

SHAREHOLDERS' REPORT

Three-month period ended November 30, 2013

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except percentages and per share data)	Quarters ended November 30, 2013	2012 [2]	Change
	$	$	%
Operations			
Revenue	**516,971**	366,608	41.0
Operating income before depreciation and amortization[1]	**224,040**	156,884	42.8
Operating income	**106,698**	83,581	27.7
Profit for the period	**56,839**	47,106	20.7
Profit for the period attributable to owners of the Corporation	**23,055**	18,530	24.4
Cash Flow			
Cash flow from operating activities	**60,235**	(6,005)	—
Cash flow from operations[1]	**159,222**	101,501	56.9
Acquisitions of property, plant and equipment, intangible and other assets	**86,580**	83,155	4.1
Free cash flow[1]	**72,642**	18,346	—
Financial Condition[3]			
Property, plant and equipment	**1,863,364**	1,874,866	(0.6)
Total assets	**5,451,881**	5,452,513	—
Indebtedness[4]	**3,102,202**	3,054,275	1.6
Equity attributable to owners of the Corporation	**477,136**	457,273	4.3
Per Share Data[5]			
Earnings per share attributable to owners of the Corporation			
Basic	**1.38**	1.11	24.3
Diluted	**1.37**	1.10	24.5

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

(2) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

(3) At November 30, 2013 and August 31, 2013.

(4) Indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business combination and obligations under derivative financial instruments.

(5) Per multiple and subordinate voting share.



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

Three-month period ended November 30, 2013

FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to COGECO's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the economic downturn experienced over the past few years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation's expectations. It is impossible for COGECO to predict with certainty the impact that the current economic uncertainties may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of section of the Corporation's 2013 annual 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 be required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2013, prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2013 Annual Report.

CORPORATE OBJECTIVES AND STRATEGIES

COGECO's objectives are to provide outstanding service to its customers and maximize shareholder value by increasing profitability and ensuring continued revenue growth. The strategies employed to reach these objectives, supported by tight controls over costs and business processes, are specific to each segment. The main strategies used to reach COGECO's objectives in the Cable segment focus on expanding its service offering, enhancing its existing services and bundles, improving customer experience and business processes as well as keeping a sound capital management and a strict control over spending. The radio activities focus on continuous improvement of its programming in order to increase its market share and thereby its profitability. The Corporation measures its performance, with regard to these objectives by monitoring operating income before depreciation and amortization[(1)] and free cash flow[(1)].

KEY PERFORMANCE INDICATORS

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

First-quarter operating income before depreciation and amortization increased by 42.8% compared to the same period of fiscal 2013 to reach $224.0 million. The improvement in operating income before depreciation and amortization is mainly from the Cable segment and attributable to the acquisition of Atlantic Broadband and Peer 1 Network Enterprises, Inc. ("PEER 1") (the "recent acquisitions") which occurred at the end of the first quarter and in the second quarter of fiscal 2013, respectively, as well as to the financial results improvement from organic growth.

FREE CASH FLOW

For the three-month period ended November 30, 2013, COGECO reports free cash flow of $72.6 million, compared to $18.3 million for the first three months of the previous fiscal year, representing an increase of $54.3 million. This increase is mostly attributable to the improvement of operating income before depreciation and amortization explained above as well as the decrease in integration, restructuring and acquisition costs, partly offset by the increase in financial expense as a result of higher indebtedness.

BUSINESS DEVELOPMENTS AND OTHER

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

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.

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

Quarters ended November 30,	**2013**	2012 [(1)]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**516,971**	366,608	41.0
Operating expenses	**292,931**	209,724	39.7
Operating income before depreciation and amortization	**224,040**	156,884	42.8

(1) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

REVENUE

Fiscal 2014 first-quarter revenue increased by $150.4 million, or 41.0%, to reach $517.0 million, compared to the same period last year, mainly due to the Cable segment as explained below as well as the organic growth generated by all of our business units.

In the Cable segment, fiscal 2014 first-quarter revenue increased by $147.1 million, or 44.9%, to reach $475.0 million compared to the same period last year. Revenue increase is mainly attributable to the operating results of the recent acquisitions. For further details on the Cable segment's revenue, please refer to the "Cable segment" section.

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

OPERATING EXPENSES

For the first quarter of fiscal 2014, operating expenses increased by $83.2 million, to reach $292.9 million, an increase of 39.7% compared to the prior year, mainly attributable to the Cable segment.

Operating expense in the Cable segment increased by $79.8 million, to reach $253.9 million, an increase of 45.8% compared to the prior year. These additional operating expenses are mostly attributable to the recent acquisitions, partly offset by cost reduction initiatives and the restructuring activities occurred in the fourth quarter of fiscal 2013 in Canada.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

Fiscal 2014 first-quarter operating income before depreciation and amortization increased by $67.2 million, or 42.8%, to reach $224.0 million, of which the Cable segment contributed $211.5 million to the consolidated operating income before depreciation and amortization. For further details on Cogeco Cable's operating results, please refer to the "Cable segment" section.

FIXED CHARGES

Quarters ended November 30	**2013**	2012 [1]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation and amortization	**117,094**	66,041	77.3
Financial expense	**34,022**	17,303	96.6

(1) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

For the first quarter of fiscal 2014, depreciation and amortization expense increased by $51.1 million, to reach $117.1 million, an increase of 77.3% compared to prior year. The increase is attributable to the Cable segment and resulted from the recent acquisitions, which occurred at the end of the first quarter and in the second quarter of fiscal 2013 and consequently, no depreciation and amortization expense related to these acquisitions are included in the fiscal 2013 first-quarter.

Fiscal 2014 first-quarter financial expense increased by $16.7 million, or 96.6%, at $34.0 million compared to $17.3 million as a result of the recent acquisitions financing costs.

INCOME TAXES

Fiscal 2014 first-quarter income tax expense amounted to $15.8 million, compared to $19.2 million in the prior year. The decrease is mostly attributable to the increase in fixed charges as well as the favorable impact of the tax structure from the recent acquisitions in the Cable segment, partly offset by the improvement in operating income before depreciation and amortization.

PROFIT FOR THE PERIOD

For the three-month period ended November 30, 2013, profit for the period amounted to $56.8 million of which $23.1 million, or $1.38 per share, is attributable to owners of the Corporation. For the comparable period of fiscal 2013, profit for the period amounted to $47.1 million of which $18.5 million, or $1.11 per share, was attributable to owners of the Corporation. Profit progression for the quarter is mostly attributable to the Cable segment and due to an increase in operating income before depreciation and amortization generated by the recent acquisitions, partly offset by the fixed charges explained above.

The non-controlling interest represents a participation of approximately 67.9% in Cogeco Cable's results. For fiscal 2014 first-quarter, the profit for the period attributable to non-controlling interest amounted to $33.8 million compared to $28.6 million in fiscal 2013.

CASH FLOW ANALYSIS

Quarters ended November 30,	**2013**	2012[1]
(in thousands of dollars)	**$**	$
Operating activities		
Cash flow from operations	**159,222**	101,501
Changes in non-cash operating activities	**(95,965)**	(87,508)
Amortization of deferred transaction costs and discounts on long-term debt	**(1,878)**	(856)
Income taxes paid	**(19,164)**	(44,248)
Current income tax expense	**28,166**	26,112
Financial expense paid	**(44,168)**	(18,309)
Financial expense	**34,022**	17,303
	60,235	(6,005)
Investing activities	**(86,151)**	(1,437,212)
Financing activities	**8,455**	1,236,972
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**199**	—
Net change in cash and cash equivalents	**(17,262)**	(206,245)
Cash and cash equivalents, beginning of period	**43,793**	215,523
Cash and cash equivalents, end of period	**26,531**	9,278

(1) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

OPERATING ACTIVITIES

Fiscal 2014 first-quarter cash flow from operations reached $159.2 million compared to $101.5 million for the same period last year, an increase of $57.7 million. This increase resulted from the improvement in operating income before depreciation and amortization as well as the decrease in integration, restructuring and acquisition costs, partly offset by the increase in financial expense as a result of higher indebtedness level from the recent acquisitions.

INVESTING ACTIVITIES

BUSINESS COMBINATION IN FISCAL 2013

On November 30, 2012, 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 to residential and small and medium business customers.

During the first quarter of fiscal 2014, Cogeco Cable finalized the purchase price allocation of Atlantic Broadband which remains unchanged since the last adjustments made in the fourth quarter of fiscal 2013. Therefore, the final purchase price allocation is as follows:

	Final
(in thousands of dollars)	**$**
Consideration	
Paid	
Purchase of shares	**337,779**
Working capital adjustments	**5,415**
Repayment of secured debt	**1,021,854**
	1,365,048
Net assets acquired	
Cash and cash equivalents	**5,480**
Trade and other receivables	**12,012**
Prepaid expenses and other	**1,370**
Income tax receivable	**3,907**
Property, plant and equipment	**302,211**
Intangible assets	**711,418**
Goodwill	**522,215**
Deferred tax assets	**98,592**
Trade and other payables assumed	**(27,620)**
Provisions	**(721)**
Deferred and prepaid revenue and other liabilities assumed	**(7,697)**
Deferred tax liabilities	**(256,119)**
	1,365,048

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

Fiscal 2014 first-quarter acquisitions of property, plant and equipment amounted to $82.5 million, an increase of 5.0% compared to $78.5 million in the first quarter of the prior year, mainly as a result of the following factors in the Cable segment:

- An increase due to the recent acquisition of PEER 1 and by the expansion of data centre facilities in Toronto, Canada and in Portsmouth, England as well as the fiber expansion in the Toronto area in order to fulfill orders from new customer demand;
- An increase in customer premise equipment mainly due to the continuing migration of analogue packages to digital technology in the American cable services segment;
- A decrease in scalable infrastructure due to the deployment in fiscal 2012 and early fiscal 2013 of advanced technologies such as DOCSIS 3.0 and Switched Digital Video in existing areas served; and
- Some capital expenditures decreases due to the timing of certain initiatives;

For the three-month period ended November 30, 2013, the acquisition of intangible and other assets amounted to $4.1 million compared to $4.6 million for the same period last year.

FREE CASH FLOW AND FINANCING ACTIVITIES

In the first quarter, free cash flow amounted to $72.6 million, $54.3 million higher than in the comparable period of fiscal 2013. Free cash flow increase stemmed mostly from the Cable segment and due to the improvement in operating income before depreciation and amortization and a decrease in integration, restructuring and acquisition costs, partly offset by an increase in the financial expense as a result of higher indebtedness level from the recent acquisitions.

In the first quarter of fiscal 2014, higher Indebtedness level provided for a cash increase of $28.7 million, essentially due to the increase of the Term Revolving Facility of $29.4 million.

In the first quarter of fiscal 2013, higher Indebtedness level provided for a cash increase of $1.253 billion, mainly due to the draw-down of the 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 in the Cable segment.

During the first quarter of fiscal 2014, a quarterly dividend of $0.22 per share was paid to the holders of subordinate and multiple voting shares, totaling $3.7 million, compared to a quarterly dividend of $0.19 per share, or $3.2 million the year before. In addition, dividends paid by a subsidiary to non-controlling interests in the first quarter of 2014 amounted to $9.9 million compared to $8.6 million in the first quarter of the prior year. The consolidated dividend payments amounted to $13.6 million in the first quarter of fiscal 2014 compared to $11.8 million for the prior year.

At November 30, 2013, the Corporation had a working capital deficiency of $144.1 million compared to $223.8 million at August 31, 2013. The decrease of $79.7 million in the deficiency is mainly due to the decrease of $99.2 million in trade and other payables, partly offset by an increase of $9.0 million in income tax liabilities. As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of accounts receivable as a large portion of Cogeco Cable'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 November 30, 2013, the Corporation had used $71.2 million of its $100 million Term Revolving Facility for a remaining availability of $28.8 million and Cogeco Cable had used $608.6 million of its $800 million amended and restated Term Revolving Facility for a remaining availability of $191.4 million. In addition, two subsidiaries of Cogeco Cable also benefit from a Revolving Facility of $106.2 million (US$100 million) related to the acquisition of Atlantic Broadband, of which $21.8 million (US$20.6 million) was used at November 30, 2013 for a remaining availability of $84.4 million (US$79.4 million).

FINANCIAL POSITION

Since August 31, 2013, the following balances have changed significantly: "cash and cash equivalents", "property, plant and equipment", "goodwill", "trade and other payables", "income tax liabilities" and "long-term debt".

The decrease of $17.3 million in cash and cash equivalents and the increase of $46.9 million in long-term debt are due to the factors previously discussed in the "Cash flow analysis" section and to the appreciation of US dollar and British Pound currency compared to Canadian dollar. The $11.5 million decrease in property, plant and equipment reflects the excess of depreciation expense over the acquisitions discussed in the "Cash flow analysis" section, partly offset by the impact of the appreciation of the US dollar and British Pound currency compared to Canadian dollar. Goodwill increased by $11.1 million due to the appreciation of the US dollar and the British Pound against the Canadian dollar in the first quarter of fiscal 2014. The $99.2 million decrease in trade and other payables is related to the timing of payments made to suppliers and the increase in income tax liabilities of $9.0 million due to the excess of current income tax expense over income tax paid.

OUTSTANDING SHARE DATA

A description of COGECO's share data at December 31, 2013 is presented in the table below. Additional details are provided in Note 11 of the condensed interim consolidated financial statements.

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

FINANCING

In the normal course of business, COGECO has incurred financial obligations, primarily in the form of long-term debt, operating and finance leases and guarantees. COGECO's obligations, as discussed in the 2013 Annual Report, have not materially changed since August 31, 2013, except as mentioned below.

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 and will mature on January 22, 2019 and the maturity can be 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. 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 operating income before amortization, financial expense and total indebtedness.

FINANCIAL MANAGEMENT

Cogeco Cable had entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A maturing on October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625 per US dollar. Cogeco Cable elected to apply cash flow hedge accounting on these derivative financial instruments. During the first quarter of fiscal 2014, amounts due under the US$190 million Senior Secured Notes Series A increased by $1.7 million due to the US dollar's appreciation relative to the Canadian dollar. The fair value of cross-currency swaps asset increased by a net amount of $2.0 million, of which an increase of $1.7 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.3 million was recorded as an increase of other comprehensive income. During the first quarter of fiscal 2013, amounts due under the US$190 million Senior Secured Notes Series A increased by $1.5 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 $1.1 million, of which $1.5 million offsets the foreign exchange loss on the debt denominated in US dollars.

In addition, on July 22, 2013, Cogeco Cable had entered into interest rate swap agreements to fix the interest rate on US$200 million of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate at an average fixed rate of 0.39625% under the Term Revolving Facility until July 25, 2015. Cogeco Cable elected to apply hedge accounting on these derivative financial instruments. The fair value of interest rate swaps asset decreased by a net amount of $0.9 million which was recorded as a decrease of other comprehensive income at November 30, 2013.

Furthermore, Cogeco Cable's net investment in foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk was mitigated since the major part of the purchase prices for Atlantic Broadband and PEER 1 were borrowed directly in US dollars and British Pounds. These debts were designated as hedges of net investments in foreign operations. At November 30, 2013, the net investment for Atlantic Broadband and for PEER 1 amounted to US$1.1 billion and £70.7 million while long-term debt hedging these net investments amounted to US$853.0 million and £$56.7 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 November 30, 2013 was $1.0620 per US dollar and $1.7383 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 $27.3 million.

The average rates prevailing during the first quarter of fiscal 2014 used to convert the operating results in the Cable segment were $1.0399 per US dollar and $1.6670 per British Pound. Cogeco Cable's condensed interim consolidated financial statements are expressed in Canadian dollars, however a portion of its business is conducted in US dollar and British Pound therefore, exchange rate fluctuations can increase or decrease Cogeco Cable's operating results.

The following table 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 three-month period ended November 30, 2013:

		Cable segment
	As reported	Exchange rate impact
(in thousands of dollars)	$	$
Revenue	**474,980**	**12,805**
Operating expense	**253,949**	**7,556**
Management fees - COGECO Inc.	**9,509**	**—**
Operating income before depreciation and amortization	**221,031**	**5,249**
Integration, restructuring and acquisition costs	**248**	**6**
Depreciation and amortization	**115,754**	**3,751**
Operating income	**95,520**	**1,492**

The Corporation is also impacted by foreign currency exchange rates, primarily changes in the values of the US dollar relative to the Canadian dollar with regards to purchases of certain equipment, which are purchased and subsequently paid in US dollars.

DIVIDEND DECLARATION

At its January 13, 2014 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.22 per share for multiple voting and subordinate voting shares, payable on February 10, 2014, to shareholders of record on January 27, 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.

CABLE SEGMENT

CUSTOMER STATISTICS

				Net additions (losses)		% of penetration[1]	
	Consolidated	**UNITED STATES**	**CANADA**	Quarters ended November 30,		November 30,	
		November 30, 2013		**2013**	2012 [2]	**2013**	2012 [2]
Primary service units ("PSU")[4]	**2,464,932**	**489,430**	**1,975,502**	**(2,725)**	15,788 [3]		
Television service customers	**1,057,859**	**230,210**	**827,649**	**(9,093)**	(2,076)	**48.2**	52.1
HSI service customers	**848,897**	**180,640**	**668,257**	**10,452**	11,553 [3]	**38.7**	39.4 [3]
Telephony service customers	**558,176**	**78,580**	**479,596**	**(4,084)**	6,311	**25.4**	28.9

(1) As a percentage of homes passed.

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

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

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

On November 30, 2013, PSU reached 2,464,932 of which 1,975,502 come from Canada and 489,430 from the United States. In Canada, PSU decreased by 4,620 in the quarter compared to an increase of 15,788 PSU for the comparable period of the prior year, mainly as a result of service category maturity and a much more competitive environment in all services. In the United States, PSU increased by 1,895 for the quarter stemming primarily from additional HSI services, offset by small losses in Television services. At the consolidated level, fiscal 2014 first-quarter PSU net losses amounted to 2,725 compared to net additions of 15,788 in the comparable period of the prior year. Fiscal 2014 first-quarter net losses for Television service customers stood at 9,093 compared to 2,076, HSI service customers grew by 10,452 compared to 11,553 and the Telephony service net losses stood at 4,084 customers compared to net additions of 6,311 for the comparable period of fiscal 2013. HSI net additions continue to stem from the enhancement of the product offering and the impact of the bundled offer.

OPERATING RESULTS

Quarters ended November 30,	**2013**	2012 [(1)(2)]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**474,980**	327,911	44.9
Operating expenses	**253,949**	174,154	45.8
Management fees – COGECO Inc.	**9,509**	6,581	44.5
Operating income before depreciation and amortization	**211,522**	147,176	43.7
Operating margin	**44.5%**	44.9%	

(1) Operating results for the period ended November 30, 2012 exclude those of the recent acquisitions.

(2) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

REVENUE

Fiscal 2014 first-quarter revenue increased by $147.1 million, or 44.9%, to reach $475.0 million compared to the same period last year. Revenue increase is mainly attributable to the operating results of the recent acquisitions, the rate increases implemented in June 2013 in Canada as well as organic growth from data centre, managed IT and connectivity services.

OPERATING EXPENSES AND MANAGEMENT FEES

For the first quarter of fiscal 2014, operating expenses increased by $79.8 million, to reach $253.9 million, an increase of 45.8% compared to the prior year. These additional operating expenses are mostly attributable to the recent acquisitions, partly offset by cost reduction initiatives and the restructuring activities occurred in the fourth quarter of fiscal 2013 in the Canadian cable operations.

Management fees paid to COGECO Inc amounted to $9.5 million, 44.5% higher compared to $6.6 million in fiscal 2013 as a result of higher revenues stemming from the recent acquisitions. For fiscal year 2014, management fees have been set at a maximum of $9.7 million ($9.6 million in 2013), which is expected to be paid within the first half of the fiscal year.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND OPERATING MARGIN

Fiscal 2014 first quarter operating income before depreciation and amortization increased by $64.3 million, or 43.7%, to reach $211.5 million as a result of the recent acquisitions and the improvement of Cogeco Cable's financial results in all its business units. Cogeco Cable's first quarter operating margin decreased to 44.5% from 44.9% in the comparable period of the prior year essentially attributable to lower margin business activities from the recent acquisition of PEER 1.

CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting, as defined in National Instrument 52-109. COGECO's internal control framework is based on the criteria published in the report *Internal Control-Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO, supported by Management, evaluated the design of the Corporation's disclosure controls and procedures and internal controls over financial reporting as of November 30, 2013, and have concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended November 30, 2013, except as described below with respect to PEER 1, a subsidiary of Cogeco Cable.

On January 31, 2013 and on April 3, 2013, Cogeco Cable acquired 100% of the issued and outstanding shares of PEER 1. Due to the short period of time between those acquisition dates and the certification date on January 13, 2014, management was unable to complete its review of the design of Internal Controls Over Financial Reporting ("ICFR") for this recent acquisition. At November 30, 2013, risks were however mitigated as management was fully apprised of any material events affecting the PEER 1 recent acquisition. In addition, all the assets and liabilities acquired were valued and recorded in the condensed interim consolidated financial statements as part of the preliminary purchase price allocation process and PEER 1 results of operations were also included in COGECO's consolidated results. PEER 1 constitutes 10% of revenue, -15% of profit of the period, 15% of the total assets, 20% of the current assets, 15% of the non current assets, 8% of the current liabilities and 15% of the non current liabilities of the consolidated condensed interim financial statements of COGECO for the three-month period ended November 30, 2013. In the upcoming quarters, management will complete its review of the design of ICFR for PEER 1 and assess its effectiveness. Financial information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about PEER 1's business impact can be found in the 2013 Annual Report of the Corporation.

UNCERTAINTIES AND MAIN RISK FACTORS

There has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2013 except as mentioned below. A detailed description of the uncertainties and main risk factors faced by COGECO can be found in the 2013 Annual Report available at <www.sedar.com> and <www.cogeco.ca>.

On October 24, 2013, the Canadian Radio-Television and Telecommunications Commission ("CRTC") issued a broadcasting notice inviting Canadians to express their views on the future of the television system in Canada. The first phase of that public proceeding was completed in December 2013 and the second phase will take place in the winter of 2014. This public consultation is likely to lead to changes in regulatory policy respecting significant aspects of the production, funding and distribution of television programming content in Canada. On the heels of the CRTC's invitation for comments from the public, the Canadian Government issued on November 14, 2013 a direction to the CRTC under the authority of section 15 of the Broadcasting Act requesting that the CRTC report on television channel choice by no later than April 30, 2014. The requested report will focus specifically on the issue of unbundling of television channels, including the steps the CRTC intends to take in that regard. At this time, it is not known what steps or measures the CRTC will recommend in its report, or how and when these steps or measures would be implemented. They could have a major impact on wholesale and retail pricing of television services distributed by Cogeco Cable and other Canadian terrestrial and satellite broadcasting distributors as, if and when they are eventually implemented.

On November 26, 2013, Rogers Communications and the National Hockey League ("NHL") announced that they had concluded a twelve-year comprehensive broadcast and multimedia licensing agreement respecting all national rights to NHL games on all platforms in all languages in Canada, beginning with 2014-2015 season. Rogers Communications also announced that it had selected CBC and TVA for separate sublicensing deals for English-language broadcasts of "Hockey Night in Canada" and all national French-language multimedia rights, respectively. At this time, the impact of this long-term agreement on wholesale and retail rates for linear subscription and on-demand television programming services involving NHL hockey games distributed by Cogeco Cable and other terrestrial and satellite broadcasting distributors cannot be assessed, nor the extent to which the consumption of Canadian premium sports programming will change over the next twelve years as a result of future distribution sublicensing terms for NHL hockey games.

FUTURE ACCOUNTING DEVELOPMENTS IN CANADA

A number of new standards, interpretations and amendments to existing standards issued by the International Accounting Standard Board ("IASB") are effective for annual periods starting on or after January 1, 2013 and have been applied in preparing the condensed interim consolidated financial statements for the three months ended November 30, 2013.

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 2 of the condensed interim consolidated financial statements.

- *Amendment 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 pension costs. The defined benefit pension 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 net interest cost takes into account the change any contributions and benefit payments have on the net defined benefit liability or asset during the period.

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

- 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*

CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in COGECO's accounting policies, estimates and future accounting pronouncements since August 31, 2013. A description of the Corporation's policies and estimates can be found in the 2013 Annual Report, available at <www.sedar.com> and <www.cogeco.ca>.

NON-IFRS FINANCIAL MEASURES

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

CASH FLOW FROM OPERATIONS AND FREE CASH FLOW

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

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

Quarters ended November 30,	**2013**	2012[1]
(in thousands of dollars)	**$**	$
Cash flow from operating activities	**60,235**	(6,005)
Changes in non-cash operating activities	**95,965**	87,508
Amortization of deferred transaction costs and discounts on long-term debt	**1,878**	856
Income taxes paid	**19,164**	44,248
Current income tax expense	**(28,166)**	(26,112)
Financial expense paid	**44,168**	18,309
Financial expense	**(34,022)**	(17,303)
Cash flow from operations	**159,222**	101,501

(1) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

Free cash flow is calculated as follows:

Quarters ended November 30,	**2013**	2012[1]
(in thousands of dollars)	**$**	$
Cash flow from operations	**159,222**	101,501
Acquisition of property, plant and equipment	**(82,464)**	(78,514)
Acquisition of intangible and other assets	**(4,116)**	(4,641)
Free cash flow	**72,642**	18,346

(1) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

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

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

Quarters ended November 30,	**2013**	2012[1]
(in thousands of dollars)	**$**	$
Operating income	**106,698**	83,581
Depreciation and amortization	**117,094**	66,041
Integration, restructuring and acquisitions costs	**248**	7,262
Operating income before depreciation and amortization	**224,040**	156,884

(1) Comparative figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*. For further details, please refer to Note 2 of the condensed interim consolidated financial statements.

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	November 30,		August 31,		May 31,		February, 28	February, 29
(in thousands of dollars, except percentages and per share data)	**2013**	2012 [2]	2013 [2]	2012	2013 [2]	2012	2013 [2]	2012
	$	$	$	$	$	$	$	$
Revenue	**516,971**	366,608	504,714	356,685	504,434	358,032	458,501	345,613
Operating income before depreciation and amortization	**224,040**	156,884	224,608	163,617	220,878	158,446	196,272	144,518
Operating income	**106,698**	83,581	104,414	95,943	105,851	95,473	94,859	58,931
Income taxes	**15,837**	19,172	10,374	33,625	19,080	22,278	15,089	13,372
Profit for the period from continuing operations	**56,839**	47,106	43,770	44,900	49,995	55,373	48,950	29,449
Profit for the period from discontinued operations	**—**	—	—	—	—	—	—	52,047
Profit for the period	**56,839**	47,106	43,770	44,900	49,995	55,373	48,950	81,496
Profit for the period attributable to owners of the Corporation	**23,055**	18,530	13,869	13,889	17,185	19,303	14,676	25,089
Cash flow from operating activities	**60,235**	(6,005)	233,464	203,193	167,641	109,546	157,095	126,455
Cash flow from operations	**159,222**	101,501	162,138	119,612	158,172	117,606	140,124	105,153
Acquisitions of property, plant and equipment, intangible and other assets	**86,580**	83,155	108,756	124,638	113,492	88,141	106,019	87,186
Free cash flow (deficit)	**72,642**	18,346	53,382	(5,026)	44,680	29,465	34,105	17,967
Earnings per share[1] attributable to owners of the Corporation								
From continuing and discontinued operations								
Basic	**1.38**	1.11	0.83	0.83	1.03	1.15	0.88	1.50
Diluted	**1.37**	1.10	0.82	0.83	1.02	1.15	0.87	1.49
From continuing operations								
Basic	**1.38**	1.11	0.83	0.83	1.03	1.15	0.88	0.50
Diluted	**1.37**	1.10	0.82	0.83	1.02	1.15	0.87	0.50
From discontinued operations								
Basic	**—**	—	—	—	—	—	—	1.00
Diluted	**—**	—	—	—	—	—	—	0.99

(1) Per multiple and subordinate voting share.

(2) These figures have been adjusted to comply with the adoption of *IAS 19 - Employee Benefits*.

SEASONAL VARIATIONS

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations except as follows. In the Cable segment, the number of customers in the Television service and HSI service are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and 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.

ADDITIONAL INFORMATION

This MD&A was prepared on January 13, 2014. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

/s/ Louis Audet
Louis Audet
President and Chief Executive Officer

COGECO Inc.
Montréal, Québec
January 13, 2014



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2013

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

	Three months ended November 30,	
	2013	2012
(In thousands of Canadian dollars, except per share data)	**$**	$
		(restated, note 2)
Revenue	**516,971**	366,608
Operating expenses (note 5)	**292,931**	209,724
Integration, restructuring and acquisition costs (note 3)	**248**	7,262
Depreciation and amortization (note 6)	**117,094**	66,041
Operating income	**106,698**	83,581
Financial expense (note 7)	**34,022**	17,303
Profit before income taxes	**72,676**	66,278
Income taxes (note 8)	**15,837**	19,172
Profit for the period	**56,839**	47,106
Profit for the period attributable to:		
Owners of the Corporation	**23,055**	18,530
Non-controlling interest	**33,784**	28,576
	56,839	47,106
Earnings per share (note 9)		
Basic	**1.38**	1.11
Diluted	**1.37**	1.10

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

	Three months ended November 30,	
	2013	2012
(In thousands of Canadian dollars)	**$**	$
		(restated, note 2)
Profit for the period	**56,839**	47,106
Other comprehensive income (loss)		
Items to be subsequently reclassified to profit or loss		
Cash flow hedging adjustments		
Net change in fair value of hedging derivative financial instruments	**1,119**	1,055
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**(1,710)**	(1,501)
Income tax expense on cash flow hedging adjustments	**(66)**	(52)
	(657)	(498)
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**9,152**	—
Net changes in unrealized adjustments on translation of long-term debt designated as hedges of net investments in foreign operations	**(4,588)**	—
	4,564	—
Items not to be subsequently reclassified to profit or loss		
Defined benefit pension plans actuarial adjustments		
Employee defined benefit pension plans re-measurements	**1,974**	(1,223)
Income tax recovery (expense) on defined benefit pension plans actuarial adjustments	**(528)**	330
	1,446	(893)
Other comprehensive income (loss) for the period	**5,353**	(1,391)
Comprehensive income for the period	**62,192**	45,715
Comprehensive income for the period attributable to:		
Owners of the Corporation	**25,218**	17,611
Non-controlling interest	**36,974**	28,104
	62,192	45,715

COGECO INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

	Equity attributable to owners of the Corporation					
(In thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Accumulated other comprehensive income $	Retained earnings $	Equity attributable to non-controlling interest $	Total shareholders' equity $
	(note 11)	(note 11)	(note 12)	(restated, note 2)		
Balance at August 31, 2012	117,936	5,338	1,036	273,236	806,606	1,204,152
Profit for the period	—	—	—	18,530	28,576	47,106
Other comprehensive loss for the period	—	—	(160)	(759)	(472)	(1,391)
Comprehensive income for the period	—	—	(160)	17,771	28,104	45,715
Share-based payment	—	550	—	—	473	1,023
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(19)	—	—	192	173
Dividends on multiple voting shares	—	—	—	(350)	—	(350)
Dividends on subordinate voting shares	—	—	—	(2,848)	(8,583)	(11,431)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(1,191)	—	—	—	—	(1,191)
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	—	—	—	—	(2,222)	(2,222)
Distribution by a subsidiary to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	(435)	—	6	429	—
Total contributions by and distributions to shareholders	(157)	(945)	—	(3,185)	(9,711)	(13,998)
Balance at November 30, 2012	117,779	4,393	876	287,822	824,999	1,235,869
Balance at August 31, 2013	**117,769**	**6,007**	**6,545**	**326,952**	**912,095**	**1,369,368**
Profit for the period	**—**	**—**	**—**	**23,055**	**33,784**	**56,839**
Other comprehensive income for the period	**—**	**—**	**1,251**	**912**	**3,190**	**5,353**
Comprehensive income for the period	**—**	**—**	**1,251**	**23,967**	**36,974**	**62,192**
Share-based payment	**—**	**944**	**—**	**—**	**932**	**1,876**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(324)**	**—**	**—**	**3,647**	**3,323**
Dividends on multiple voting shares	**—**	**—**	**—**	**(405)**	**—**	**(405)**
Dividends on subordinate voting shares	**—**	**—**	**—**	**(3,298)**	**(9,900)**	**(13,198)**
Effect of change in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**120**	**(120)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(1,832)**	**—**	**—**	**—**	**—**	**(1,832)**
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	**1,261**	**(1,186)**	**—**	**(75)**	**—**	**—**
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 employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**(549)**	**—**	**(11)**	**560**	**—**
Total contributions by and distributions to shareholders	**(571)**	**(1,115)**	**—**	**(3,669)**	**(11,815)**	**(17,170)**
Balance at November 30, 2013	**117,198**	**4,892**	**7,796**	**347,250**	**937,254**	**1,414,390**

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

(In thousands of Canadian dollars)	**November 30, 2013** **$**	August 31, 2013 $
		(restated, note 2)
Assets		
Current		
Cash and cash equivalents	**26,531**	43,793
Trade and other receivables (note 15 A))	**126,369**	118,312
Income taxes receivable	**17,678**	17,714
Prepaid expenses and other	**20,356**	14,182
	190,934	194,001
Non-current		
Other assets	**10,970**	11,046
Property, plant and equipment	**1,863,364**	1,874,866
Intangible assets	**1,999,405**	2,003,581
Goodwill	**1,242,191**	1,231,140
Derivative financial instruments	**1,952**	833
Deferred tax assets	**143,065**	137,046
	5,451,881	5,452,513
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**13,960**	13,166
Trade and other payables	**194,833**	294,014
Provisions	**16,354**	12,800
Income tax liabilities	**32,921**	23,924
Deferred and prepaid revenue	**56,421**	56,656
Balance due on a business acquisition, bank prime rate plus 1%	**2,000**	2,000
Current portion of long-term debt (note 10)	**18,538**	15,216
	335,027	417,776
Non-current		
Long-term debt (note 10)	**3,031,597**	2,984,740
Deferred and prepaid revenue and other liabilities	**23,346**	21,287
Pension plan liabilities and accrued employees benefits	**13,811**	21,459
Deferred tax liabilities	**633,710**	637,883
	4,037,491	4,083,145
Shareholders' equity		
Share capital (note 11)	**117,198**	117,769
Share-based payment reserve	**4,892**	6,007
Accumulated other comprehensive income	**7,796**	6,545
Retained earnings	**347,250**	326,952
	477,136	457,273
Non-controlling interest	**937,254**	912,095
	1,414,390	1,369,368
	5,451,881	5,452,513

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

	Three months ended November 30,	
	2013	2012
(In thousands of Canadian dollars)	**$**	$
		(restated, note 2)
Cash flow from operating activities		
Profit for the period	**56,839**	47,106
Adjustments for:		
Depreciation and amortization (note 6)	**117,094**	66,041
Income taxes (note 8)	**15,837**	19,172
Financial expense (note 7)	**34,022**	17,303
Share-based payment (note 11)	**2,307**	1,221
Loss (gain) on disposals and write-offs of property, plant and equipment	**(262)**	1,386
Defined benefit pension plans contributions, net of expense	**(6,305)**	(8,169)
	219,532	144,060
Changes in non-cash operating activities (note 13)	**(95,965)**	(87,508)
Income taxes paid	**(19,164)**	(44,248)
Financial expense paid	**(44,168)**	(18,309)
	60,235	(6,005)
Cash flow from investing activities		
Acquisition of property, plant and equipment	**(82,464)**	(78,514)
Acquisition of intangible and other assets	**(4,116)**	(4,641)
Business combination, net of cash and cash equivalents acquired (note 3)	**—**	(1,354,153)
Other	**429**	96
	(86,151)	(1,437,212)
Cash flow from financing activities		
Increase in bank indebtedness	**793**	25,217
Net increases under the revolving facilities	**29,354**	590,236
Issuance of long-term debts, net of discounts and transaction costs	**—**	637,420
Repayments of long-term debt	**(1,405)**	(280)
Increase in deferred transaction costs	**(1,241)**	(600)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	**(1,832)**	(1,191)
Dividends paid on multiple voting shares	**(405)**	(350)
Dividends paid on subordinate voting shares	**(3,298)**	(2,848)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**3,323**	173
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(6,934)**	(2,222)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	**(9,900)**	(8,583)
	8,455	1,236,972
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**199**	—
Net change in cash and cash equivalents	**(17,262)**	(206,245)
Cash and cash equivalents, beginning of the period	**43,793**	215,523
Cash and cash equivalents, end of the period	**26,531**	9,278

NATURE OF OPERATIONS

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

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and do not include all the information required for annual financial statements. Certain information and footnote disclosure included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation’s interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation’s 2013 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2013 annual consolidated financial statements. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except for the number of customers in the Cable Television and HSI service of the Cable segment 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.

The condensed interim consolidated financial statements were approved by the Board of Directors of COGECO Inc. at its meeting held on January 13, 2014.

2. ACCOUNTING POLICY DEVELOPMENTS

As described in note 3 of the audited consolidated financial statements for the year ended August 31, 2013, the following standards issued by the International Accounting Standard Board ("IASB") were adopted by the Corporation on September 1, 2013, on a retrospective basis 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*
- Amendments to IAS 19 *Employee Benefits*: Relative to the pre-fiscal 2014 accounting policies. presentation and disclosure practices, the principal difference in the amended standard impacting the Corporation is that the expected long-term rate of return on plan assets will no longer be used to calculate the defined benefit pension costs. The defined benefit pension costs concepts of "interest cost" and "expected return on plan assets" are replaced by the concept of "net interest". The Employee defined benefit pension plans net interest is the product of the plan's surplus (deficit) multiplied by the discount rate. The amended standard does not prescribe the classification within the statement of profit or loss the amount of Employee defined benefit pension plans net interest should be presented. The Corporation as decided to include the net interest expense or income in financial expense caption.

  The variance between the actual rate of return on defined 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 (loss) as employee defined benefit pension plans re-measurement.

The amended standard has been applied retrospectively for all prior periods presented in these condensed interim consolidated financial statements.

The impact on profit or loss and other comprehensive income (loss) is as follows:

	Three months ended November 30, 2012		
	As previously reported	Effects of amended IAS 19	As currently reported
	$	$	$
Operating expenses			
Salaries, employee benefits and outsourced services	70,426	(304)	70,122
Financial expense	17,014	289	17,303
Income taxes	19,168	4	19,172
Profit for the period	47,095	11	47,106
Other comprehensive income (loss)			
Item not to be subsequently reclassified to profit or loss			
Employee defined benefit pension plans re-measurements	(1,292)	69	(1,223)
Income taxes recovery (expense) on defined benefit pension plan actuarial adjustments	348	(18)	330
Earnings per share			
Basic	1.11	—	1.11
Diluted	1.10	—	1.10

3. BUSINESS COMBINATION

BUSINESS COMBINATION IN FISCAL 2013

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

During the first quarter of fiscal 2014, Cogeco Cable finalized the purchase price allocation of Atlantic Broadband, which remains unchanged from that presented in the 2013 Annual consolidated financial statements. Therefore, the final purchase price allocation is as follows:

	Final $
Consideration	
Paid	
Purchase of shares	**337,779**
Working capital adjustments	**5,415**
Repayment of secured debt	**1,021,854**
	1,365,048
Net assets acquired	
Cash and cash equivalents	**5,480**
Trade and other receivables	**12,012**
Prepaid expenses and other	**1,370**
Income tax receivable	**3,907**
Property, plant and equipment	**302,211**
Intangible assets	**711,418**
Goodwill	**522,215**
Deferred tax assets	**98,592**
Trade and other payables assumed	**(27,620)**
Provisions	**(721)**
Deferred and prepaid revenue and other liabilities assumed	**(7,697)**
Deferred tax liabilities	**(256,119)**
	1,365,048

4. OPERATING SEGMENTS

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

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

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

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

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

	Three months ended November 30, 2013		
	Cable	**Other**	**Consolidated**
	$	**$**	**$**
Revenue	**474,980**	**41,991**	**516,971**
Operating expenses	**253,949**	**38,982**	**292,931**
Management fees – COGECO Inc.	**9,509**	**(9,509)**	**—**
Integration, restructuring and acquisition costs	**248**	**—**	**248**
Depreciation and amortization	**115,754**	**1,340**	**117,094**
Operating income	**95,520**	**11,178**	**106,698**
Financial expense	**32,549**	**1,473**	**34,022**
Income taxes	**13,273**	**2,564**	**15,837**
Profit for the period	**49,698**	**7,141**	**56,839**
Total assets	**5,249,288**	**202,593**	**5,451,881**
Property, plant and equipment	**1,842,190**	**21,174**	**1,863,364**
Intangible assets	**1,907,128**	**92,277**	**1,999,405**
Goodwill	**1,203,066**	**39,125**	**1,242,191**
Acquisition of property, plant and equipment	**80,973**	**1,491**	**82,464**
Acquisition of intangible and other assets	**4,116**	**—**	**4,116**

The following table sets out certain geographic information for the period ended November 30, 2013:

	Canada	**United States**	**Europe**	**Total**
	$	**$**	**$**	**$**
Revenue	**388,927**	**119,643**	**8,401**	**516,971**
Property, plant and equipment	**1,420,068**	**388,807**	**54,489**	**1,863,364**
Intangible assets	**1,173,647**	**812,489**	**13,269**	**1,999,405**
Goodwill	**352,212**	**823,504**	**66,475**	**1,242,191**

	Three months ended November 30, 2012		
	Cable	Other	Consolidated
	$	$	$
	(restated, note 2)	(restated, note 2)	(restated, note 2)
Revenue[1]	327,911	38,697	366,608
Operating expenses	174,154	35,570	209,724
Management fees – COGECO Inc.	6,581	(6,581)	—
Integration, restructuring and acquisition costs	7,300	(38)	7,262
Depreciation and amortization	64,666	1,375	66,041
Operating income	75,210	8,371	83,581
Financial expense	15,714	1,589	17,303
Income taxes	17,383	1,789	19,172
Profit for the period	42,113	4,993	47,106
Total assets[2]	5,253,097	199,416	5,452,513
Property, plant and equipment[2]	1,854,155	20,711	1,874,866
Intangible assets[2]	1,910,993	92,588	2,003,581
Goodwill[2]	1,192,015	39,125	1,231,140
Acquisition of property, plant and equipment	78,192	322	78,514
Acquisition of intangible and other assets	4,641	—	4,641

(1) For the three-month period ended November 30, 2012, revenue by geographic market were all in Canada.
(2) At August 31, 2013.

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

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

5. OPERATING EXPENSES

	Three months ended November 30,	
	2013	2012
	$	$
		(restated, note 2)
Salaries, employee benefits and outsourced services	**97,095**	70,122
Service delivery costs[1]	**147,726**	101,240
Customer related costs[2]	**21,335**	16,031
Other external purchases[3]	**26,775**	22,331
	292,931	209,724

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

6. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2013	2012
	$	$
Property, plant and equipment	**100,262**	60,417
Intangible assets	**16,832**	5,624
	117,094	66,041

7. FINANCIAL EXPENSE

	Three months ended November 30,	
	2013	2012
	$	$
		(restated, note 2)
Interest on long-term debt	**32,856**	17,212
Net foreign exchange losses (gains)	**(610)**	17
Amortization of deferred transaction costs	**479**	451
Capitalized borrowing costs[(1)]	**(773)**	(841)
Other	**2,070**	464
	34,022	17,303

(1) For the period ended November 30, 2013 the weighted average interest rate used in the capitalization of borrowing costs was 4.5% (6% in 2012).

8. INCOME TAXES

	Three months ended November 30,	
	2013	2012
	$	$
		(restated, note 2)
Current	**28,166**	26,112
Deferred	**(12,329)**	(6,940)
	15,837	19,172

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

	Three months ended November 30,	
	2013	2012
	$	$
		(restated, note 2)
Profit before income taxes	**72,676**	66,278
Combined income tax rate	**27.36%**	26.41%
Income tax expense at combined income tax rate	**19,881**	17,504
Adjustment for losses or profit subject to lower or higher tax rates	**96**	(398)
Tax impacts related to investments in foreign operations	**(4,571)**	—
Income taxes arising from non-deductible expenses	**150**	2,110
Other	**281**	(44)
Income tax expense at effective income tax rate	**15,837**	19,172

9. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2013	2012
	$	$
		(restated, note 2)
Profit for the period attributable to the owners of the Corporation	**23,055**	18,530
Weighted average number of multiple and subordinate voting shares outstanding	**16,722,777**	16,726,965
Effect of dilutive incentive share units	**107,733**	109,286
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,830,510**	16,836,251
Earnings per share		
Basic	**1.38**	1.11
Diluted	**1.37**	1.10

10. LONG-TERM DEBT

	Maturity	Interest rate	November 30, 2013	August 31, 2013
		%	$	$
Parent Corporation				
Term Revolving Facility[1]				
Revolving loans	February 2017	2.97 [2]	**68,893**	72,891
Unsecured Notes	November 2021	6.50	**34,716**	34,707
Finance lease	January 2017	3.23	**86**	93
Subsidiaries				
Term Revolving Facility [a]				
Canadian Revolving Facility				
Revolving loan – US$238 million (US$206 million at August 31, 2013)	January 2019	1.88 [2][3]	**252,756**	216,918
Revolving loan	January 2019	2.97	**254,621**	219,561
Revolving loan – £52.6 million	January 2019	2.19	**91,435**	—
UK Revolving Facility – £4.1 million	January 2019	2.20	**7,127**	—
Secured Credit Facilities [a]				
Revolving Facility				
Revolving loan – £52.2 million	—	—	**—**	85,180
Revolving loan – US$21.9 million	—	—	**—**	23,061
UK Revolving Facility – £3.4 million	—	—	**—**	5,548
Senior Secured Notes				
Series A – US$190 million	October 2015	7.00 [4]	**201,143**	199,349
Series B	October 2018	7.60	**54,686**	54,672
Senior Secured Notes - US$215 million	June 2025	4.30	**226,832**	224,872
Senior Secured Debentures Series 2	November 2020	5.15	**198,724**	198,686
Senior Secured Debentures Series 3	February 2022	4.93	**198,418**	198,379
Senior Secured Debentures Series 4	May 2023	4.18	**297,052**	296,989
Senior Unsecured Debenture	March 2018	5.94	**99,838**	99,829
Senior Unsecured Notes – US$400 million	May 2020	4.88	**417,518**	413,674
First Lien Credit Facilities				
Term Loan A Facility – US$190 million	November 2017	2.29 [2]	**197,205**	195,193
Term Loan B Facility – US$415.8 million (US$416.85 million at August 31, 2013)	November 2019	3.25 [2]	**426,611**	423,528
Revolving Facility – US$19.5 million (US$33 million at August 31, 2013)	November 2017	2.29 [2]	**20,709**	34,749
Finance leases	January 2015	3.34 [5]	**1,765**	2,077
			3,050,135	2,999,956
Less current portion			**18,538**	15,216
			3,031,597	2,984,740

(1) On December 20, 2013, the Corporation amended its Term Revolving Facility of which the maturity was extended by an additional year until February 1, 2018 (see note 16).

(2) Interest rate on debt includes applicable margin.

(3) Interest rate swap agreements have resulted in an effective interest rate of 2.15% at November 30, 2013 on a notional amount of US$200 million, including applicable margin.

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

(5) Weighted average interest rate on finance leases.

a) 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 to January 22, 2019 and the maturity can be extended annually. The amendments also 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. 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 operating income before amortization, financial expense and total indebtedness.

11. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	November 30, 2013	August 31, 2013
	$	$
1,842,860 multiple voting shares	**12**	12
14,989,338 subordinate voting shares	**121,976**	121,976
	121,988	121,988
109,421 subordinate voting shares held in trust under the Incentive Share Unit Plan (107,124 at August 31, 2013)	**(4,790)**	(4,219)
	117,198	117,769

During the first three months of fiscal 2014, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	**Amount**
		$
Balance at August 31, 2013	**107,124**	**4,219**
Subordinate voting shares acquired	**37,874**	**1,832**
Subordinate voting shares distributed to employees	**(35,577)**	**(1,261)**
Balance at November 30, 2013	**109,421**	**4,790**

C) DIVIDENDS

For the three-month period ended November 30, 2013, a dividend of $0.22 per share was paid to the holders of multiple and subordinate voting shares, totalling $3.7 million, compared to a dividend of $0.19 per share, or $3.2 million for the three-month period ended November 30, 2012.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Cable Inc., offers, for certain executives a Stock Option Plan, which is described in the Corporation's annual consolidated financial statements. For the three-month period ended November 30, 2013 and 2012, no stock options were granted to employees by COGECO Inc. under the Stock Option Plan of the Corporation and no options were outstanding at November 30, 2013 and August 31, 2013. However, for the three-month period ended November 30, 2013, the Corporation's subsidiary, Cogeco Cable Inc., granted 311,050 stock options (119,215 in 2012) with an exercise price of $50.10 ($38.16 in 2012) of which 83,650 stock options (69,615 in 2012) were granted to COGECO Inc.'s senior executives who are also executives of Cogeco Cable. These options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. During the three-month period ended November 30, 2013, the Corporation charged COGECO Inc. an amount of $94,000 ($90,000 in 2012) with respect to the Corporation's options granted to COGECO Inc.'s senior executives. As a result, a compensation expense of $231,000 ($172,000 in 2012) was recorded for the three-month period ended November 30, 2013.

The weighted average fair value of stock options granted by Cogeco Cable for the three-month period ended November 30, 2013 was $10.55 ($7.01 in 2012) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining stock-based compensation expense using the Black-Scholes option pricing model based on the following assumptions:

	2013	2012
	%	%
Expected dividend yield	**2.05**	2.66
Expected volatility	**24.87**	26.72
Risk-free interest rate	**1.87**	1.32
Expected life (in years)	**8.3**	5.0

Under the Stock Option Plan of Cogeco Cable, the following options were granted by and are outstanding at November 30, 2013:

	Options	**Weighted average exercise price**
		$
Outstanding at August 31, 2013	**725,093**	**37.14**
Granted	**311,050**	**50.10**
Exercised[(1)]	**(106,018)**	**31.33**
Cancelled	**(31,604)**	**41.14**
Balance at November 30, 2013	**898,521**	**42.17**
Exercisable at November 30, 2013	**338,767**	**35.52**

(1) The weighted average share price for options exercised during the period was $49.94.

The Corporation and its subsidiary, Cogeco Cable Inc., also offers a senior executive and designated employee Incentive Share Unit Plan ("ISU Plan"), which are described in the Corporation's annual consolidated financial statements. For the three-month period ended November 30, 2013, the Corporation and its subsidiary granted 39,874 (35,414 in 2012) and 134,516 (58,059 in 2012) incentive share units ("ISUs"), respectively. The Corporation and its subsidiary establish the value of the compensation related to the ISUs granted 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, 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 37,874 (35,414 in 2012) and 137,416 (58,059 in 2012) subordinate voting shares on the stock market. These shares were purchased for cash consideration aggregating $1,832,000 ($1,191,000 in 2012) and $6,934,000 ($2,222,000 in 2012) and are held in trust 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 Plan in reduction of share capital or non-controlling interest. A compensation expense of $1,645,000 ($851,000 in 2012) was recorded for the three-month period ended November 30, 2013 related to these plans. During the three-month period ended November 30, 2013, Cogeco Cable Inc. charged COGECO Inc. an amount of $199,000 ($107,000 in 2012) with respect to the ISUs granted to COGECO Inc.'s senior executives.

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at November 30, 2013:

Outstanding at August 31, 2013	**107,124**
Granted	**39,874**
Distributed	**(35,577)**
Outstanding at November 30, 2013	**111,421**

Under the ISU Plan of Cogeco Cable, the following ISUs were granted and are outstanding at November 30, 2013:

Outstanding at August 31, 2013	**209,608**
Granted	**134,516**
Distributed	**(43,884)**
Outstanding at November 30, 2013	**300,240**

The Corporation and its subsidiary, Cogeco Cable Inc., offer Deferred Share Unit Plans ("DSU Plans") for members of the Board of directors which are described in the Corporation's annual consolidated financial statements. For the three-month periods ended November 30, 2013 and 2012, the Corporation and its subsidiary did not issue any deferred share units ("DSUs") to the participants in connection with the DSU Plans. A compensation expense of $431,000 ($198,000 in 2012) was recorded for the three-month period ended November 30, 2013 for the increase in liability related to these plans.

Under the DSU plan of the Corporation, the following DSUs were issued and are outstanding at November 30, 2013:

Outstanding at August 31, 2013	**30,854**
Dividend equivalents	**141**
Outstanding at November 30, 2013	**30,995**

Under the DSU Plan of Cogeco Cable, the following DSUs were issued and are outstanding at November 30, 2013:

Outstanding at August 31, 2013	**23,745**
Dividend equivalents	**149**
Outstanding at November 30, 2013	**23,894**

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2012	1,005	31	1,036
Other comprehensive loss	(160)	—	(160)
Balance at November 30, 2012	845	31	876
Balance at August 31, 2013	**846**	**5,699**	**6,545**
Other comprehensive income (loss)	**(210)**	**1,461**	**1,251**
Balance at November 30, 2013	**636**	**7,160**	**7,796**

13. STATEMENTS OF CASH FLOWS

CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2013	2012
	$	$
Trade and other receivables	**(7,826)**	(2,519)
Prepaid expenses and other	**(6,087)**	217
Trade and other payables	**(85,844)**	(87,249)
Provisions	**2,236**	(1,391)
Deferred and prepaid revenue and other liabilities	**1,556**	3,434
	(95,965)	(87,508)

14. EMPLOYEE BENEFITS

The Corporation and most of its subsidiaries offer their employees contributory defined benefit pension plans, defined contribution pension plans or collective registered retirement savings plans, which are described in the Corporation's annual consolidated financial statements.

The total expense related to these plans is as follows:

	Three months ended November 30,	
	2013	2012
	$	$
		(restated, note 2)
Recognized in:		
Operating expenses		
Current service costs		
Salaries, employee benefits and outsourced services	**2,846**	2,535
Financial expense		
Other	**200**	289
	3,046	2,824

15. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

Management's objectives are to protect COGECO Inc. and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate and foreign exchange 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 swaps and interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At November 30, 2013, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P") and "AA (low)" by Dominion Bond Rating Services ("DBRS").

Cash and cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. At November 30, 2013, management believes that the credit risk relating to its short-term investments is minimal, since the credit rating related to such investment is “A-1+” by S&P.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At November 30, 2013 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 the United States and Europe, there is no significant concentration of credit risk.

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

	November 30, 2013	August 31, 2013
	$	$
Trade accounts receivable	**120,728**	112,018
Allowance for doubtful accounts	**(6,606)**	(4,687)
	114,122	107,331
Other accounts receivable	**12,247**	10,981
	126,369	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 November 30, 2013 and August 31, 2013:

	November 30, 2013	August 31, 2013
	$	$
Less than 60 days overdue	**42,404**	44,161
60 to 90 days overdue	**3,683**	4,062
More than 90 days overdue	**4,640**	2,860
	50,727	51,083

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 November 30, 2013, the available amount of the Corporation’s Term Revolving Facility and Cogeco Cable Inc.'s Term Revolving Facility was $220.2 million. Management believes that the committed Term Revolving Facilities will, until their maturities in February 2017 (see note 16) and January 2019, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. Two subsidiaries of Cogeco Cable Inc. also benefit from a Revolving Facility of US$100 million related to the acquisition of Atlantic Broadband, of which US$79.5 million ($84.4 million) was available at November 30, 2013.

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts:

		Contractual cash flows						
	Carrying amount $	2014 $	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
Bank indebtedness	**13,960**	**13,960**	**—**	**—**	**—**	**—**	**—**	**13,960**
Trade and other payables[1]	**177,782**	**177,782**	**—**	**—**	**—**	**—**	**—**	**177,782**
Long-term debt[2]	**3,048,284**	**12,903**	**26,762**	**235,552**	**104,046**	**235,193**	**2,469,840**	**3,084,296**
Balance due on a business acquisition	**2,000**	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Other liabilities	**2,276**	**—**	**1,253**	**1,253**	**1,253**	**48**	**—**	**3,807**
Derivative financial instruments	**(1,952)**	**—**	**—**	**95**	**—**	**—**	**—**	**95**
Finance leases[3]	**1,851**	**1,365**	**491**	**29**	**10**	**—**	**—**	**1,895**
	3,244,201	**208,010**	**28,506**	**236,929**	**105,309**	**235,241**	**2,469,840**	**3,283,835**

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

The following table is a summary of interest payable on long-term debt (excluding interest on finance leases) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at November 30, 2013 and their respective maturities:

	2014 $	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
Interest payments on long-term debt	**82,117**	**125,609**	**117,712**	**108,525**	**104,654**	**268,330**	**806,947**
Interest receipts on derivative financial instruments	**(7,267)**	**(14,375)**	**(7,062)**	**—**	**—**	**—**	**(28,704)**
Interest payments on derivative financial instruments	**7,938**	**15,385**	**7,307**	**—**	**—**	**—**	**30,630**
	82,788	**126,619**	**117,957**	**108,525**	**104,654**	**268,330**	**808,873**

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At November 30, 2013, 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 $US200 million of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate at an average fixed rate of 0.39625% under the Term Revolving Facility until July 25, 2015. Cogeco Cable elected to apply hedge accounting on these derivative financial instruments. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facilities and First Lien Credit Facilities is approximately $8.5 million based on the outstanding debt at November 30, 2013.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US 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. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Corporation elected to apply cash flow hedge accounting on these derivative financial instruments. The impact of a 10% change in the exchange rate of the US dollar and British Pounds into Canadian dollars would change financial expense by approximately $5.7 million based on the outstanding debt at November 30, 2013.

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

	November 30, 2013			August 31, 2013		
	US	**Euros**	**British Pounds**	US	Euros	British Pounds
	$	**$**	**$**	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**244**	**1,069**	**274**	7,394	1,171	257
Bank Indebtedness	**—**	**—**	**—**	—	—	—
Trade and other payables and provisions	**(8,176)**	**(7,188)**	**—**	(16,554)	(6,933)	—
	(7,932)	**(6,119)**	**274**	(9,160)	(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 $1.4 million.

Furthermore, Cogeco Cable's net investment in foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pounds. This risk was mitigated since the major part of the purchase price for Atlantic Broadband and PEER 1 were borrowed directly in US dollars and British Pounds. At November 30, 2013, the net investments for Atlantic Broadband and PEER 1 amounted to US$1.1 billion and £70.7 million, while long-term debt hedging these net investments were US$853 million and £56.7 million. The exchange rate used to convert the US dollar currency and British Pounds currency into Canadian dollars for the statement of financial position accounts at November 30, 2013 was $1.0620 per US dollar and $1.7383 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pounds into Canadian dollars would change other comprehensive income by approximately $27.3 million.

Fair value of financial instruments

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

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

b) Interest rates under the terms of the Corporation's Term Revolving Facilities and First Lien Credit Facilities are based on Bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US or British Pound base rate loan 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.

c) 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 and Senior Unsecured Debenture and Unsecured Notes are based upon current trading values for similar financial instruments.

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

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

	November 30, 2013		August 31, 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**3,050,135**	**3,110,887**	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 derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments are estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

B) CAPITAL MANAGEMENT

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

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

The provisions of financing agreements provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense and total indebtedness. At November 30, 2013 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:

	November 30, 2013	August 31, 2013
Net senior indebtedness[(1)(2)] / operating income before depreciation and amortization[(3)]	**2.7**	2.7
Net indebtedness[(2)(4)] / operating income before depreciation and amortization[(3)]	**3.5**	3.4
Operating income before depreciation and amortization[(3)] / financial expense[(3)]	**5.9**	6.2

(1) Net senior 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 Notes, Senior Unsecured Debenture and Senior Unsecured Notes.
(2) Excluding Atlantic Broadband's cash and cash equivalents and non-recourse First Lien Credit Facilities at November 30, 2013.
(3) Calculation based on operating income before depreciation and amortization and financial expense for the twelve-month period ended November 30, 2013 and August 31, 2013 excluding Atlantic Broadband and including PEER 1 results for the ten-month period ended November 30, 2013 and seven-month period ended August 31, 2013.
(4) Net 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.

16. SUBSEQUENT EVENT

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.

CABLE SEGMENT CUSTOMER STATISTICS

	November 30, 2013	August 31, 2013	May 31, 2013	February 28, 2013	November 30, 2012
Primary service units[1]	**2,464,932**	2,467,657	2,481,017	2,482,096	2,476,022
CANADA	**1,975,502**	1,980,122	1,992,143	1,993,156	1,990,842
UNITED STATES	**489,430**	487,535	488,874	488,940	485,180
Television service customers	**1,057,859**	1,066,952	1,079,285	1,087,692	1,098,352
CANADA	**827,649**	834,771	845,344	852,707	861,039
Penetration as a percentage of homes passed	**49.3%**	49.9%	50.7%	51.4%	52.1%
UNITED STATES	**230,210**	232,181	233,941	234,985	237,313
Penetration as a percentage of homes passed	**44.5%**	44.9%	45.3%	45.5%	46.0%
Digital Television service customers	**921,742**	924,479	924,155	922,703	922,576
CANADA	**777,584**	781,386	779,950	778,728	780,724
Penetration as a percentage of homes passed	**46.3%**	46.7%	46.8%	46.9%	47.2%
UNITED STATES	**144,158**	143,093	144,205	143,975	141,852
Penetration as a percentage of homes passed	**27.9%**	27.7%	27.9%	27.9%	27.5%
Analogue Television service customers	**136,117**	142,473	155,130	164,989	175,776
CANADA	**50,065**	53,385	65,394	73,979	80,315
Penetration as a percentage of homes passed	**3.0%**	3.2%	3.9%	4.5%	4.9%
UNITED STATES	**86,052**	89,088	89,736	91,010	95,461
Penetration as a percentage of homes passed	**16.6%**	17.2%	17.4%	17.6%	18.5%
High Speed Internet service customers	**848,897**	838,445	837,348	832,745	821,561
CANADA	**668,257**	661,337	661,178	657,766	652,008
Penetration as a percentage of homes passed	**39.8%**	39.5%	39.7%	39.6%	39.4%
UNITED STATES	**180,640**	177,108	176,170	174,979	169,553
Penetration as a percentage of homes passed	**34.9%**	34.3%	34.1%	33.9%	32.9%
Telephony service customers	**558,176**	562,260	564,384	561,659	556,109
CANADA	**479,596**	484,014	485,621	482,683	477,795
Penetration as a percentage of homes passed	**28.6%**	28.9%	29.1%	29.1%	28.9%
UNITED STATES	**78,580**	78,246	78,763	78,976	78,314
Penetration as a percentage of homes passed	**15.2%**	15.1%	15.2%	15.3%	15.2%

(1) Represents the sum of Television, High Speed Internet (“HSI”) and Telephony service customer.