or loss in the period in which the plan is amended; and
- Gains or losses resulting from a settlement recognized in profit or loss in the period in which the plan settlement occurs.

Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Remeasurements of the net defined benefit liability or asset are recognized immediately in retained earnings and they are not reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability or asset comprise:

- Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and changes in demographic assumptions;
- The return on plan assets, except amounts included in interest income; and
- Any change in the effect of the asset ceiling, except amounts included in net interest on the net defined benefit liability or asset.

M) FOREIGN CURRENCY TRANSLATION

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.

Foreign currency transactions

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 instruments in a cash flow hedge, which are recognized in other comprehensive income until the hedged 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 net investment in foreign operations are recognized as foreign currency translation adjustments 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 Corporation's functional currency. Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. 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 adjustments 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 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 at fair value through profit or loss are recognized immediately in profit or loss; and

- Bank indebtedness, 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 revolving facilities which are recorded as other assets and 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.

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

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument(s) and the hedged item(s), including the risk management objectives and strategy in undertaking the hedging 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 hedging relationship 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 financial instrument 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 forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in accumulated other comprehensive income and presented in cash flow hedge reserve in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged items affects 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 financial instrument 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 items 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, 2014 and 2013, 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 senior executives and designated 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 operating segment and to assess its performance, and for which discrete financial information is available. Segment operating results that are directly reported to the CODM include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

R) ACCOUNTING JUDGEMENTS 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's 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 (see Note 21 A));

- **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 (see Note 6);

- **Depreciation of property, plant and equipment and amortization of 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's judgment is also required to determine the components and the depreciation method used (see Note 8);

- **Provisions**

  Management's judgment is used to determine the timing, likelihood and quantify of expected cash outflows as well as the discount rate (see Note 15);

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

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

- **Measurement of defined benefit obligation**

  The defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase, the indexation rate of pension paid and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability 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 (see Note 20);

- **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 (see Note 14); 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 (see Note 10).

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. ACCOUNTING POLICY DEVELOPMENTS

The following standards issued by the IASB were adopted by the Corporation on September 1, 2013, and unless otherwise indicated, have no effect on the financial performance of the Corporation:

- Amendments to IFRS 7 *Financial Instruments: Disclosures;*
- IFRS 10 *Consolidated Financial Statements;*
- IFRS 12 *Disclosure of Interest in Other Entities;*
- IFRS 13 *Fair Value Measurement; and*
- Amendments to IAS 19 *Employee Benefits*: The principal difference in the amended standard is that the expected long-term rate of return on plan assets will no longer be used to calculate the defined benefit costs. The defined benefit costs concepts of "interest cost" and "expected return on plan assets" are replaced by the concept of "net interest" calculated by applying the discount rate to the net liability or asset. The amended standard does not prescribe the classification within the statement of profit or loss of defined benefit net interest. The Corporation has decided to include the net interest expense or income in financial expense.

The variance between the actual rate of return on plan assets and the discount rate, as well as the related impact of the limit on defined benefit assets, if any, is included in other comprehensive income as remeasurement of net defined benefit liability.

The amended standard has been applied retrospectively for the comparative period presented in these consolidated financial statements. The impact on profit or loss and other comprehensive income is as follows:

		Year ended August 31, 2013	
	As previously reported	Effects of amended IAS 19	As currently reported
(In thousands of Canadian dollars)	$	$	$
Operating expenses			
Salaries, employee benefits and outsourced services	355,828	(1,216)	354,612
Financial expense	134,013	1,156	135,169
Income taxes	63,699	16	63,715
Profit for the year	189,777	44	189,821
Profit for the year attributable to owners of the Corporation	64,088	172	64,260
Other comprehensive income			
Remeasurement of net defined benefit liability	5,060	274	5,334
Related income taxes	(1,361)	(77)	(1,438)
Earnings per share			
Basic	3.83	0.01	3.84
Diluted	3.81	0.01	3.82

The impact on retained earnings is as follows:

(In thousands of Canadian dollars)	As previously reported $	Effects of amended IAS 19 $	As currently reported $
At August 31, 2012	273,489	(253)	273,236
At August 31, 2013	326,964	(12)	326,952

4. 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 IASB that are mandatory but not yet effective for the year ended August 31, 2014, 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 9 Financial Instruments	January 1, 2018	Early adoption permitted
IFRS 15 Revenue from Contracts with Customers	January 1, 2017	Early adoption permitted
Amendments to IAS 19 Defined Benefits Plans: Employee Contributions	July 1, 2014	Early adoption permitted
IFRIC 21 Levies	January 1, 2014	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions; however, for a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRIC 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customer*s and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

The amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income taxes. The interpretation addresses what an obligating event is that gives rise to pay a levy and when should a liability be recognized.

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

5. OPERATING SEGMENTS

The Corporation's segment profit (loss) for the year are reported in two operating segments: Cable and Enterprise data services and other.

The Cable and Enterprise data services segment provides a wide range of Television, HSI and Telephony services primarily to residential customers. It also provides business services, including data networking, Ethernet, Web hosting, HSI access and Voice over Internet Protocol (“VoIP”) solutions, to small and medium sized businesses. The segment also provides through its data centres, colocation, managed and dedicated hosting, managed IT and cloud services to small, medium and large enterprises and public sector customers as well as connectivity services provisioned over its optical networks.

The Other segment is comprised of radio, out of home advertising specialized in the public transit sector, head office activities as well as inter-segment eliminations.

The activities of the Cable and Enterprise data services 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 for the year. Transactions between segments are measured at agreed to amounts between the parties.

						Years ended August 31,
	Cable and Enterprise data services		**Other**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013
(in thousands of Canadian dollars)	**$**	$	**$**	$	**$**	$
		(restated, Notes 3 and 6)		*(restated, Note 3)*		*(restated, Notes 3 and 6)*
Revenue	**1,947,591**	1,692,466	**148,447**	141,791	**2,096,038**	1,834,257
Operating expenses	**1,044,560**	902,174	**143,216**	133,441	**1,187,776**	1,035,615
Management fees – COGECO Inc.	**9,674**	9,569	**(9,674)**	(9,569)	**—**	—
Integration, restructuring and acquisition costs (1)	**4,736**	21,570	**—**	92	**4,736**	21,662
Depreciation and amortization	**460,282**	382,714	**5,366**	5,561	**465,648**	388,275
Impairment of property, plant and equipment (Note 13)	**35,493**	—	**—**	—	**35,493**	—
Financial expense	**130,221**	128,770	**7,234**	6,399	**137,455**	135,169
Income taxes	**53,184**	62,774	**1,576**	941	**54,760**	63,715
Profit for the year	**209,441**	184,895	**729**	4,926	**210,170**	189,821
Total assets	**5,173,741**	5,149,211	**193,989**	199,416	**5,367,730**	5,348,627
Property, plant and equipment	**1,830,971**	1,854,155	**21,299**	20,711	**1,852,270**	1,874,866
Intangible assets	**1,894,846**	1,910,089	**91,341**	92,588	**1,986,187**	2,002,677
Goodwill	**1,220,529**	1,189,231	**39,125**	39,125	**1,259,654**	1,228,356
Acquisition of property, plant and equipment	**400,846**	389,635 (2)	**4,707**	3,220	**405,553**	392,855
Acquisition of intangible and other assets	**14,626**	18,567	**—**	—	**14,626**	18,567

(1) In 2014, the integration, restructuring and acquisition costs were primarily related to severance costs associated to the restructuring of employee base in the Cable and Enterprise data services segment. In 2013, the integration, restructuring and acquisition costs were primarily related to acquisition costs with regards to business combinations (see Note 6) and to severance costs associated to the restructuring of the employee base in the Cable and Enterprise data services segment.

(2) Acquisition for the Cable and Enterprise data services segment includes $937,000 of property, plant and equipment acquired through finance leases.

The following table sets out certain geographic market information:

				Year ended August 31, 2014
	Canada	**United States**	**Europe**	**Total**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Revenue	**1,554,676**	**503,516**	**37,846**	**2,096,038**
Property, plant and equipment	**1,411,045**	**389,112**	**52,113**	**1,852,270**
Intangible assets	**1,167,763**	**807,274**	**11,150**	**1,986,187**
Goodwill	**372,835**	**835,319**	**51,500**	**1,259,654**

				Year ended August 31, 2013
	Canada	United States	Europe	Total
(in thousands of Canadian dollars)	$	$	$	$
	(restated, Note 6)	*(restated, Note 6)*	*(restated, Note 6)*	*(restated, Note 6)*
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	1,186,613	804,034	12,030	2,002,677
Goodwill	372,835	808,968	46,553	1,228,356

6. 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, then serving about 485,000 Primary Service Units ("PSU") and providing Analogue and Digital Television, as well as HSI and Telephony services. The acquisition is an attractive entry point into the American market, providing a significant increase in PSU 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 then new committed non-recourse debt financing at Atlantic Broadband. Atlantic Broadband operates cable systems in Western Pennsylvania, South 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 Hosting”). The transaction, valued at approximately $649 million, was financed by a then new secured revolving credit facilities in the amount of approximately $250 million as well as a then new secured term credit facilities in the amount of approximately $400 million both having a maturity of four years. On April 3, 2013, Cogeco Cable Inc. completed the acquisition of the remaining 3.43% of the issued and outstanding shares of Peer 1 Hosting pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act ("British Columbia") for cash consideration of $17 million. Peer 1 Hosting is a global web infrastructure and cloud company, specializing in managed IT, managed and dedicated hosting, colocation and cloud services which, at the time of the acquisition, had 20 data centres and 56 points of a presence across North America and Europe. 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. Peer 1 Hosting's primary network centre and head office are located in Vancouver, Canada.

During the first quarter of fiscal 2014, Cogeco Cable Inc. finalized the purchase price allocation of Atlantic Broadband which remained unchanged from that presented in the 2013 Annual consolidated financial statements, except as noted below. The purchase price allocation of Peer 1 Hosting was finalized by Cogeco Cable during the second quarter of fiscal 2014. During the fourth quarter of fiscal 2014 the purchase price allocations of Atlantic Broadband and Peer 1 Hosting were modified to adjust for an error in the presentation of deferred tax assets acquired and deferred tax liabilities assumed. The error in presentation is that the Corporation, in 2013, did not offset deferred tax assets and liabilities related to the same taxation authorities, as required by IAS 12.The impact of the modification reduced deferred tax assets and deferred tax liabilities by $105.9 million.

The final purchase price allocations of Atlantic Broadband and Peer 1 Hosting, reflecting the modification, are as follows:

	Peer 1 Hosting	Atlantic Broadband	TOTAL
	Final	Final	Final
(In thousands of Canadian dollars)	$	$	$
Consideration paid			
Purchase of shares	**494,796**	**337,779**	**832,575**
Working capital adjustments	**—**	**5,415**	**5,415**
Repayment of secured debts and settlement of options outstanding	**170,872**	**1,021,854**	**1,192,726**
	665,668	**1,365,048**	**2,030,716**
Net assets acquired			
Cash and cash equivalents	**10,840**	**5,480**	**16,320**
Restricted cash	**8,729**	**—**	**8,729**
Trade and other receivables	**12,772**	**12,012**	**24,784**
Income taxes receivable	**2,797**	**3,907**	**6,704**
Prepaid expenses and other	**3,855**	**1,370**	**5,225**
Other assets	**2,462**	**—**	**2,462**
Property, plant and equipment	**150,013**	**302,211**	**452,224**
Intangible assets	**144,231**	**711,418**	**855,649**
Goodwill	**410,454**	**522,215**	**932,669**
Deferred tax assets	**1,599**	**—**	**1,599**
Trade and other payables assumed	**(26,512)**	**(27,620)**	**(54,132)**
Provisions	**—**	**(721)**	**(721)**
Deferred and prepaid revenue and other liabilities assumed	**(3,388)**	**(7,697)**	**(11,085)**
Long-term debt assumed	**(1,735)**	**—**	**(1,735)**
Deferred tax liabilities	**(50,449)**	**(157,527)**	**(207,976)**
	665,668	**1,365,048**	**2,030,716**

The finalization of the purchase price allocations of Atlantic Broadband during the first quarter ended November 30, 2013 and of Peer 1 Hosting during the second quarter ended February 28, 2014 had no significant impact on the consolidated statement of profit or loss and reduced comprehensive income by $1.2 million for the year ended August 31, 2013. The impact on the consolidated statement of financial position at August 31, 2013 of the finalization of the purchase price allocation of Peer 1 Hosting and the adjustment for the error in the presentation is as follows:

				At August 31, 2013
	As previously reported	Purchase price allocation adjustments	Presentation error	As currently reported
(In thousands of Canadian dollars)	$	$	$	$
Income taxes receivable	17,714	658	—	18,372
Intangible assets	2,003,581	(904)	—	2,002,677
Goodwill	1,231,140	(2,784)	—	1,228,356
Deferred tax assets	137,046	4,352	(105,208)	36,190
Deferred tax liabilities	637,883	2,474	(105,208)	535,149
Accumulated other comprehensive income	6,545	(368)	—	6,177
Non-controlling interest	912,095	(784)	—	911,311

In addition, in 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.

7. OPERATING EXPENSES

Years ended August 31,	**2014**	2013
(in thousands of Canadian dollars)	**$**	$
		(restated, Note 3)
Salaries, employee benefits and outsourced services	**408,548**	354,612
Service delivery costs(1)	**589,841**	513,378
Customer related costs(2)	**80,331**	73,323
Other external purchases(3)	**109,056**	94,302
	1,187,776	1,035,615

(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.

8. DEPRECIATION AND AMORTIZATION

Years ended August 31,	**2014**	2013
(in thousands of Canadian dollars)	**$**	$
Depreciation of property, plant and equipment	**406,584**	335,487
Amortization of intangible assets	**59,064**	52,788
	465,648	388,275

9. FINANCIAL EXPENSE

Years ended August 31, *(in thousands of Canadian dollars)*	**2014** **$**	2013 $ *(restated, Note 3)*
Interest on long-term debt	**131,638**	128,647
Net foreign exchange losses (gains)	**(380)**	1,920
Amortization of deferred transaction costs	**2,027**	3,075
Capitalized borrowing costs [1]	**(1,683)**	(3,866)
Other	**5,853**	5,393
	137,455	135,169

(1) For the year ended August 31, 2014, the weighted average interest rate used in the capitalization of borrowing costs was 4.5% (6% in 2013).

10. INCOME TAXES

Years ended August 31, *(in thousands of Canadian dollars)*	**2014** **$**	2013 $ *(restated, Note 3)*
Current	**86,170**	87,810
Deferred	**(31,410)**	(24,095)
	54,760	63,715

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, *(in thousands of Canadian dollars)*	**2014** **$**	2013 $ *(restated, Note 3)*
Profit before income taxes	**264,930**	253,536
Combined income tax rate	**26.66%**	26.96%
Income taxes at combined income tax rate	**70,630**	68,353
Adjustment for losses or profit subject to lower or higher tax rates	**531**	1,003
Income taxes arising from non-deductible expenses	**1,980**	3,962
Tax impacts related to investments in foreign operations	**(17,929)**	(9,554)
Changes in unrecognized benefits related to tax losses	**—**	39
Other	**(452)**	(88)
Income taxes at effective income tax rate	**54,760**	63,715

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, *(In thousands of Canadian dollars)*	**2014** **$**	2013 $ *(restated, Notes 3 and 6)*
Property, plant and equipment	**(152,130)**	(168,992)
Intangible assets	**(414,918)**	(400,749)
Deferred and prepaid revenue	**6,482**	4,735
Partnerships income	**(37,077)**	(53,629)
Non-capital losses and other tax credit carryforwards, net of unrecognized benefits related to tax losses	**121,234**	114,418
Other	**2,124**	5,258
Net deferred tax liabilities	**(474,285)**	(498,959)
Financial statement presentation:		
Deferred tax assets	**24,581**	36,190
Deferred tax liabilities	**(498,866)**	(535,149)
Net deferred tax liabilities	**(474,285)**	(498,959)

The movements in deferred tax asset and liability balances during fiscal 2014 and 2013 were as follows:

					Year ended August 31, 2014
	Balance beginning of the year	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**
	(restated, Note 6)				
Property, plant and equipment	**(168,992)**	**19,323**	**—**	**(2,461)**	**(152,130)**
Intangible assets	**(400,749)**	**(6,593)**	**—**	**(7,576)**	**(414,918)**
Deferred and prepaid revenue	**4,735**	**1,643**	**—**	**104**	**6,482**
Partnerships income	**(53,629)**	**16,552**	**—**	**—**	**(37,077)**
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**114,418**	**3,106**	**—**	**3,710**	**121,234**
Other	**5,258**	**(2,621)**	**(467)**	**(46)**	**2,124**
	(498,959)	**31,410**	**(467)**	**(6,269)**	**(474,285)**

						Year ended August 31, 2013
	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition through business combinations	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(restated, Note 3)	*(restated, Note 3)*	*(restated, Note 3)*	*(restated, Note 6)*	*(restated, Note 6)*	*(restated, Note 6)*
Property, plant and equipment	(88,707)	13,334	—	(89,046)	(4,573)	(168,992)
Intangible assets	(163,878)	(861)	—	(223,393)	(12,617)	(400,749)
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 unrecognized benefits related to tax losses	9,677	(4,360)	—	103,276	5,825	114,418
Other	4,328	52	(1,649)	2,620	(93)	5,258
	(303,676)	24,095	(1,649)	(206,377)	(11,352)	(498,959)

At August 31, 2014, the Corporation and its subsidiaries had accumulated federal income tax losses amounting to approximately $314.2 million, the benefits of which have been recognized in these financial statements. These losses expire as follows:

	2024	2025	2026	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Canada	**—**	**—**	**—**	**47,744**	**47,744**
United States	**20,396**	**44,964**	**60,720**	**116,857**	**242,937**
United Kingdom(1)	**—**	**—**	**—**	**23,527**	**23,527**
	20,396	**44,964**	**60,720**	**188,128**	**314,208**

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

The Corporation and its subsidiaries had also accumulated capital losses amounting to $641.1 million, the benefits of which have not been recognized in these consolidated financial statements. These losses can be carried forward indefinitely against capital gain.

11. EARNINGS PER SHARE

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

Years ended August 31 *(In thousands of Canadian dollars, except number of shares and per share data)*	**2014** **$**	2013 $
		(restated, Note 3)
Profit for the year attributable to owners of the Corporation	**67,680**	64,260
Weighted average number of multiple and subordinate voting shares outstanding	**16,731,069**	16,725,576
Effect of dilutive incentive share units	**101,769**	107,637
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,832,838**	16,833,213
Earnings per share		
Basic	**4.05**	3.84
Diluted	**4.02**	3.82

12. OTHER ASSETS

At August 31, *(In thousands of Canadian dollars)*	**2014** $	2013 $
Transaction costs	**8,689**	7,489
Other	**2,948**	3,557
	11,637	11,046

13. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2014 and 2013, property, plant and equipment variations were as follows:

Years ended August 31, 2014 and 2013	Land, buildings and leasehold improvements	Network systems (1)	Data centre equipment (2)	Home terminal devices	Rolling stock and equipment (3)	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at September 1, 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 (4)	45,172	38,998	392,855
Disposals and write-offs	—	(11,766)	(2,226)	(5,418)	(3,311)	(22,721)
Foreign currency translation adjustments	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**
Other additions	**7,275**	**203,881**	**70,338**	**62,502**	**61,557**	**405,553**
Disposals and write-offs	**(121)**	**(9,022)**	**(4,620)**	**(10,231)**	**(33,725)**	**(57,719)**
Foreign currency translation adjustments	**3,918**	**10,370**	**4,075**	**1,460**	**1,877**	**21,700**
Balance at August 31, 2014	**204,595**	**2,545,983**	**214,034**	**484,499**	**287,333**	**3,736,444**
Accumulated depreciation and impairment losses						
Balance at September 1, 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 and write-offs	—	(10,605)	(2,205)	(4,223)	(3,125)	(20,158)
Foreign currency translation adjustments	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**
Depreciation expense	**13,841**	**230,381**	**44,654**	**69,198**	**48,510**	**406,584**
Disposals and write-offs	**(11)**	**(7,782)**	**(4,622)**	**(7,816)**	**(33,502)**	**(53,733)**
Impairment	**—**	**—**	**—**	**3,042**	**32,451**	**35,493**
Foreign currency translation adjustments	**210**	**1,777**	**1,000**	**441**	**358**	**3,786**
Balance at August 31, 2014	**47,968**	**1,212,963**	**72,121**	**379,814**	**171,308**	**1,884,174**
Carrying amounts						
At August 31, 2013	159,595	1,352,167	113,152	115,819	134,133	1,874,866
At August 31, 2014	**156,627**	**1,333,020**	**141,913**	**104,685**	**116,025**	**1,852,270**

(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 and other equipments.

(4) Other additions include $937,000 of property, plant and equipment acquired through finance leases.

During the third quarter of fiscal 2014, the Corporation's indirect cable subsidiary, Cogeco Cable Canada, recognized an impairment of $32.2 million of property, plant and equipment, capitalized wages and borrowing costs related to an Internet Protocol Television ("IPTV") solution and related projects on which its Canadian operations had worked. As a result of the unexpected performance issues encountered with the platform, it had to be abandoned by Cogeco Cable Canada. These costs were not yet depreciated.

During the fourth quarter of fiscal 2014, the Corporation's subsidiary, Cogeco Cable Inc., recognized in its Enterprise data services segment an impairment of $3.3 million of property, plant and equipment related to the rationalization of its automation platforms with regard to data centre operating activities.

14. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2014 and 2013, intangible assets variations were as follows:

	Finite useful life		Indefinite useful life			
Years ended August 31, 2014 and 2013	Customer relationships (1)	Other (2)	Cable Distribution Licenses	Broadcasting licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(restated, Note 6)				*(restated, Note 6)*	*(restated, Note 6)*
Cost						
Balance at September 1, 2012	87,255	45,989	967,000	79,918	—	1,180,162
Acquisition through business combinations	262,495	867	566,353	—	25,934	855,649
Other additions	—	19,721	—	—	—	19,721
Fully amortized	—	(10,966)	—	—	—	(10,966)
Foreign currency translation adjustments	12,818	128	33,857	—	—	46,803
Balance at August 31, 2013	**362,568**	**55,739**	**1,567,210**	**79,918**	**25,934**	**2,091,369**
Other additions	**—**	**15,378**	**—**	**—**	—	**15,378**
Fully amortized	**—**	**(11,195)**	**—**	**—**	—	**(11,195)**
Foreign currency translation adjustments	**8,706**	**172**	**19,550**	**—**	—	**28,428**
Balance at August 31, 2014	**371,274**	**60,094**	**1,586,760**	**79,918**	**25,934**	**2,123,980**
Accumulated amortization and impairment losses						
Balance at September 1, 2012	24,767	21,579	—	—	—	46,346
Amortization expense	39,733	13,055	—	—	—	52,788
Fully amortized	—	(10,966)	—	—	—	(10,966)
Foreign currency translation adjustments	520	4	—	—	—	524
Balance at August 31, 2013	**65,020**	**23,672**	**—**	**—**	**—**	**88,692**
Amortization expense	**43,648**	**15,416**	**—**	**—**	—	**59,064**
Fully amortized	**—**	**(11,195)**	**—**	**—**	—	**(11,195)**
Foreign currency translation adjustments	**1,213**	**19**	**—**	**—**	—	**1,232**
Balance at August 31, 2014	**109,881**	**27,912**	**—**	**—**	**—**	**137,793**
Carrying amounts						
At August 31, 2013	297,548	32,067	1,567,210	79,918	25,934	2,002,677
At August 31, 2014	**261,393**	**32,182**	**1,586,760**	**79,918**	**25,934**	**1,986,187**

(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 data service customers and favorable leases.

B) GOODWILL

During fiscal 2014 and 2013, goodwill variations were as follows:

Years ended August 31, 2014 and 2013	
(In thousands of Canadian dollars)	$
	(restated, Note 6)
Cost	
Balance at September 1, 2012	249,198
Acquisitions through business combinations	933,038
Foreign currency translation adjustments	46,120
Balance at August 31, 2013	**1,228,356**
Foreign currency translation adjustments	**31,298**
Balance at August 31, 2014	**1,259,654**

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,				**2014**				2013	
Operating segment	CGU	**Goodwill**	**Cable Distribution Licenses**	**Trade name**	**Broadcasting Licenses**	Goodwill	Cable Distribution Licenses	Trade name	Broadcasting Licenses
(In thousands of Canadian dollars)		**$**	**$**	**$**	**$**	$	$	$	$
						(restated, Note 6)		*(restated, Note 6)*	
Cable and Enterprise data services									
Canadian cable services	Ontario	**4,662**	**857,696**	**—**	**—**	4,662	857,696	—	—
	Québec	**—**	**109,304**	**—**	**—**	—	109,304	—	—
American cable services	South Florida	**117,371**	**203,325**	**—**	**—**	113,668	196,911	—	—
	South Carolina	**50,002**	**33,706**	**—**	**—**	48,425	32,643	—	—
	Western Pennsylvania	**336,336**	**338,150**	**—**	**—**	325,726	327,483	—	—
	Maryland/Delaware	**67,689**	**44,579**	**—**	**—**	65,554	43,173	—	—
Enterprise data services	Cogeco Data Services	**205,780**	**—**	**—**	**—**	205,780	—	—	—
	Peer 1 Hosting	**438,689**	**—**	**25,934**	**—**	425,416	—	25,934	—
Other	Radio broadcasting	**18,585**	**—**	**—**	**79,918**	18,585	—	—	79,918
	Advertising display	**20,540**	**—**	**—**	**—**	20,540	—	—	—
Total		**1,259,654**	**1,586,760**	**25,934**	**79,918**	1,228,356	1,567,210	25,934	79,918

At August 31, 2014 and 2013, 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, 2014 and 2013.

The following key assumptions were used to determine the recoverable amounts in the most recent impairment tests performed for each of the Corporation operating segment:

At August 31,		**2014**		2013
Operating segment	**Pre-tax discount rate**	**Perpetual growth rate**	Pre-tax discount rate	Perpetual growth rate
	%	**%**	%	%
Cable and Enterprise data services	**10.5 to 13.0**	**2.0 to 3.8**	10.9 to 13.0	2.0 to 4.8
Other	**12.3 to 13.0**	**2.0 to 2.5**	11.3 to 12.8	2.0 to 2.5

The following table presents, for each operating segment, the change in the pre-tax 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, 2014:

Operating segment	**Increase in pre-tax discount rate**	**Decrease in perpetual growth rate**
	%	**%**
Cable and Enterprise data services	**0.2 to 5.5**	**0.2 to 7.3**
Other	**4.8 to 6.3**	**5.3 to 6.9**

15. PROVISIONS

During fiscal 2014, provisions variations were as follows:

Year ended August 31, 2014	Withholding and stamp taxes	Programming costs	Other	Total
(In thousands of Canadian dollars)	$	$	$	$
Balance at September 1, 2013	**6,959**	**2,525**	**3,316**	**12,800**
Provisions made during the year	**185**	**5,023**	**3,142**	**8,350**
Provisions used during the year	**—**	**(1,261)**	**(568)**	**(1,829)**
Provisions reversed during the year	**—**	**(2,332)**	**(273)**	**(2,605)**
Foreign currency translation adjustments	**—**	**28**	**5**	**33**
Balance at August 31, 2014	**7,144**	**3,983**	**5,622**	**16,749**

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 a Portuguese subsidiary by Cogeco Cable Inc. Pursuant to the completion of the sale of the Portuguese subsidiary in 2012, Cogeco Cable Inc. 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.

16. LONG-TERM DEBT

At August 31, (In thousands of Canadian dollars, except percentages)	Maturity	Interest rate %		2014 $	2013 $
Parent Corporation					
Term Revolving Facility [a)]					
Revolving loan	February 2018	2.85	(1)	**12,975**	72,891
Unsecured Debentures [b)]	November 2021	6.50		**34,743**	34,707
Senior Unsecured Notes [c)]	March 2020	6.00		**48,763**	—
Finance lease	January 2017	3.23		**66**	93
Subsidiaries					
Term Revolving Facility [d)]					
Canadian Revolving Facility					
Revolving loan – US$70.5 million (US$206 million in 2013)	January 2019	1.61	(1)(2)	**76,654**	216,918
Revolving loan	January 2019	—		**—**	219,561
Revolving loan – £55.6 million	January 2019	1.95	(1)	**100,369**	—
Secured Credit Facilities [d)]					
Revolving Facility					
Revolving loan – £52.2 million in 2013	—	—		**—**	85,180
Revolving loan – US$21.9 million in 2013	—	—		**—**	23,061
UK Revolving Facility – £3.4 million in 2013	—	—		**—**	5,548
Senior Secured Notes [e)]					
Series A – US$25 million	September 2024	4.14		**27,033**	—
Series B - US$150 million	September 2026	4.29		**162,196**	—
Senior Secured Notes [f)]					
Series A – US$190 million	October 2015	7.00	(3)	**206,201**	199,349
Series B	October 2018	7.60		**54,729**	54,672
Senior Secured Notes - US$215 million [g)]	June 2025	4.30		**232,347**	224,872
Senior Secured Debentures Series 2 [h)]	November 2020	5.15		**198,839**	198,686
Senior Secured Debentures Series 3 [i)]	February 2022	4.93		**198,537**	198,379
Senior Secured Debentures Series 4 [j)]	May 2023	4.18		**297,244**	296,989
Senior Unsecured Debenture [k)]	March 2018	5.94		**99,864**	99,829
Senior Unsecured Notes – US$400 million [l)]	May 2020	4.88		**428,370**	413,674
First Lien Credit Facilities [m)]					
Term Loan A Facility – US$166 million (US$190 million in 2013)	November 2017	2.28	(1)(2)	**177,150**	195,193
Term Loan B Facility – US$377.65 million (US$416.85 million in 2013)	November 2019	3.25	(1)	**398,211**	423,528
Revolving Facility – US$50 million (US$33 million in 2013)	November 2017	2.28	(1)	**54,365**	34,749
Term Revolving Facility [d)]					
UK Revolving Facility – £3.1 million	January 2019	1.95	(1)	**5,596**	—
Finance leases	January 2015	3.34	(4)	**809**	2,077
				2,815,061	2,999,956
Less current portion				**32,349**	15,216
				2,782,712	2,984,740

(1) Interest rate on debt includes applicable margin.

(2) At August 31, 2014 interest rate swap agreements have resulted in an effective interest rate of 1.85% on a notional amount of US$70.5 million of Term Revolving Facility and of 2.52% on a notional amount of US$129.5 million of Term Loan A Facility, 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. 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, until February 1, 2017. On December 20, 2013, the Term Revolving Facility was extended by an additional year, and consequently, the Term Revolving Facility will mature on February 1, 2018. On March 5, 2014, the Term Revolving Facility was reduced to $50 million. 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 March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes for net proceeds of $48.7 million, net of transaction costs of approximately $1.3 million. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The net proceeds of the Senior Unsecured Notes was used to reimburse a portion of the Corporation's Term Revolving Facility of $100 million which facility was consequently reduced to $50 million.

d) On November 22, 2013, the Corporation's subsidiary, Cogeco Cable Inc., amended and restated its Term Revolving Facility of $800 million with a syndicate of lenders. The maturity was extended until January 22, 2019 and can be further extended annually. The amendments also reduced the margin for the calculation of the interest rate and reduced restrictions on certain covenants. The amended and restated Term Revolving Facility also replaced Cogeco Cable’s Secured Credit Facilities maturing on January 27, 2017 which was fully repaid on November 22, 2013. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to $788 million and the second tranche, a UK tranche, amounting to $12 million. Both Cogeco Cable and Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche is available in Canadian dollars, US dollars, Euros and British Pounds and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds, plus the applicable margin. The UK tranche is available in British Pounds and interest rates are based on British Pounds base rate loans and British Pounds LIBOR loans. The Term Revolving Facility is indirectly secured by first priority fixed and floating charges and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of 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 adjusted EBITDA, financial expense and total indebtedness.

e) On August 27, 2014, the Corporation's subsidiary, Cogeco Cable Inc., completed, pursuant to a private placement, the issuance of US $25 million ($27.2 million) Senior Secured Notes Series A net of transaction costs of $0.1 million, for net proceeds of $27.1 million and of US$150 million ($163.4 million) Senior Secured Notes Series B net of transaction costs of $0.9 million, for net proceeds of $162.5 million. The Senior Secured Notes Series A bear interest at 4.14% per annum payable semi-annually and mature on September 1, 2024, and the Senior Secured Notes Series B bear interest at 4.29% per annum payable semi-annually and mature on September 1, 2026. The Senior Secured Notes Series A and B are redeemable at any time at Cogeco Cable’s option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable Inc. and certain of its subsidiaries.

f) 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. These 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.

g) 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, 2025. 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.

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. 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 Cogeco Cable Inc.'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 mature on November 30, 2017, the second tranche, a Term Loan B Facility mature on November 30, 2019 and the third tranche, a Revolving Credit Facility mature on November 30, 2017. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor of 1.00% for the Term Loan B Facility. Term Loan A and B Facilities are subject to quarterly fixed amortization schedule. In addition to the fixed amortization schedule and starting 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 which may reduce the quarterly fixed amortization schedule. The calculation of the excess cash flow prepayment is 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 Hosting'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.

On June 30, 2014, the First Lien Credit Facilities were amended. Pursuant to the amendment, US$15 million of the Term Loan A Facility was converted into the Revolving Facility. In addition, the Revolving Facility was increased by US$35 million of which the proceeds were used to reimburse a portion of the Term Loan B. Giving effect to this amendment, the amount available under the Revolving Facility now amounts to US$150 million. However, the combined amounts borrowed under the Term Loan A, Term Loan B and the Revolving Facility have not changed. All other terms and conditions related to covenants, interest rates and maturity remained the same. In connection with the amendment, transaction costs of US$0.4 million were incurred.

17. 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,	2014	2013
(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
89,146 subordinate voting shares held in trust under the Incentive Share Unit Plan (107,124 at August 31, 2013)	**(4,025)**	(4,219)
	117,963	117,769

During fiscal 2014 and 2013, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		2014		2013
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**107,124**	**4,219**	112,471	4,052
Subordinate voting shares acquired	**40,074**	**1,941**	35,630	1,201
Subordinate voting shares distributed to employees	**(58,052)**	**(2,135)**	(40,977)	(1,034)
Balance, end of the year	**89,146**	**4,025**	107,124	4,219

C) DIVIDENDS

For the year August 31, 2014, quarterly dividends of $0.22 per share, for a total of $0.88 per share were paid to the shareholders of multiple and subordinate voting shares, totalling $14.7 million , compared to quarterly dividends of $0.19 per share, for a total of $0.76 per share, or $12.7 million for the year before.

At its October 31, 2014 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.255 per share for multiple voting and subordinate voting shares, payable on November 28, 2014, to shareholders of record on November 14, 2014.

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 designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation and its subsidiary , Cogeco Cable 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 ("Board") 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 senior executives and designated employees 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 2014 and 2013, no stock options were granted to employees by COGECO Inc. and no stock options were outstanding at August 31, 2014 and 2013.

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, 2014, Cogeco Cable Inc. granted 311,650 stock options (223,942 in 2013) with an exercise price of $50.10 to $58.12 ($38.08 to $49.40 in 2013). As a result, a compensation expense of $1,089,000 ($794,000 in 2013) was recorded for the year ended August 31, 2014.

Under the Stock Option Plan of Cogeco Cable Inc., the following options were granted and are outstanding at August 31:

Years ended August 31,	**2014**		2013	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the year	**725,093**	**37.14**	609,686	34.80
Granted	**311,650**	**50.12**	223,942	39.96
Exercised(1)	**(189,008)**	**32.12**	(88,115)	26.92
Cancelled	**(117,033)**	**45.47**	(20,420)	42.18
Outstanding, end of the year	**730,702**	**42.66**	725,093	37.14
Exercisable, end of the year	**270,454**	**36.54**	382,676	33.68

(1) The weighted average share price for options exercised during the year was $53.23 ($47.22 in 2013).

At August 31, 2014, 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**
$			**$**		**$**
26.63 to 34.46	**158,050**	**3.12**	**29.85**	**149,537**	**27.40**
38.08 to 40.45	**184,663**	**7.85**	**39.08**	**47,590**	**39.08**
41.95 to 49.82	**116,039**	**5.74**	**48.29**	**73,327**	**48.75**
50.10 to 58.12	**271,950**	**9.16**	**50.12**	**—**	**—**
	730,702	**6.98**	**42.66**	**270,454**	**36.54**

The weighted average fair value of stock options granted for the period ended August 31, 2014 was $10.56 ($8.00 in 2013) 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,	**2014**	2013
	%	%
Expected dividend yield	**2.05**	2.56
Expected volatility(1)	**24.87**	26.49
Risk-free interest rate	**1.87**	1.53
Expected life (in years)	**6.3**	6.2

(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, 2014, the Corporation and Cogeco Cable Inc. granted 40,074 (35,630 in 2013) ISUs and 137,071 (112,347 in 2013) 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 trustees to purchase 40,074 and 137,416 (35,630 and 101,047 in 2013) subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares were purchased for cash consideration aggregating $1,941,000 and $6,934,000 ($1,201,000 and $4,076,000 in 2013) and are held in trusts for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's 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 $6,566,000 ($3,918,000 in 2013) was recorded for the year ended August 31, 2014 related to these plans.

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

Years ended August 31,	2014	2013
Outstanding, beginning of the year	**107,124**	112,471
Granted	**40,074**	35,630
Distributed	**(58,052)**	(40,977)
Outstanding, end of the year	**89,146**	107,124

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

Years ended August 31,	2014	2013
Outstanding, beginning of the year	**209,608**	149,802
Granted	**137,071**	112,347
Distributed	**(84,700)**	(44,141)
Cancelled	**(14,700)**	(8,400)
Outstanding, end of the year	**247,279**	209,608

DSU plans

The Corporation and its subsidiary, Cogeco Cable Inc., also offer DSU Plans for members of the Board to assist in the attraction and retention of qualified individuals to serve on the 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 TSX 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, 2014, the Corporation and its subsidiary issued, respectively, 9,120 and 7,228 (8,139 and 5,573 in 2013) DSUs to the participants in connection with the DSU Plans. A compensation expense of $1,767,000 ($903,000 in 2013) was recorded for the year ended August 31, 2014 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,	2014	2013
Outstanding, beginning of the year	**30,854**	29,312
Issued	**9,120**	8,139
Redeemed	**—**	(7,174)
Dividend equivalents	**634**	577
Outstanding, end of the year	**40,608**	30,854

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

Years ended August 31,	2014	2013
Outstanding, beginning of the year	**23,745**	20,491
Issued	**7,228**	5,573
Redeemed	**—**	(2,868)
Dividend equivalents	**636**	549
Outstanding, end of the year	**31,609**	23,745

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2014 and 2013, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2014 and 2013	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
		(restated, Note 6)	*(restated, Note 6)*
Balance at September 1, 2012	1,005	31	1,036
Other comprehensive income (loss)	(159)	5,300	5,141
Balance at August 31, 2013	**846**	**5,331**	**6,177**
Other comprehensive income (loss)	**(419)**	**3,373**	**2,954**
Balance at August 31, 2014	**427**	**8,704**	**9,131**

19. STATEMENTS OF CASH FLOWS

CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	**2014**	2013
(in thousands of Canadian dollars)	**$**	$
Trade and other receivables	**(4,221)**	(5,530)
Prepaid expenses and other	**(3,847)**	4,081
Trade and other payables	**51,622**	(23,829)
Provisions	**1,234**	(732)
Deferred and prepaid revenue and other liabilities	**3,193**	4,460
	47,981	(21,550)

20. EMPLOYEE BENEFITS

The Corporation and its subsidiaries offer to their employees defined benefit plans, defined contribution plans or collective registered retirement savings plans. With respect to the defined contribution plans and the collective registered retirement savings plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution.

The Corporation and its subsidiaries sponsor a defined benefit plans for the benefit of its employees and a separate defined benefit 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 also offer to certain of their designated senior executives a supplementary pension plan. The Corporation and its subsidiaries measure plan assets at fair value and the defined benefit obligation at August 31 of each year for all plans. The most recent actuarial valuation for the pension plans for the benefit of the employees was at August 31, 2013 and the next required valuation is at August 31, 2014. For the senior executives' plans, the most recent actuarial valuation was at August 31, 2011 and the next required valuation is 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.

The total expense related to these plans is as follows:

Years ended August 31, *(in thousands of Canadian dollars)*	**2014** **$**	2013 $
		(restated, Note 3)
Recognized in:		
Operating expenses		
Salaries, employee benefits and outsourced services		
Current service cost	**13,633**	11,856
Past service cost	**571**	—
Financial expense		
Other	**814**	1,156
	15,018	13,012

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

Years ended August 31, *(In thousands of Canadian dollars)*	**2014** **$**	2013 $
		(restated, Note 3)
Defined benefit obligation		
Defined benefit obligation, beginning of the year	**70,093**	66,833
Current service cost	**3,786**	3,412
Past service cost	**571**	—
Interest cost	**3,329**	2,727
Contributions by plan participants	**417**	419
Benefits paid	**(2,661)**	(1,520)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	**(572)**	(138)
Changes in demographic assumptions	**208**	4,665
Changes in financial assumptions	**4,922**	(6,305)
Defined benefit obligation, end of the year	**80,093**	70,093
Plan assets at fair value		
Plan assets at fair value, beginning of the year	**50,987**	35,120
Interest income	**2,515**	1,571
Return on plan assets, except amounts included in interest income	**5,952**	3,556
Administrative expense	**(239)**	(227)
Contributions by plan participants	**417**	419
Employer contributions	**10,279**	12,068
Benefits paid	**(2,661)**	(1,520)
Plan assets at fair value, end of the year	**67,250**	50,987
Funded status		
Plan assets at fair value	**67,250**	50,987
Defined benefit obligation	**80,093**	70,093
Net defined benefit liability	**12,843**	19,106

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

Years ended August 31,	**2014**	2013
(In thousands of Canadian dollars)	**$**	$
		(restated, Note 3)
Defined benefit costs recognized in profit or loss		
Current service cost	**3,786**	3,412
Past service cost	**571**	—
Net interest	**814**	1,156
Administrative expense	**239**	227
	5,410	4,795
Defined benefit costs recognized in other comprehensive income		
Actuarial losses (gains) arising from:		
Experience adjustments	**(572)**	(138)
Change in demographic assumptions	**208**	4,665
Change in financial assumptions	**4,922**	(6,305)
Return on plan assets, except amounts included in interest income	**(5,952)**	(3,556)
	(1,394)	(5,334)

The expected employer contributions to the Corporation's defined benefit plans will be $11,525,000 in 2015.

Plan assets consist of:

At August 31,	**2014**	2013
	%	%
Equity securities	**62**	64
Debt securities	**31**	29
Other	**7**	7
Total	**100**	100

The significant weighted average assumptions used in measuring the Corporation's defined benefit obligation and defined benefit costs are as follows:

At August 31,	**2014**	2013
	%	%
Defined benefit obligation		
Discount rate	**4.00**	4.50
Rate of compensation increase	**3.00**	3.00
Indexation rate of pension paid	**3.00**	3.00
Mortality table	**UP 94 (AA)**	UP 94 (AA)
Defined benefit costs		
Discount rate	**4.50**	3.90
Rate of compensation increase	**3.00**	3.00
Indexation rate of pension paid	**3.00**	3.00
Mortality table	**UP 94 (AA)**	UP 94 (AA)

A) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Corporation sets investment goals, both in terms of asset mix percentage and target return, which is monitored monthly and adjusted as needed.

Interest rate risk

A decrease in the interest rate on investment-grade fixed-rate Corporate bonds, which would reduce the discount rate used, will increase the present value of the defined benefit obligation. However, this increase would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

The present value of the defined benefit obligation is calculated using management's best estimate of the following actuarial assumption for each identified risk:

Risk	Assumption	Change in assumption	Potential impact
Salary	Expected rate of compensation increase of plan members	Increase in the expected rate of compensation increase of plan members	Increase

B) SENSITIVITY ANALYSIS

The sensitivity analyses of the defined benefit obligation were calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The sensitivity analyses were prepared in accordance with the Corporation's accounting policies described in Note 2 L). The actual results of items subject to estimates may differ.

	Change in assumption	Impact of change in assumption
	%	$
Discount rate	0.10	1,084
Expected rate of compensation increase	0.25	243

21. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

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 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, 2014, 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, 2014, management believes that the credit risk relating to its short-term investments is minimal, since the credit rating related to such investments 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, 2014 and August 31, 2013, 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, in United States and in Europe, there is no significant concentration of credit risk.

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

At August 31,	2014	2013
(In thousands of Canadian dollars)	**$**	$
Trade accounts receivable	**118,011**	112,018
Allowance for doubtful accounts	**(7,243)**	(4,687)
	110,768	107,331
Other accounts receivable	**12,326**	10,981
	123,094	118,312

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, 2014 and 2013:

At August 31,	2014	2013
(In thousands of Canadian dollars)	**$**	$
Less than 60 days overdue	**41,785**	44,161
60 to 90 days overdue	**3,707**	4,062
More than 90 days overdue	**5,130**	2,860
	50,622	51,083

The following table shows changes in the allowance for doubtful accounts for the year ended August 31, 2014 and 2013:

	2014	2013
(In thousands of Canadian dollars)	**$**	$
Balance, beginning of the year	**4,687**	4,156
Provision for impaired receivables	**25,122**	27,118
Reversal of provision for amounts collected	**(4,160)**	(5,903)
Amounts written off as uncollectible	**(18,444)**	(20,754)
Foreign currency translation adjustments	**38**	70
Balance, end of the year	**7,243**	4,687

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, 2014, the available amount of the Corporation's Term Revolving Facility and Cogeco Cable Inc.'s Term Revolving Facility was $650.7 million. Management believes that the committed revolving credit facilities will, until their maturities in February 2018 and January 2019, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. Two subsidiaries of Cogeco Cable also benefit from a Revolving Facility of US$150 million of which US$98.8 million ($107.4 million) was available at August 31, 2014.

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2014:

		Contractual cash flows						
(In thousands of Canadian dollars)	Carrying amount $	2015 $	2016 $	2017 $	2018 $	2019 $	Thereafter $	Total $
Bank indebtedness	**3,228**	**3,228**	**—**	**—**	**—**	**—**	**—**	**3,228**
Trade and other payables[(1)]	**313,535**	**313,535**	**—**	**—**	**—**	**—**	**—**	**313,535**
Long-term debt[(2)]	**2,814,186**	**31,757**	**239,994**	**35,845**	**268,230**	**242,150**	**2,028,673**	**2,846,649**
Balance due on a business combination	**2,000**	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Other liabilities	**1,375**	**—**	**1,253**	**1,253**	**101**	**—**	**—**	**2,607**
Derivative financial instruments	**(6,132)**	**—**	**(4,712)**	**—**	**—**	**—**	**—**	**(4,712)**
Finance leases[(3)]	**875**	**592**	**28**	**12**	**—**	**—**	**—**	**632**
	3,129,067	**351,112**	**236,563**	**37,110**	**268,331**	**242,150**	**2,028,673**	**3,163,939**

(1) Excluding accrued interest on long-term debt.
(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, 2014 and their respective maturities:

	2015	2016	2017	2018	2019	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on long-term debt	**120,238**	**116,257**	**108,079**	**104,524**	**93,368**	**242,162**	**784,628**
Interest receipts on derivative financial instruments	**(14,773)**	**(7,231)**	**—**	**—**	**—**	**—**	**(22,004)**
Interest payments on derivative financial instruments	**15,404**	**7,307**	**—**	**—**	**—**	**—**	**22,711**
	120,869	**116,333**	**108,079**	**104,524**	**93,368**	**242,162**	**785,335**

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed and floating interest rate instruments. In interest rates fluctuations will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2014, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facilities and First Lien Credit Facilities. To mitigate such risk, Cogeco Cable 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 floating US LIBOR base rate at an average fixed rate of 0.39625% under the Term Revolving Facility and First Lien Credit Facilities until July 25, 2015. Cogeco Cable 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 these facilities is approximately $3.8 million based on the current debt at August 31, 2014.

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 dollar 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 and maturing on October 1, 2015. 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 Pound into Canadian dollars would change financial expense by approximatively $6.2 million based on the outstanding debt at August 31, 2014.

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

At August 31,			**2014**			2013
	US	**Euros**	**British Pounds**	US	Euros	British Pounds
(In thousands of Canadian dollars)	**$**	**$**	**$**	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**5,817**	**681**	**185**	7,536	1,171	257
Trade and other receivables	**534**	**—**	**—**	—	—	—
Trade and other payables and provisions	**(18,109)**	**(7,144)**	**—**	(16,554)	(6,933)	—
	(11,758)	**(6,463)**	**185**	(9,018)	(5,762)	257

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 $1.8 million.

Furthermore, Cogeco Cable'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 Hosting were borrowed directly in US dollars and British Pounds. At August 31, 2014, the investments for Atlantic Broadband and for Peer 1 Hosting in aggregate amounted to US$1.1 billion and £62.6 million while long-term debt hedging these net investments were US$860.5 million and £55.6 million, respectively. The exchange rate used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at August 31, 2014 was $1.0873 ($1.0530 in 2013) per US dollar and $1.8052 ($1.6318 in 2013) 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 $26.1 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and 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:

- The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables and balance due on a business combination approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Corporation's Term Revolving Facilities and First Lien Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds loans plus applicable margin. Therefore, the carrying value approximates fair value for these facilities, since they have conditions similar to those currently available to the Corporation;
- The fair value of the Senior Secured Debentures Series 2, 3 and 4, Senior Secured Notes Series A and B, Senior Secured Notes, Senior Unsecured Notes, Senior Unsecured Debenture and Unsecured Debentures are based upon current trading values for similar financial instruments; and
- 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,		**2014**		2013
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Long-term debt	**2,815,061**	**2,943,371**	2,999,956	3,039,908

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

C) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt 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 a business combination and assets or liabilities related to derivative financial instruments.

The provisions of financing agreements provide for restrictions on the 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 maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2014 and August 31, 2013 the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

Years ended August 31,	**2014**	**2013**
Net senior indebtedness(1)(2) / adjusted EBITDA(3)	**2.1**	2.7
Net indebtedness(2)(4) / adjusted EBITDA(3)	**3.0**	3.4
Adjusted EBITDA(3) / financial expense(3)	**6.5**	6.2

(1) Net secured indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Unsecured Debentures, Senior Unsecured Debenture and Senior Unsecured Notes.
(2) Excluding Atlantic Broadband and other non-significant unrestricted subsidiaries' cash and cash equivalents and non-recourse First Lien Credit Facilities.
(3) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended August 31, 2014 and August 31, 2013 excluding Atlantic Broadband and other non-significant unrestricted subsidiaries and including Peer 1 Hosting results for the twelve-month period ended August 31, 2014 and the seven-month period ended August 31, 2013.
(4) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, obligations under derivative financial instruments and balance due on a business combination, less cash and cash equivalents.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	**2014**	2013
(In thousands of Canadian dollars)	**$**	$
Financial assets		
Loans and receivables	**186,925**	162,105
Derivative financial instruments in designated hedge accounting relationships	**6,132**	833
	193,057	162,938
Financial liabilities		
Other liabilities	**3,166,199**	3,309,136
	3,166,199	3,309,136

22. RELATED PARTY TRANSACTIONS

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board 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,	**2014**	2013
(In thousands of Canadian dollars)	**$**	$
Salaries and other short-term employee benefits	**4,786**	5,802
Termination benefits	**2,180**	—
Post-employment benefits	**768**	1,287
Share-based payments	**2,768**	2,206
	10,502	9,295

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2014, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2015	2016	2017	2018	2019	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Operating lease agreements(1)	**36,859**	**34,253**	**31,416**	**29,731**	**26,847**	**81,931**
Acquisition of property, plant and equipment(2)	**36,334**	**21,269**	**16,201**	**13,600**	**10,028**	**29,642**
Other long-term contracts(3)	**4,501**	**2,435**	**—**	**544**	**—**	**17,614**
	77,694	**57,957**	**47,617**	**43,875**	**36,875**	**129,187**

(1) Include operating lease agreements for rent premises and support structures.
(2) Include minimum spend commitments under acquisitions of home terminal devices and software licenses.
(3) 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 or potential claims from suppliers 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 consolidated 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, 2014 and 2013, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 15.

Long-term debt

Under the terms of Cogeco Cable's Senior Secured Notes and Senior Unsecured 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, 2014 and 2013, 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, 2014 and 2013, no liability has been recorded with respect to these indemnifications.

24. NON-MONETARY TRANSACTIONS

During fiscal 2014, the Corporation's subsidiary, Cogeco Diffusion Acquisitions Inc., has entered into non-monetary transactions. An amount of $7,115,000 ($6,432,000 in 2013) of revenue and $7,308,000 ($7,054,000 in 2013) of operating expenses were recorded.

25. GOVERNMENT ASSISTANCE

In 2013, the Corporation's subsidiary, Cogeco Cable Inc., recorded tax credits related to research and development costs in the amount of $690,000. These credits were accounted as a reduction of operating expenses.

INVESTOR INFORMATION

CONSOLIDATED CAPITALIZATION

At August 31,	**2014**	2013 (1)	2012
(in thousands of dollars)	**$**	$	$
Indebtedness	**2,848,040**	3,054,275	1,180,971
Equity attributable to owners of the Corporation	**513,965**	456,905	397,799
Total	**3,362,005**	3,511,180	1,578,770

(1) Comparative figures have been adjusted to comply with the adoption of IAS 19 Employee Benefits. For further details, please refer to Note 3 of the consolidated financial statements.

CREDIT RATINGS

COGECO CABLE CREDIT RATINGS

On July 29, 2014, 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 to 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 28, 2014, Standard & Poor's Ratings Services ("S&P") confirmed their ratings on the Senior Secured Debentures and Notes to "BBB" , on the Senior Unsecured Notes to "BB-" and confirmed the corporate credit rating of "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. Obligations rated in the "BB" category are speculative, non-investment grade credit quality. Such obligation 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. S&P assigned a recovery rating of '6' to Cogeco Cable's Senior Unsecured Notes reflecting the likelihood that holders could expect negligible (0%-10%) recovery in the event of a payment default.

On September 30, 2014, Fitch Ratings ("Fitch") has confirmed the Issuer Default Rating ("IDR") of Cogeco Cable to "BB+" and has also confirmed the rating on Senior Secured Notes to "BBB-" and Senior Unsecured Notes to "BB+". 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. Obligations rated in the "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 14, 2014, 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 April 1, 2014, S&P confirmed 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, 2014	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.

SHARE INFORMATION

At August 31, 2014		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 31, 2014 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.255 per share for multiple voting and subordinate voting shares, payable on November 28, 2014, to shareholders of record on November 14, 2014. 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**	**2014 Total**
(in dollars, except subordinate voting share volumes)	**$**	**$**	**$**	**$**	
The Toronto Stock Exchange					
High	**49.15**	**51.50**	**58.88**	**58.26**	
Low	**44.99**	**47.50**	**50.66**	**53.75**	
Close	**49.15**	**51.12**	**58.15**	**57.20**	
Volume (shares)	**723,715**	**1,239,107**	**467,457**	**1,162,383**	**3,592,662**

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

CABLE AND ENTERPRISE DATA SERVICES SEGMENT CUSTOMER STATISTICS

	August 31, 2014	May 31, 2014	February 28, 2014	November 30, 2013	August 31, 2013	August 31, 2012
PSU	**2,442,184**	**2,452,118**	**2,454,627**	**2,464,932**	2,467,657	1,975,054
CANADA	**1,946,022**	**1,956,444**	**1,962,077**	**1,975,502**	1,980,122	1,975,054
UNITED STATES	**496,162**	**495,674**	**492,550**	**489,430**	487,535	—
Television service customers	**1,023,094**	**1,034,991**	**1,044,611**	**1,057,859**	1,066,952	863,115
CANADA	**797,165**	**807,831**	**815,852**	**827,649**	834,771	863,115
Penetration as a percentage of homes passed	**47.3%**	**47.9%**	**48.5%**	**49.3%**	49.9%	52.4%
UNITED STATES	**225,929**	**227,160**	**228,759**	**230,210**	232,181	—
Penetration as a percentage of homes passed	**43.7%**	**43.8%**	**44.2%**	**44.5%**	44.9%	—
HSI	**869,453**	**865,597**	**857,786**	**848,897**	838,445	640,455
CANADA	**679,584**	**676,802**	**672,981**	**668,257**	661,337	640,455
Penetration as a percentage of homes passed	**40.3%**	**40.2%**	**40.0%**	**39.8%**	39.5%	38.8%
UNITED STATES	**189,869**	**188,795**	**184,805**	**180,640**	177,108	—
Penetration as a percentage of homes passed	**36.7%**	**36.4%**	**35.7%**	**34.9%**	34.3%	—
Telephony service customers	**549,637**	**551,530**	**552,230**	**558,176**	562,260	471,484
CANADA	**469,273**	**471,811**	**473,244**	**479,596**	484,014	471,484
Penetration as a percentage of homes passed	**27.8%**	**28.0%**	**28.1%**	**28.6%**	28.9%	28.6%
UNITED STATES	**80,364**	**79,719**	**78,986**	**78,580**	78,246	—
Penetration as a percentage of homes passed	**15.5%**	**15.4%**	**15.3%**	**15.2%**	15.1%	—

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

✪ **JAN PEETERS, Board Chair**
Montréal (Québec)
President and Chief Executive Officer
Olameter Inc. (Telemetry company)
Board Chair

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

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

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

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

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

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

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

Legend :
- ✪ Attends as an observer and participates in meetings of all the committees
- ● Member of the Audit Committee
- ■ Member of the Human Resources Committee
- ⧫ Member of the Corporate Governance Committee
- ★ Member of the Strategic Opportunities Committee

CORPORATE HEAD OFFICE

5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
www.cogeco.ca

CORPORATE MANAGEMENT

LOUIS AUDET
President and Chief Executive Officer

ELIZABETH ALVES
Vice President, Internal Audit and Risk Management

NATHALIE DORVAL
Vice President, Regulatory Affairs and Copyright

RENÉ GUIMOND
Vice President, Public Affairs and Communications

CHRISTIAN JOLIVET
Vice President, Corporate Affairs, Chief Legal Officer and Secretary

PIERRE MAHEUX
Vice president, Corporate Controller
Interim Chief Financial Officer(1)

DIANE NYISZTOR
Vice President, Corporate Human Resources

ANDRÉE PINARD
Vice President and Treasurer

ALEX TESSIER
Vice President, Corporate Development

(1) The Vice President, Corporate Controller is performing similar functions to those of a Chief Financial Officer in absence of a Chief Financial Officer since the departure of the Corporation's Chief Financial Officer on July 21, 2014.

CORPORATE INFORMATION

ANNUAL MEETING
The Annual general Shareholders Meeting will be held at 11:30 a.m. on Wednesday, January 14, 2015, at the Centre Mont-Royal, Mont-Royal room 1, 4th Floor, Montréal (Québec).

AUDITORS
Deloitte LLP
1 Place Ville Marie
Suite 3000
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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 sous 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 or a change of registration of shares, please contact Computershare. For any other inquiries 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 Inc., makes available an anonymous and confidential Ethics Line for its employees and the employees of all its subsidiaries and other interested 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 Inc. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and Risk Management or the Vice President, Corporate Affairs, 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 AND ENTERPRISE DATA SERVICES SEGMENT

COGECO CABLE INC.

LOUIS AUDET
President and Chief Executive Officer

5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
www.cogeco.ca

COGECO CABLE CANADA

LOUISE ST-PIERRE
President and Chief Executive Officer

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ATLANTIC BROADBAND

EDWARD T. HOLLERAN JR.
President and Chief Executive Officer

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www.atlanticbb.com

COGECO ENTERPRISE SERVICES

ANTONIO CICIRETTO
President and Chief Executive Officer

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COGECO DATA SERVICES

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www.peer1.com

OTHER

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President and Chief Executive Officer, Cogeco Diffusion

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