

SHAREHOLDERS' REPORT

Three and six-month periods ended February 28, 2014

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except percentages and per share data)	Quarters ended			Six months ended		
	February 28, 2014	February 28, 2013 [2]	Change	**February 28, 2014**	February 28, 2013 [2]	Change
	$	$	%	**$**	$	%
Operations						
Revenue	**518,477**	458,501	13.1	**1,035,448**	825,109	25.5
Adjusted EBITDA[1]	**221,807**	196,272	13.0	**445,847**	353,156	26.2
Profit for the period	**58,467**	48,950	19.4	**115,306**	96,056	20.0
Profit for the period attributable to owners of the Corporation	**17,391**	14,676	18.5	**40,446**	33,206	21.8
Cash Flow						
Cash flow from operating activities	**187,611**	157,095	19.4	**247,846**	151,090	64.0
Cash flow from operations[1]	**173,415**	140,124	23.8	**332,637**	241,625	37.7
Acquisitions of property, plant and equipment, intangible and other assets	**81,997**	106,019	(22.7)	**168,577**	189,174	(10.9)
Free cash flow[1]	**91,418**	34,105	—	**164,060**	52,451	—
Financial Condition[3]						
Property, plant and equipment	**—**	—	—	**1,859,939**	1,874,866	(0.8)
Total assets	**—**	—	—	**5,551,769**	5,453,835	1.8
Indebtedness[4]	**—**	—	—	**3,109,509**	3,054.275	1.8
Equity attributable to owners of the Corporation	**—**	—	—	**493,902**	456,905	8.1
Per Share Data[5]						
Earnings per share						
Basic	**1.04**	0.88	18.2	**2.42**	1.99	21.6
Diluted	**1.03**	0.87	18.4	**2.40**	1.97	21.8

(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 February 28, 2014 and August 31, 2013.

(4) Indebtedness is defined as the aggregate 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 and six-month periods ended February 28, 2014

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 and six-month periods ended February 28, 2014, 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 adjusted EBITDA[(1)] and free cash flow[(1)].

KEY PERFORMANCE INDICATORS

ADJUSTED EBITDA

For the six-month period ended February 28, 2014, adjusted EBITDA increased by 26.2% to reach $445.8 million compared to the same period of fiscal 2013. The improvement in adjusted EBITDA is mainly attributable to the acquisitions, in the Cable segment, of Atlantic Broadband and PEER 1[(2)] (the "recent acquisitions") which occurred at the end of the first quarter and in the second quarter of fiscal 2013, respectively, combined with the favorable foreign exchange rates compared to last year and the financial results improvement from organic growth. As a result of the overall performance of all of our operating units as well as the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, the Corporation revised its financial guidelines for the 2014 fiscal year issued on October 30, 2013. Adjusted EBITDA is now expected to reach $915 million from $900 million. For further details, please consult the fiscal 2014 revised projections in the "Fiscal 2014 financial guidelines" section.

FREE CASH FLOW

For the six-month period ended February 28, 2014, COGECO reports free cash flow of $164.1 million, an increase of $111.6 million compared to $52.5 million for the same period of the previous fiscal year. This variance is mostly attributable to the improvement of adjusted EBITDA explained above, the decrease in acquisitions of property, plant and equipment, intangible assets due to the timing of certain initiatives as well as the decrease in integration, restructuring and acquisition costs, partly offset by the increase in financial expense due to higher level of indebtedness. As a result of the improvement in adjusted EBITDA explained above , the Corporation also revised its free cash projections from $235 million to $245 million. For further details, please consult the fiscal 2014 revised projections in the "Fiscal 2014 financial guidelines" section.

BUSINESS DEVELOPMENTS AND OTHER

BBM Canada's winter 2014 survey in the Montréal region, conducted with the Portable People Meter (“PPM”), reported that 98.5 FM is the leading radio station in the Montreal French market amongst all listeners as well as men two years old and over (“2+”), while Rythme FM has maintained its leadership position in the 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 March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes for net proceeds of $49 million, net of transaction costs of approximately $1 million. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The net proceeds of the Senior Unsecured Notes was used to reimburse a portion of the Corporation's Term Revolving Facility of $100 million which facility was consequently reduced to $50 million.

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

	Quarters ended			Six months ended		
	February 28, 2014	February 28, 2013 [(1)]	Change	**February 28, 2014**	February 28, 2013 [(1)]	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Revenue	**518,477**	458,501	13.1	**1,035,448**	825,109	25.5
Operating expenses	**296,670**	262,229	13.1	**589,601**	471,953	24.9
Adjusted EBITDA	**221,807**	196,272	13.0	**445,847**	353,156	26.2

(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.

(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.

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

REVENUE

Fiscal 2014 second-quarter revenue increased by $60.0 million or 13.1%, to reach $518.5 million. For the first six months, revenue amounted to $1,035.4 million, an increase of $210.3 million, or 25.5% compared to the first six months of fiscal 2013. The increase for both periods is mainly attributable to the Cable segment as explained below and the improvement of the media business activities.

In the Cable segment, fiscal 2014 second-quarter revenue increased by $56.3 million, or 13.1%, to reach $486.0 million compared to the same period of last year. For the first six months of fiscal 2014, revenue amounted to $961.0 million, an increase of $203.4 million, or 26.8% compared to the same period of fiscal 2013. Revenue increases for both period are mainly from the full impact of the recent acquisitions combined with the favorable foreign exchange rates compared to last year and the organic growth generated by all of our operating units. For further details on the Cable segment's revenue, please refer to the "Cable segment" section.

OPERATING EXPENSES

For the second quarter of fiscal 2014, operating expenses increased by $34.4 million, to reach $296.7 million, an increase of 13.1% compared to the prior year. For the first half of the fiscal year, operating expenses amounted to $589.6 million, an increase of $117.6 million, or 24.9%, compared to the same period of fiscal 2013. The increase in operating expenses is mainly attributable to the Cable segment operating results.

Operating expenses in the Cable segment for the second quarter of fiscal 2014 increased by $33.4 million, to reach $264.2 million, an increase of 14.5% compared to the prior year. For the first half of the fiscal year, operating expenses amounted to $518.2 million, an increase of $113.2 million, or 27.9%, compared to the same period of fiscal 2013. Operating expenses increase is mostly attributable to the full impact of the recent acquisitions and the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by cost reduction initiatives and restructuring activities which occurred in the fourth quarter of fiscal 2013 in Canada.

ADJUSTED EBITDA

Fiscal 2014 second-quarter adjusted EBITDA increased by $25.5 million, or 13.0%, to reach $221.8 million, of which the Cable segment contributed $221.6 million to the consolidated adjusted EBITDA. For the first six months of fiscal 2014, the adjusted EBITDA increased by $92.7 million, or 26.2%, to reach $445.8 million, of which $433.1 million was contributed by the Cable segment. For further details on Cogeco Cable's operating results, please refer to the "Cable segment" section.

FIXED CHARGES

	Quarters ended			Six months ended		
	February 28, 2014	February 28, 2013 (1)	Change	**February 28, 2014**	February 28, 2013 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation and amortization	**114,455**	93,923	21.9	**231,549**	159,964	44.8
Financial expense	**34,392**	30,820	11.6	**68,414**	48,123	42.2

(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 three and six-month periods ended February 28, 2014, depreciation and amortization expense amounted to $114.5 million and $231.5 million, respectively, compared to $93.9 million and $160.0 million for the same periods of last year, as a result of the full impact of the recent acquisitions, in the Cable segment, which occurred at the end of the first quarter and in the second quarter of fiscal 2013 and by the appreciation of the US dollar and the British Pound currency compared to the Canadian dollar.

Fiscal 2014 second-quarter financial expense increased by $3.6 million, or 11.6%, amounting to $34.4 million compared to $30.8 million in fiscal 2013 second-quarter. For the first six months of fiscal 2014, financial expense increased by $20.3 million, or 42.2%, at $68.4 million, compared to $48.1 million in the prior year. Financial expense increased in both periods as a result of the cost of financing related to the recent acquisitions in the Cable segment.

INCOME TAXES

For the three and six-month periods ended February 28, 2014, income tax expense amounted to $14.1 million and $30.0 million, respectively, compared to $15.1 million and $34.3 million, respectively, for the comparable periods in the prior year. The decrease is mostly attributable to the increase in fixed charges explained above as well as the favorable impact of the tax structure that resulted from the recent acquisitions in the Cable segment, partly offset by the improvement in adjusted EBITDA.

PROFIT FOR THE PERIOD

For the three and six-month periods ended February 28, 2014, profit for the periods amounted to $58.5 million and $115.3 million, of which $17.4 million and $40.4 million, or $1.04 and $2.42 per share, are attributable to owners of the Corporation. For the comparable periods of fiscal 2013, profit for the periods amounted to $49.0 million and $96.1 million, of which $14.7 million and $33.2 million, or $0.88 and $1.99 per share, was attributable to owners of the Corporation. Profit progression for both periods is mostly attributable to the improvement of the adjusted EBITDA explained above and the decrease in integration, restructuring and acquisition costs, partly offset by the increase of the fixed charges.

The non-controlling interest represents a participation of approximately 68% in Cogeco Cable's results. For fiscal 2014 three and six-month periods, the profit for the periods attributable to non-controlling interest amounted to $41.1 million and $74.9 million compared to $34.3 million and $62.9 million in fiscal 2013.

CASH FLOW ANALYSIS

	Quarters ended		Six months ended	
	February 28, 2014	February 28, 2013 (1)	**February 28, 2014**	February 28, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operations	**173,415**	140,124	**332,637**	241,625
Changes in non-cash operating activities	**246**	12,757	**(95,719)**	(74,751)
Amortization of deferred transaction costs and discounts on long-term debt	**(1,971)**	(2,861)	**(3,849)**	(3,717)
Income taxes paid	**(20,052)**	(18,211)	**(39,216)**	(62,459)
Current income tax expense	**20,519**	22,552	**48,685**	48,664
Financial expense paid	**(18,938)**	(28,086)	**(63,106)**	(46,395)
Financial expense	**34,392**	30,820	**68,414**	48,123
Cash flow from operating activities	**187,611**	157,095	**247,846**	151,090
Cash flow from investing activities	**(81,846)**	(735,466)	**(167,997)**	(2,172,678)
Cash flow from financing activities	**(79,250)**	610,653	**(70,795)**	1,847,625
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**1,726**	705	**1,925**	705
Net change in cash and cash equivalents	**28,241**	32,987	**10,979**	(173,258)
Cash and cash equivalents, beginning of the period	**26,531**	9,278	**43,793**	215,523
Cash and cash equivalents, end of the period	**54,772**	42,265	**54,772**	42,265

(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 second-quarter cash flow from operating activities reached $187.6 million compared to $157.1 million, an increase of $30.5 million or 19.4%, compared to the same period of prior year. The increase in mainly explained by an increase of $9.5 million in profit for the period and of $20.5 million in depreciation and amortization expense, a decrease of $9.1 million in financial expense paid, partly offset by a decrease in changes in non-cash operating activities of $12.5 million mainly as a result of a higher increase in trade and other receivables and a lower increase in trade and other payables compared to the prior year. For the first six months of fiscal 2014, cash flow from operating activities reached $247.8 million compared to $151.1 million, an increase of $96.8 million, or 64.0%, compared to the same period in fiscal 2013. The increase is mainly attributable to an increase of $19.3 million in profit for the period, of $71.6 million in depreciation and amortization expense, of $20.3 million in financial expense as well as a decrease of $23.2 million in income taxes paid, partly offset by an increase of $16.7 million in financial expense paid and of $21.0 million in non-cash operating activities mainly as a result of higher increase in trade and other receivables, a higher decrease in trade and other payables and an increase in prepaid expenses and other compared to a decrease in the prior year.

For the three and six-month periods ended February 28, 2014, cash flow from operations amounted to $173.4 million and $332.6 million, respectively, compared to $140.1 million and $241.6 million for the comparable periods in fiscal 2013. Increases for both periods are primarily due to the improvement in adjusted EBITDA as well as the decrease in integration, restructuring and acquisition costs, partly offset by an increase in financial expense as a result of higher indebtedness levels from the recent acquisitions.

INVESTING ACTIVITIES

For the three and six-month periods ended February 28, 2014, investing activities amounted to $81.8 million and $168.0 million, respectively, mainly due to the acquisitions of property, plant and equipment, intangible and other assets. For the comparable periods of fiscal 2013, investing activities amounted to $735.5 million and $2.2 billion explained below.

BUSINESS COMBINATIONS IN FISCAL 2013

On January 31, 2013 and on April 3, 2013, the Corporation's subsidiary, Cogeco Cable Inc., acquired 100% of the issued and outstanding shares of PEER 1 one of the world's leading internet infrastructure providers, specializing in managed hosting, dedicated servers, cloud services and colocation. During the second quarter of fiscal 2014, Cogeco Cable finalized the purchase price allocation of PEER 1 which had no impact on the statement of profit or loss and comprehensive income for three and six-month periods ended February 28, 2013. The impact of the finalization on the statement of financial position at August 31, 2013, increased income tax receivable by $0.7 million, increased deferred tax assets by $4.4 million, decreased intangibles assets by $0.9 million, decreased goodwill by $2.8 million, increased deferred tax liabilities by $2.5 million, decreased accumulated other comprehensive income by $0.4 million and decreased non-controlling interest by $0.8 million.

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, 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 remained unchanged since the last adjustments made in the fourth quarter of fiscal 2013.

The final purchase price allocations of Atlantic Broadband and PEER 1 are as follows:

	As previously presented	February 28, 2014		
	PEER 1	**PEER 1**	**Atlantic Broadband**	**TOTAL**
	Preliminary	**Final**	**Final**	
	$	**$**	**$**	**$**
Consideration				
Paid				
Purchase of shares	494,796	**494,796**	**337,779**	**832,575**
Working capital adjustments	—	**—**	**5,415**	**5,415**
Repayment of secured debts and settlement of options outstanding	170,872	**170,872**	**1,021,854**	**1,192,726**
	665,668	**665,668**	**1,365,048**	**2,030,716**
Net assets acquired				
Cash and cash equivalents	10,840	**10,840**	**5,480**	**16,320**
Restricted cash	8,729	**8,729**	**—**	**8,729**
Trade and other receivables	12,772	**12,772**	**12,012**	**24,784**
Prepaid expenses and other	3,855	**3,855**	**1,370**	**5,225**
Income tax receivable	2,160	**2,797**	**3,907**	**6,704**
Other assets	2,462	**2,462**	**—**	**2,462**
Property, plant and equipment	150,013	**150,013**	**302,211**	**452,224**
Intangible assets	144,671	**144,231**	**711,418**	**855,649**
Goodwill	412,347	**410,454**	**522,215**	**932,669**
Deferred tax assets	4,727	**8,872**	**98,592**	**107,464**
Trade and other payables assumed	(26,512)	**(26,512)**	**(27,620)**	**(54,132)**
Provisions	—	**—**	**(721)**	**(721)**
Deferred and prepaid revenue and other liabilities assumed	(3,388)	**(3,388)**	**(7,697)**	**(11,085)**
Long-term debt assumed	(1,735)	**(1,735)**	**—**	**(1,735)**
Deferred tax liabilities	(55,273)	**(57,722)**	**(256,119)**	**(313,841)**
	665,668	**665,668**	**1,365,048**	**2,030,716**

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

For the three and six-month periods ended February 28, 2014, acquisition of property, plant an equipment amounted to $77.4 million and $159.8 million, respectively, compared to $101.5 million and $180.0 million for the comparable periods of fiscal 2013 mainly as a result of the following factors in the Cable segment:

- A decrease in the quarter and for the six-month period ended February 28, 2014 in scalable infrastructure and network upgrades and rebuild due to the deployment in fiscal 2012 and early fiscal 2013 of advanced technologies such as DOCSIS 3.0 and Switched Digital Video in existing areas served; and
- An increase in customer equipment for the three and six-month period ended February 28, 2014 mainly due to the launch of TiVo's digital entertainment services in the United States.

For the second quarter and the first six months of fiscal 2014, the acquisition of intangible and other assets amounted to $4.6 million and $8.7 million, compared to $4.5 million and $9.1 million for the same periods last year, respectively.

FREE CASH FLOW AND FINANCING ACTIVITIES

In the second quarter of fiscal 2014, free cash flow amounted to $91.4 million, $57.3 million higher than in the comparable period of fiscal 2013. For the six-month period, free cash flow amounted to $164.1 million, $111.6 million, higher than the same period of last year. Free cash flow increase for both periods over the prior year stemmed mostly from the Cable segment and due to the improvement in adjusted EBITDA as well as the decrease in acquisitions of property, plant and equipment, intangible and other assets and 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 second quarter of fiscal 2014, a lower Indebtedness level provided for a cash decrease of $66.6 million mainly due to a decrease in bank indebtedness of $10.1 million and repayments of $51.8 million under the revolving facilities. In the second quarter of fiscal 2013, a higher Indebtedness level provided a cash increase of $636.1 million mainly due to drawings of $640.3 million (net of transaction costs of $2.8 million) under new credit facilities amounting to approximately to $650 million incurred to finance the acquisition of PEER 1 in the Cable segment.

For the six-month period of fiscal 2014, a lower Indebtedness level provided for a cash decrease of $37.8 million, mainly due to a decrease in bank indebtedness of $9.3 million and repayments of $22.5 million under the revolving facilities. For the six-month period of fiscal 2013, a higher Indebtedness level provided for a cash increase of $1.9 billion, mainly due to the draw-down on the Term Revolving Facility of $584.2 million (US $588 million) and the Term Loan Facilities of $637.4 million (US$660 million for a net proceed of US$641.5 million, net of transaction costs of US $18.5 million) to finance the acquisition of Atlantic Broadband as well as to drawings of $640.3 million (net of transaction costs of $2.8 million) under credit facilities amounting to approximately to $650 million incurred to finance the acquisition of PEER 1.

During the second quarter of fiscal 2014, 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 dividend of $0.19 per share, or $3.2 million in the second quarter of fiscal 2013. Dividend payments in the first six months totaled $0.44 per share, or $7.4 million, compared to $0.38 per share, or $6.4 million the year before. In addition, dividends paid by a subsidiary to non-controlling interests in the second quarter amounted to $9.9 million and $19.8 million for the first six months, compared to $8.6 million and $17.1 million, respectively, for the comparable periods of the prior year.

As at February 28, 2014, the Corporation had a working capital deficiency of $122.6 million compared to $223.1 million at August 31, 2013. The reduction of $100.5 million in the deficiency is mainly due to the decrease of $83.8 million in trade and other payables, the increases of $11.3 million in trade and other receivables and of $11.0 million in cash and cash equivalents as a result of generated free cash flow of $164.1 million. As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the Corporation's customers pay before their services are rendered, unlike trade and other payables, which are paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

At February 28, 2014, the Corporation had used $67.0 million of its $100 million Term Revolving Facility for a remaining availability of $33.0 million and Cogeco Cable had used $574.8 million of its $800 million amended and restated Term Revolving Facility for a remaining availability of $225.2 million. In addition, two subsidiaries of Cogeco Cable also benefit from a Revolving Facility of $110.7 million (US$100 million) related to its acquisition of Atlantic Broadband, of which $23.3 million (US$21.1 million) was used at February 28, 2014 for a remaining availability of $87.4 million (US$78.9 million).

FINANCIAL POSITION

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

The increase of $11.0 million in cash and cash equivalents and the increase of $69.6 million in long-term debt are due to the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by the factors previously discussed in the "Cash flow analysis" section. The decrease of $14.9 million in property, plant and equipment is mainly related to the excess of depreciation expense over 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 the Canadian dollar. Intangible assets and goodwill increased by $20.3 million and $48.1 million, respectively, due to the appreciation of the US dollar and the British Pound against the Canadian dollar during the first six months of fiscal 2014. The decrease of $83.8 million in trade and other payables is related to the timing of payments made to suppliers.

OUTSTANDING SHARE DATA

A description of COGECO's share data at March 31, 2014 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 December 20, 2013, the Corporation amended its Term Revolving Facility. Under the terms of the amendment, the maturity was extended by an additional year until February 1, 2018. In addition, the amendment reduced the margin for the calculation of the interest rate and reduced restrictions on some covenants including financial ratios.

On November 22, 2013, the Corporation's subsidiary, Cogeco Cable, amended and restated its Term Revolving Facility of $800 million with a syndicate of lenders. The maturity was extended until January 22, 2019 and can be further extended annually. The amendments reduced the margin for the calculation of the interest rate and reduced restrictions on some covenants. The amended and restated Term Revolving Facility also replaced Cogeco Cable's Secured Credit Facilities coming to maturity on January 27, 2017 which was fully repaid on November 22, 2013. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to $788 million and the second tranche, a UK tranche, amounting to $12 million. Both Cogeco Cable and Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche is available in Canadian dollars, US dollars, Euros and British Pound and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pound, plus the applicable margin. The UK tranche is available in British Pounds and interest rates are based on British Pounds base rate loans and British Pounds LIBOR loans. The Term Revolving Facility is indirectly secured by first priority fixed and floating charges and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Cable. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness.

FINANCIAL MANAGEMENT

The Corporation's subsidiary, Cogeco Cable Inc., 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 half of fiscal 2014, amounts due under the US$190 million Senior Secured Notes Series A increased by $10.3 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 $11.1 million, of which an increase of $10.3 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.8 million was recorded as an increase of other comprehensive income. During the first half of fiscal 2013, amounts due under the US$190 million Senior Secured Notes Series A increased by $8.7 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 $7.9 million, of which a decrease of $8.7 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.7 million was recorded as a decrease of other comprehensive income.

In addition, on July 22, 2013, the Corporation's subsidiary, Cogeco Cable Inc., 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. During the first half of fiscal 2014, 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.

Furthermore, Cogeco Cable's investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pounds. This risk was mitigated since the major part of the purchase prices for Atlantic Broadband and PEER 1 were borrowed directly in US dollars and British Pounds. At February 28, 2014, the investments for Atlantic Broadband and PEER 1 amounted to US$1.1 billion and £65.5 million while long-term debt hedging these investments were US$859.5 million and £56.9 million.The exchange rates used to convert the US dollar currency and British Pounds currency into Canadian dollars for the statement of financial position accounts at February 28, 2014 were $1.1074 per US dollar and $1.8543 per British Pound compared to $1.0530 per US dollar and $1.6318 per British Pound at August 31, 2013. The impact of a 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $28.0 million.

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. For the three and six-month periods ended February 28, 2014, the average rates prevailing used to convert the operating results of the Cable segment were as follows:

	Quarters ended			Six months ended		
	February 28, 2014	February 28, 2013	Change	**February 28, 2014**	February 28, 2013	Change
	$	$	%	**$**	$	%
US dollar vs Canadian dollar	**1.0879**	0.9971	9.1	**1.0639**	0.9924	7.2
British Pound vs Canadian dollar	**1.7917**	1.5623	14.7	**1.7294**	1.5623	10.7

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 and six-month period ended February 28, 2014:

				Cable segment
	Quarter ended		Six months ended	
	As reported	Exchange rate impact	As reported	Exchange rate impact
(in thousands of dollars)	$	$	$	$
Revenue	**486,008**	**13,606**	**960,988**	**26,536**
Operating expense	**264,227**	**8,856**	**518,176**	**17,268**
Management fees - COGECO Inc.	**165**	**—**	**9,674**	**—**
Adjusted EBITDA	**221,616**	**4,750**	**433,138**	**9,268**
Acquisitions of property, plant and equipment, intangible and other assets	**80,806**	**3,769**	**165,895**	**8,685**

DIVIDEND DECLARATION

At its April 9, 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 May 7, 2014, to shareholders of record on April 23, 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

				Consolidated			
				Net additions (losses)		Net additions (losses)	
	Consolidated	**UNITED STATES**	**CANADA**	Quarters ended		Six months ended	
		February 28, 2014		**February 28, 2014**	February 28, 2013	**February 28, 2014**	February 28, 2013
PSU [(1)]	**2,454,627**	**492,550**	**1,962,077**	**(10,305)**	6,074	**(13,030)**	21,862
Television service customers	**1,044,611**	**228,759**	**815,852**	**(13,248)**	(10,660)	**(22,341)**	(12,736)
HSI service customers	**857,786**	**184,805**	**672,981**	**8,889**	11,184	**19,341**	22,737
Telephony service customers	**552,230**	**78,986**	**473,244**	**(5,946)**	5,550	**(10,030)**	11,861

(1) Represents the sum of Television, High Speed Internet ("HSI") and Telephony service customers.

At February 28, 2014, PSU reached 2,454,627 of which 1,962,077 come from Canada and 492,550 come from the United States. For the three and six-month periods ended February 28, 2014, PSU net losses stood at 10,305 and 13,030 , respectively, compared to net additions of 6,074 and 21,862 for the comparable periods of fiscal 2013. Fiscal 2014 second-quarter and first six months net losses for Television service customers stood at 13,248 and 22,341 compared to 10,660 and 12,736, HSI service customers grew by 8,889 and 19,341 compared to 11,184 and 22,737 and the Telephony service customers net losses stood at 5,946 and 10,030 compared to net additions of 5,550 and 11,861 for the comparable periods of fiscal 2013. HSI net additions continue to stem from the enhancement of the product offering and the impact of the bundle offer.

In Canada, PSU decreased by 13,425 for the second-quarter of fiscal 2014, compared to an increase of 2,314 for the comparable period last year. For the first six months of fiscal 2014, PSU decreased by 18,045, compared to an increase of 18,102 for the comparable period in 2013. The decrease is explained by service category maturity and a much more competitive environment in all services.

In the United States, PSU increased by 3,120 for the second-quarter of fiscal 2014, compared to an increase of 3,760 for the same period of prior year. For the first six months of fiscal 2014, PSU increased by 5,015, compared to an increase of 3,760 for the comparable period in 2013. The increase is explained by additional HSI and Telephony services, offset by losses in the Television service.

OPERATING RESULTS

	Quarters ended			Six months ended		
	February 28, 2014	February 28, 2013 (1)	Change	**February 28, 2014**	February 28, 2013 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Revenue	**486,008**	429,672	13.1	**960,988**	757,583	26.8
Operating expenses	**264,227**	230,858	14.5	**518,176**	405,012	27.9
Management fees – COGECO Inc.	**165**	2,988	(94.5)	**9,674**	9,569	1.1
Adjusted EBITDA	**221,616**	195,826	13.2	**433,138**	343,002	26.3

(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 second-quarter revenue increased by $56.3 million, or 13.1%, to reach $486.0 million. Revenue increase results mainly from the full quarter impact of the acquisition of PEER 1 compared to one month of operating results for the same period of fiscal 2013. The favorable foreign exchange rates compared to last year and the organic growth from all of our operating units also contributed to the increase of the revenue in the quarter. For the first six months of fiscal 2014, revenue amounted to $961.0 million, an increase of $203.4 million, or 26.8% compared to the same period of fiscal 2013. The increase is mainly attributable to the full impact of the recent acquisitions compared to fiscal 2013 combined with the favorable foreign exchange rates as well as the organic growth from all of the operating units.

OPERATING EXPENSES AND MANAGEMENT FEES

For the second quarter of fiscal 2014, operating expenses increased by $33.4 million, to reach $264.2 million, an increase of 14.5% compared to the prior year. For the first half of the fiscal year, operating expenses amounted to $518.2 million, an increase of $113.2 million, or 27.9%, compared to the same period of fiscal 2013. Operating expenses increase is mostly attributable to the full impact of the recent acquisitions and the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by cost reduction initiatives and restructuring activities which occurred in the fourth quarter of fiscal 2013 in the Canadian Cable operations.

For the second quarter of fiscal 2014, management fees paid to COGECO Inc. amounted to $0.2 million, 94.5% lower compared to $3.0 million for the same period in fiscal 2013. For the first half of the fiscal year 2014, management fees paid to COGECO Inc. amounted to $9.7 million, 1.1% higher compared to $9.6 million in the comparable period of fiscal 2013. For fiscal year 2014, management fees have been set at a maximum of $9.7 million ($9.6 million in 2013), which were paid within the first half of the fiscal year. For fiscal year 2013, management fees were also fully paid in the first half of the year.

ADJUSTED EBITDA

For the three and six-month periods ended February 28, 2014, adjusted EBITDA increased by $25.8 million, or 13.2%, to reach $221.6 million, and by $90.1 million, or 26.3%, to reach $433.1 million, respectively, compared to the comparable periods of the prior year. The increases for both periods are mainly attributable to the full impact of the recent acquisitions, the favorable foreign exchange rates compared to the same periods of last year as well as the improvement in the Canadian cable operations.

FISCAL 2014 FINANCIAL GUIDELINES

As a result of revised projections in the Cable segment described below as well as the improvement in the radio and advertising transit businesses activities, the Corporation revised its consolidated projections for the 2014 fiscal year as issued on October 30, 2013. Revenue is now expected to reach $2,105 million, an increase of $30 million compared to the October 30, 2013 projections. Adjusted EBITDA should increase from $900 million to $915 million and profit for the year from $233 million to $240 million. Acquisitions of property, plant and equipment, intangible and other assets should remain the same as a result of lower capital expenditures which should be offset by the Canadian dollar depreciation and consequently, free cash flow should reach $245 million, an increase of $10 million from October 30, 2013 projections.

(in millions of dollars)	**Revised projections April 9, 2014** **Fiscal 2014** **$**	Revised projections October 30, 2013 Fiscal 2014 $
Financial guidelines		
Revenue	**2,105**	2,075
Adjusted EBITDA	**915**	900
Financial expense	**137**	134
Current income tax expense	**103**	101
Profit for the year	**240**	233
Profit for the year attributable to owners of the Corporation	**77**	75
Acquisitions of property, plant and equipment, intangible and other assets	**430**	430
Free cash flow[(1)]	**245**	235

(1) Free cash flow is calculated as adjusted EBITDA less financial expense, current income tax expense and acquisitions of property, plant and equipment, intangible and other assets.

CABLE SEGMENT

Giving effect to the overall performance of all of our operating units as well as the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, the Corporation revised its financial guidelines for the 2014 fiscal year issued on October 30, 2013. Management expects revenue to reach $1,955 million, representing a growth of $20 million, or 1.0%, compared to those issued on October 30, 2013. Adjusted EBITDA should increase by $10 million to reach $895 million and consequently, operating margin should improve to approximately 45.8% compared to 45.7%. Acquisitions of property, plant and equipment, intangible and other assets as well as the depreciation and amortization expense should remain the same as a result of lower capital expenditures which should be offset by the Canadian dollar depreciation. Free cash flow is expected to increase by $10 million to reach $240 million and profit for the year is expected to amount to $235 million, representing a growth of $5 million or 2.2% compared to the October 30, 2013 projections.

Fiscal 2014 revised financial guidelines are as follows:

(in millions of dollars, except operating margin and capital intensity)	**Revised projections April 9, 2014** **Fiscal 2014** **$**	Revised projections October 30, 2013 Fiscal 2014 $
Financial guidelines		
Revenue	**1,955**	1,935
Adjusted EBITDA	**895**	885
Operating margin	**45.8%**	45.7%
Depreciation and amortization	**470**	470
Financial expense	**130**	130
Current income tax expense	**100**	100
Profit for the year	**235**	230
Acquisitions of property, plant and equipment, intangible and other assets	**425**	425
Free cash flow[(1)]	**240**	230
Capital intensity	**21.7%**	22.0%

(1) Free cash flow is calculated as adjusted EBITDA less, financial expense, current income tax expense and acquisitions of property, plant and equipment, intangible and other assets.

CONTROLS AND PROCEDURES

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

The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR as at February 28, 2014, and concluded that, as described below, there exists a material weakness in ICFR at PEER 1. A material weakness in ICFR exists if there exists a deficiency or combination of deficiencies in ICFR such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The Corporation's subsidiary, Cogeco Cable, acquired 96.57% of the issued and outstanding shares of PEER 1 on January 31, 2013 pursuant to the public offer made by Cogeco Cable, through its indirectly wholly-owned subsidiary 0957926 B.C. LTD. The remaining shares of PEER 1 were acquired on April 3, 2013. Management has been working diligently since the acquisition to complete its review of the design of ICFR at PEER 1. Despite these efforts, Management has not to date completed its review. During the course of the portion of the review that has been completed, Management identified certain deficiencies in ICFR at PEER 1 principally relating to the financial statements close, procurement and sales processes.

Management has committed additional resources in order to complete the review of PEER 1's ICFR and bring them in line with COGECO's design standards by August 31, 2014, and has commenced the implementation of a number of measures to address the deficiencies described above. More specifically, Management has implemented a number of remediations related to the financial statements close process, transitioned to a new procurement system with appropriate embedded approval controls and introduced a series of corporate policies to enhance PEER 1's overall control environment. The Corporation cannot currently assess the potential impact of any further design deficiencies which may be identified during the completion of its review of PEER 1's ICFR.

Based on the review completed to date, the CEO and the CFO believe that (i) the Corporation's interim filings for the three and six-month periods ended February 28, 2014 do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, and (ii) the interim financial report together with the other financial information included in the interim filings fairly present, in all material respects, the financial condition, financial performance and cash flows of COGECO for the three and six-month periods ended February 28, 2014.

PEER 1 represents 10% of revenue, -14% of profit for the period, 15% of total assets, 16% of current assets, 15% of non current assets, 5% of current liabilities and 16% of non current liabilities of the condensed consolidated interim financial statements for the six-month period ended February 28, 2014.

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 and six-month periods ended February 28, 2014.

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 "adjusted EBITDA".

CASH FLOW FROM OPERATIONS AND FREE CASH FLOW

Cash flow from operations is used by COGECO's management and investors to evaluate cash flows generated by operating activities, excluding the impact of changes in non-cash operating activities, amortization of deferred transaction costs and discounts on long-term debt, income taxes paid, current income 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		Six months ended	
	February 28, 2014	February 28, 2013 (1)	**February 28, 2014**	February 28, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**187,611**	157,095	**247,846**	151,090
Changes in non-cash operating activities	**(246)**	(12,757)	**95,719**	74,751
Amortization of deferred transaction costs and discounts on long-term debt	**1,971**	2,861	**3,849**	3,717
Income taxes paid	**20,052**	18,211	**39,216**	62,459
Current income tax expense	**(20,519)**	(22,552)	**(48,685)**	(48,664)
Financial expense paid	**18,938**	28,086	**63,106**	46,395
Financial expense	**(34,392)**	(30,820)	**(68,414)**	(48,123)
Cash flow from operations	**173,415**	140,124	**332,637**	241,625

(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		Six months ended	
	February 28, 2014	February 28, 2013 [1]	**February 28, 2014**	February 28, 2013 [1]
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operations	**173,415**	140,124	**332,637**	241,625
Acquisition of property, plant and equipment	**(77,384)**	(101,526)	**(159,848)**	(180,040)
Acquisition of intangible and other assets	**(4,613)**	(4,493)	**(8,729)**	(9,134)
Free cash flow	**91,418**	34,105	**164,060**	52,451

(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.

ADJUSTED EBITDA

Adjusted EBITDA 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. Adjusted EBITDA 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 profit for the period. Adjusted EBITDA is calculated as follows:

	Quarters ended		Six months ended	
	February 28, 2014	February 28, 2013 [1]	**February 28, 2014**	February 28, 2013 [1]
(in thousands of dollars)	**$**	$	**$**	$
Profit for the period	**58,467**	48,950	**115,306**	96,056
Income taxes	**14,147**	15,089	**29,984**	34,261
Financial expense	**34,392**	30,820	**68,414**	48,123
Depreciation and amortization	**114,455**	93,923	**231,549**	159,964
Integration, restructuring and acquisitions costs	**346**	7,490	**594**	14,752
Adjusted EBITDA	**221,807**	196,272	**445,847**	353,156

(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	**February 28,**		November 30,		August 31,		May 31,	
(in thousands of dollars, except per share data)	**2014**	2013 [2]	**2013**	2012 [2]	2013 [2]	2012	2013 [2]	2012
	$	$	**$**	$	$	$	$	$
Revenue	**518,477**	458,501	**516,971**	366,608	504,714	356,685	504,434	358,032
Adjusted EBITDA	**221,807**	196,272	**224,040**	156,884	224,608	163,617	220,878	158,446
Income taxes	**14,147**	15,089	**15,837**	19,172	10,374	33,625	19,080	22,278
Profit for the period	**58,467**	48,950	**56,839**	47,106	43,770	44,900	49,995	55,373
Profit for the period attributable to owners of the Corporation	**17,391**	14,676	**23,055**	18,530	13,869	13,889	17,185	19,303
Cash flow from operating activities	**187,611**	157,095	**60,235**	(6,005)	233,464	203,193	167,641	109,546
Cash flow from operations	**173,415**	140,124	**159,222**	101,501	162,138	119,612	158,172	117,606
Acquisitions of property, plant and equipment, intangible and other assets	**81,997**	106,019	**86,580**	83,155	108,756	124,638	113,492	88,141
Free cash flow (deficit)	**91,418**	34,105	**72,642**	18,346	53,382	(5,026)	44,680	29,465
Earnings per share [1]								
Basic	**1.04**	0.88	**1.38**	1.11	0.83	0.83	1.03	1.15
Diluted	**1.03**	0.87	**1.37**	1.10	0.82	0.83	1.02	1.15

(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'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 April 9, 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
April 9, 2014



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six-month periods ended February 28, 2014

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

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
(In thousands of Canadian dollars, except per share data)	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)
Revenue	**518,477**	458,501	**1,035,448**	825,109
Operating expenses (note 5)	**296,670**	262,229	**589,601**	471,953
Integration, restructuring and acquisition costs (note 3)	**346**	7,490	**594**	14,752
Depreciation and amortization (note 6)	**114,455**	93,923	**231,549**	159,964
Financial expense (note 7)	**34,392**	30,820	**68,414**	48,123
Income taxes (note 8)	**14,147**	15,089	**29,984**	34,261
Profit for the period	**58,467**	48,950	**115,306**	96,056
Profit for the period attributable to:				
Owners of the Corporation	**17,391**	14,676	**40,446**	33,206
Non-controlling interest	**41,076**	34,274	**74,860**	62,850
	58,467	48,950	**115,306**	96,056
Earnings per share (note 9)				
Basic	**1.04**	0.88	**2.42**	1.99
Diluted	**1.03**	0.87	**2.40**	1.97

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

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
(In thousands of Canadian dollars)	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)
Profit for the period	**58,467**	48,950	**115,306**	96,056
Other comprehensive income				
Items to be subsequently reclassified to profit or loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**9,124**	6,890	**10,243**	7,945
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**(8,626)**	(7,182)	**(10,336)**	(8,683)
Income tax expense on cash flow hedging adjustments	**(232)**	(133)	**(298)**	(185)
	266	(425)	**(391)**	(923)
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**28,327**	29,093	**37,479**	29,093
Net changes in unrealized adjustments on translation of long-term debts designated as hedges of net investments in foreign operations	**(17,170)**	(18,805)	**(21,758)**	(18,805)
	11,157	10,288	**15,721**	10,288
Items not to be subsequently reclassified to profit or loss				
Defined benefit pension plans actuarial adjustments				
Employee defined benefit pension plans actuarial re-measurements	**(1,107)**	3,292	**867**	2,069
Income tax recovery (expense) on defined benefit pension plans actuarial adjustments	**297**	(885)	**(231)**	(555)
	(810)	2,407	**636**	1,514
Other comprehensive income for the period	**10,613**	12,270	**15,966**	10,879
Comprehensive income for the period	**69,080**	61,220	**131,272**	106,935
Comprehensive income for the period attributable to:				
Owners of the Corporation	**20,439**	19,506	**45,657**	37,117
Non-controlling interest	**48,641**	41,714	**85,615**	69,818
	69,080	61,220	**131,272**	106,935

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 $ (note 11)	Share-based payment reserve $ (note 11)	Accumulated other comprehensive income $ (note 12) (restated, note 3)	Retained earnings $ (restated, note 2)	Equity attributable to non-controlling interest $ (restated, note 3)	Total shareholders' equity $ (restated, notes 2 and 3)
Balance at August 31, 2012	117,936	5,338	1,036	273,236	806,606	1,204,152
Profit for the period	—	—	—	33,206	62,850	96,056
Other comprehensive income for the period	—	—	2,888	1,023	6,968	10,879
Comprehensive income for the period	—	—	2,888	34,229	69,818	106,935
Share based payment	—	1,147	—	—	1,028	2,175
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(68)	—	—	655	587
Dividends on multiple voting shares	—	—	—	(700)	—	(700)
Dividends on subordinate voting shares	—	—	—	(5,677)	(17,139)	(22,816)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(1,201)	—	—	—	—	(1,201)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	1,034	(1,041)	—	7	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	—	—	—	(4,076)	(4,076)
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	(435)	—	6	429	—
Business combinations	—	—	—	—	16,500	16,500
Total contributions by and distributions to shareholders	(167)	(397)	—	(6,364)	(2,603)	(9,531)
Balance at February 28, 2013	117,769	4,941	3,924	301,101	873,821	1,301,556
Balance at August 31, 2013	**117,769**	**6,007**	**6,177**	**326,952**	**911,311**	**1,368,216**
Profit for the period	**—**	**—**	**—**	**40,446**	**74,860**	**115,306**
Other comprehensive income for the period	**—**	**—**	**4,908**	**303**	**10,755**	**15,966**
Comprehensive income for the period	**—**	**—**	**4,908**	**40,749**	**85,615**	**131,272**
Share-based payment	**—**	**1,734**	**—**	**—**	**1,826**	**3,560**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(433)**	**—**	**—**	**4,861**	**4,428**
Dividends on multiple voting shares	**—**	**—**	**—**	**(811)**	**—**	**(811)**
Dividends on subordinate voting shares	**—**	**—**	**—**	**(6,548)**	**(19,814)**	**(26,362)**
Effect of change in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**97**	**(97)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(1,929)**	**—**	**—**	**—**	**—**	**(1,929)**
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	**1,611**	**(1,526)**	**—**	**(85)**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**—**	**—**	**—**	**(6,934)**	**(6,934)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**(763)**	**—**	**(7)**	**770**	**—**
Total contributions by and distributions to shareholders	**(318)**	**(988)**	**—**	**(7,354)**	**(19,388)**	**(28,048)**
Balance at February 28, 2014	**117,451**	**5,019**	**11,085**	**360,347**	**977,538**	**1,471,440**

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

(In thousands of Canadian dollars)	**February 28, 2014** **$**	August 31, 2013 $
		(restated, notes 2 and 3)
Assets		
Current		
Cash and cash equivalents	**54,772**	43,793
Trade and other receivables (note 15 A))	**129,613**	118,312
Income taxes receivable	**20,367**	18,372
Prepaid expenses and other	**18,640**	14,182
	223,392	194,659
Non-current		
Other assets	**10,702**	11,046
Property, plant and equipment	**1,859,939**	1,874,866
Intangible assets	**2,022,934**	2,002,677
Goodwill	**1,276,497**	1,228,356
Derivative financial instruments	**11,076**	833
Deferred tax assets	**147,229**	141,398
	5,551,769	5,453,835
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**3,866**	13,166
Trade and other payables	**210,261**	294,014
Provisions	**17,875**	12,800
Income tax liabilities	**34,809**	23,924
Deferred and prepaid revenue	**54,654**	56,656
Balance due on a business combination, bank prime rate plus 1%	**2,000**	2,000
Current portion of long-term debt (note 10)	**22,545**	15,216
	346,010	417,776
Non-current		
Long-term debt (note 10)	**3,054,362**	2,984,740
Deferred and prepaid revenue and other liabilities	**24,881**	21,287
Pension plan liabilities and accrued employees benefits	**16,789**	21,459
Deferred tax liabilities	**638,287**	640,357
	4,080,329	4,085,619
Shareholders' equity		
Equity attributable to owners of the Corporation		
Share capital (note 11)	**117,451**	117,769
Share-based payment reserve	**5,019**	6,007
Accumulated other comprehensive income (note 12)	**11,085**	6,177
Retained earnings	**360,347**	326,952
	493,902	456,905
Non-controlling interest	**977,538**	911,311
	1,471,440	1,368,216
	5,551,769	5,453,835

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

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
(In thousands of Canadian dollars)	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)
Cash flow from operating activities				
Profit for the period	**58,467**	48,950	**115,306**	96,056
Adjustments for:				
Depreciation and amortization (note 6)	**114,455**	93,923	**231,549**	159,964
Income taxes (note 8)	**14,147**	15,089	**29,984**	34,261
Financial expense (note 7)	**34,392**	30,820	**68,414**	48,123
Share-based payment (note 11)	**2,096**	1,235	**4,403**	2,456
Loss on disposals and write-offs of property, plant and equipment	**1,557**	438	**1,295**	1,824
Defined benefit pension plans contributions, net of expense	**1,241**	418	**(5,064)**	(7,751)
Other	**—**	(238)	**—**	(238)
	226,355	190,635	**445,887**	334,695
Changes in non-cash operating activities (note 13)	**246**	12,757	**(95,719)**	(74,751)
Income taxes paid	**(20,052)**	(18,211)	**(39,216)**	(62,459)
Financial expense paid	**(18,938)**	(28,086)	**(63,106)**	(46,395)
	187,611	157,095	**247,846**	151,090
Cash flow from investing activities				
Acquisition of property, plant and equipment	**(77,384)**	(101,526)	**(159,848)**	(180,040)
Acquisition of intangible and other assets	**(4,613)**	(4,493)	**(8,729)**	(9,134)
Business combination, net of cash and cash equivalents acquired (note 3)	**—**	(629,599)	**—**	(1,983,752)
Other	**151**	152	**580**	248
	(81,846)	(735,466)	**(167,997)**	(2,172,678)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	**(10,093)**	(21,965)	**(9,300)**	3,252
Net increases (repayments) under the revolving facilities	**(51,844)**	262,943	**(22,490)**	853,179
Issuance of long-term debts, net of discounts and transaction costs	**—**	396,546	**—**	1,033,966
Repayments of long-term debt	**(4,646)**	(1,404)	**(6,051)**	(1,684)
Increase in deferred transaction costs	**(105)**	(1,757)	**(1,346)**	(2,357)
Repayment of balance due on a business combination	**—**	(10,525)	**—**	(10,525)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	**(97)**	(10)	**(1,929)**	(1,201)
Dividends paid on multiple voting shares	**(406)**	(350)	**(811)**	(700)
Dividends paid on subordinate voting shares	**(3,250)**	(2,829)	**(6,548)**	(5,677)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**1,105**	414	**4,428**	587
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	**—**	(1,854)	**(6,934)**	(4,076)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	**(9,914)**	(8,556)	**(19,814)**	(17,139)
	(79,250)	610,653	**(70,795)**	1,847,625
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**1,726**	705	**1,925**	705
Net change in cash and cash equivalents	**28,241**	32,987	**10,979**	(173,258)
Cash and cash equivalents, beginning of the period	**26,531**	9,278	**43,793**	215,523
Cash and cash equivalents, end of the period	**54,772**	42,265	**54,772**	42,265

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 of the information required for full annual financial statements. Certain information and footnote disclosure normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 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 which 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 April 9, 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, 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 of Employee defined benefit pension plans net interest. The Corporation has decided to include the net interest expense or income in financial expense.

  The variance between the actual rate of return on 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 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 February 28, 2013		
	As previously reported	Effects of amended IAS 19	As currently reported
	$	$	$
Operating expenses			
Salaries, employee benefits and outsourced services	88,856	(304)	88,552
Financial expense	30,531	289	30,820
Income taxes	15,085	4	15,089
Profit for the period	48,939	11	48,950
Other comprehensive income			
Employee defined benefit pension plans re-measurements	3,223	69	3,292
Income tax expense on defined benefit pension plan actuarial adjustments	(867)	(18)	(885)
Earnings per share			
Basic	0.88	—	0.88
Diluted	0.87	—	0.87

	Six months ended February 28, 2013		
	As previously reported	Effects of amended IAS 19	As currently reported
	$	$	$
Operating expenses			
Salaries, employee benefits and outsourced services	159,282	(608)	158,674
Financial expense	47,545	578	48,123
Income taxes	34,253	8	34,261
Profit for the period	96,034	22	96,056
Other comprehensive income (loss)			
Employee defined benefit pension plans re-measurements	1,931	138	2,069
Income tax expense on defined benefit pension plan actuarial adjustments	(519)	(36)	(555)
Earnings per share			
Basic	1.99	—	1.99
Diluted	1.97	—	1.97

The impact on the retained earnings is as follows:

	As previously reported	Effects of amended IAS 19	As currently reported
	$	$	$
Retained earnings, balance at August 31, 2012	273,489	(253)	273,236
Retained earnings, balance at August 31, 2013	326,964	(12)	326,952

3. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN FISCAL 2013

On November 30, 2012, the Corporation's subsidiary, Cogeco Cable Inc., completed the acquisition of all the outstanding shares of Atlantic Broadband, an independent cable system operator formed in 2003, then serving about 485,000 primary service units 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.

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

During the first quarter of fiscal 2014, Cogeco Cable finalized the purchase price allocation of Atlantic Broadband which remained unchanged from that presented in the 2013 Annual consolidated financial statements. The purchase price allocation of PEER 1 was finalized by Cogeco Cable during the second quarter of fiscal 2014.

The final purchase price allocations of Atlantic Broadband and PEER 1 are as follows:

	As previously presented	February 28, 2014		
	PEER 1	**PEER 1**	**Atlantic Broadband**	**TOTAL**
	Preliminary	**Final**	**Final**	
	$	**$**	**$**	**$**
Consideration				
Paid				
Purchase of shares	494,796	**494,796**	**337,779**	**832,575**
Working capital adjustments	—	**—**	**5,415**	**5,415**
Repayment of secured debts and settlement of options outstanding	170,872	**170,872**	**1,021,854**	**1,192,726**
	665,668	**665,668**	**1,365,048**	**2,030,716**
Net assets acquired				
Cash and cash equivalents	10,840	**10,840**	**5,480**	**16,320**
Restricted cash	8,729	**8,729**	**—**	**8,729**
Trade and other receivables	12,772	**12,772**	**12,012**	**24,784**
Prepaid expenses and other	3,855	**3,855**	**1,370**	**5,225**
Income tax receivable	2,160	**2,797**	**3,907**	**6,704**
Other assets	2,462	**2,462**	**—**	**2,462**
Property, plant and equipment	150,013	**150,013**	**302,211**	**452,224**
Intangible assets	144,671	**144,231**	**711,418**	**855,649**
Goodwill	412,347	**410,454**	**522,215**	**932,669**
Deferred tax assets	4,727	**8,872**	**98,592**	**107,464**
Trade and other payables assumed	(26,512)	**(26,512)**	**(27,620)**	**(54,132)**
Provisions	—	**—**	**(721)**	**(721)**
Deferred and prepaid revenue and other liabilities assumed	(3,388)	**(3,388)**	**(7,697)**	**(11,085)**
Long-term debt assumed	(1,735)	**(1,735)**	**—**	**(1,735)**
Deferred tax liabilities	(55,273)	**(57,722)**	**(256,119)**	**(313,841)**
	665,668	**665,668**	**1,365,048**	**2,030,716**

The finalization of the purchase price allocation had no impact on the statement of profit or loss and comprehensive income for three and six-month periods ended February 28, 2013 while the impact on the statement of financial position at August 31, 2013 is as follows:

	As previously reported	Adjustments	As currently reported
	$	$	$
Income tax receivable	17,714	658	18,372
Intangible assets	2,003,581	(904)	2,002,677
Goodwill	1,231,140	(2,784)	1,228,356
Deferred tax assets	137,046	4,352	141,398
Deferred tax liabilities	637,883	2,474	640,357
Accumulated other comprehensive income	6,545	(368)	6,177
Non-controlling interest	912,095	(784)	911,311

4. OPERATING SEGMENTS

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

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

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

The activities of the Cable 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 agreed to amounts to between the parties.

	Three months ended February 28,					
	Cable		Other		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)		(restated, note 2)
Revenue[1]	**486,008**	429,672	**32,469**	28,829	**518,477**	458,501
Operating expenses	**264,227**	230,858	**32,443**	31,371	**296,670**	262,229
Management fees – COGECO Inc.	**165**	2,988	**(165)**	(2,988)	**—**	—
Integration, restructuring and acquisition costs	**346**	7,464	**—**	26	**346**	7,490
Depreciation and amortization	**113,133**	92,500	**1,322**	1,423	**114,455**	93,923
Financial expense	**32,918**	29,208	**1,474**	1,612	**34,392**	30,820
Income taxes	**14,838**	15,821	**(691)**	(732)	**14,147**	15,089
Profit (loss) for the period	**60,381**	50,833	**(1,914)**	(1,883)	**58,467**	48,950
Acquisition of property, plant and equipment	**76,193**	99,940	**1,191**	1,586	**77,384**	101,526
Acquisition of intangible and other assets	**4,613**	4,493	**—**	—	**4,613**	4,493

(1) For the three-month period ended February 28, 2014, revenue by geographic market included $382,407 in Canada ($362,260 in 2013), $126,566 in the United States ($93,920 in 2013) and $9,504 in Europe ($2,321 in 2013).

	Cable		Other		Six months ended February 28, Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
		(restated, notes 2 and 3)		(restated, note 2)		(restated, notes 2 and 3)
Revenue[1]	**960,988**	757,583	**74,460**	67,526	**1,035,448**	825,109
Operating expenses	**518,176**	405,012	**71,425**	66,941	**589,601**	471,953
Management fees – COGECO Inc.	**9,674**	9,569	**(9,674)**	(9,569)	**—**	—
Integration, restructuring and acquisition costs	**594**	14,764	**—**	(12)	**594**	14,752
Depreciation and amortization	**228,887**	157,166	**2,662**	2,798	**231,549**	159,964
Financial expense	**65,467**	44,922	**2,947**	3,201	**68,414**	48,123
Income taxes	**28,111**	33,204	**1,873**	1,057	**29,984**	34,261
Profit for the period	**110,079**	92,946	**5,227**	3,110	**115,306**	96,056
Total assets[2]	**5,354,942**	5,253,097	**196,827**	199,416	**5,551,769**	5,452,513
Property, plant and equipment[2]	**1,838,584**	1,854,155	**21,355**	20,711	**1,859,939**	1,874,866
Intangible assets[2]	**1,930,970**	1,910,089	**91,964**	92,588	**2,022,934**	2,002,677
Goodwill[2]	**1,237,372**	1,189,231	**39,125**	39,125	**1,276,497**	1,228,356
Acquisition of property, plant and equipment	**157,166**	178,132	**2,682**	1,908	**159,848**	180,040
Acquisition of intangible and other assets	**8,729**	9,134	**—**	—	**8,729**	9,134

(1) For the six-month period ended February 28, 2014 revenue by geographic market included $771,334 in Canada ($728,868 in 2013), $246,209 in the United States ($93,920 in 2013) and $17,905 in Europe ($2,321 in 2013).

(2) At February 28, 2014 and August 31, 2013.

The following table sets out certain geographic information at February 28, 2014 and August 31, 2013:

	Canada	United States	Europe	At February 28, 2014 Total
	$	**$**	**$**	**$**
Property, plant and equipment	**1,401,172**	**402,101**	**56,666**	**1,859,939**
Intangible assets	**1,177,675**	**832,589**	**12,670**	**2,022,934**
Goodwill	**372,835**	**850,761**	**52,901**	**1,276,497**

	Canada	United States	Europe	At August 31, 2013 Total
	$	$	$	$
	(restated, note 3)	(restated, note 3)	(restated, note 3)	(restated, note 3)
Property, plant and equipment	1,430,471	394,359	50,036	1,874,866
Intangible assets	1,186,613	804,034	12,030	2,002,677
Goodwill	372,835	808,968	46,553	1,228,356

5. OPERATING EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Salaries, employee benefits and outsourced services	**101,586**	88,552	**198,681**	158,674
Service delivery costs[1]	**149,373**	131,364	**297,099**	232,604
Customer related costs[2]	**18,189**	18,020	**39,524**	34,051
Other external purchases[3]	**27,522**	24,293	**54,297**	46,624
	296,670	262,229	**589,601**	471,953

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, data center 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 February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Property, plant and equipment	**99,304**	80,951	**199,566**	141,368
Intangible assets	**15,151**	12,972	**31,983**	18,596
	114,455	93,923	**231,549**	159,964

7. FINANCIAL EXPENSE

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Interest on long-term debt	**33,133**	29,011	**65,989**	46,223
Net foreign exchange losses (gains)	**573**	721	**(37)**	738
Amortization of deferred transaction costs	**487**	728	**966**	1,179
Capitalized borrowing costs [1]	**(592)**	(956)	**(1,365)**	(1,797)
Other	**791**	1,316	**2,861**	1,780
	34,392	30,820	**68,414**	48,123

(1) For the three and six months period ended February 28, 2014, the weighted average interest rate used for the capitalization of borrowing costs was 4.5% (6% in 2013).

8. INCOME TAXES

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Current	**20,519**	22,552	**48,685**	48,664
Deferred	**(6,372)**	(7,463)	**(18,701)**	(14,403)
	14,147	15,089	**29,984**	34,261

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 February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Profit before income taxes	**72,614**	64,039	**145,290**	130,317
Combined Canadian income tax rate	**26.38%**	27.98%	**26.87%**	27.19%
Income tax expense at combined income tax rate	**19,158**	17,923	**39,039**	35,427
Adjustment for losses or profit subject to lower or higher tax rates	**(52)**	5	**44**	(393)
Income taxes arising from non-deductible expenses	**(1,415)**	2,312	**(1,265)**	4,422
Tax impacts related to investments in foreign operations	**(3,946)**	(3,407)	**(8,517)**	(3,407)
Changes in valuation allowance	**—**	(1,242)	**—**	(1,242)
Other	**402**	(502)	**683**	(546)
Income tax expense	**14,147**	15,089	**29,984**	34,261

9. EARNINGS PER SHARE

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

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Profit for the period attributable to owners of the Corporation	**17,391**	14,676	**40,446**	33,206
Weighted average number of multiple and subordinate voting shares outstanding	**16,729,221**	16,725,181	**16,729,968**	16,726,086
Effect of dilutive incentive share units	**102,817**	107,124	**103,896**	108,159
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,832,038**	16,832,305	**16,833,864**	16,834,245
Earnings per share				
Basic	**1.04**	0.88	**2.42**	1.99
Diluted	**1.03**	0.87	**2.40**	1.97

10. LONG-TERM DEBT

	Maturity	Interest rate	February 28, 2014	August 31, 2013
		%	$	$
Parent Corporation				
Term Revolving Facility				
Revolving loans	February 2018 (1)	2.77 (2)	**65,955**	72,891
Unsecured Debentures	November 2021	6.50	**34,725**	34,707
Finance lease	January 2017	3.23	**80**	93
Subsidiaries				
Term Revolving Facility a)				
Canadian Revolving Facility				
Revolving loan – US$244.5 million (US$206 million at August 31, 2013)	January 2019	1.86 (2) (3)	**270,759**	216,918
Revolving loans	January 2019	3.01 (2)	**194,650**	219,561
Revolving loan – £56.9 million	January 2019	2.18 (2)	**105,510**	—
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)	**209,852**	199,349
Series B	October 2018	7.60	**54,701**	54,672
Senior Secured Notes - US$215 million	June 2025	4.30	**236,618**	224,872
Senior Secured Debentures Series 2	November 2020	5.15	**198,763**	198,686
Senior Secured Debentures Series 3	February 2022	4.93	**198,458**	198,379
Senior Secured Debentures Series 4	May 2023	4.18	**297,116**	296,989
Senior Unsecured Debenture	March 2018	5.94	**99,847**	99,829
Senior Unsecured Notes – US$400 million	May 2020	4.88	**435,921**	413,674
First Lien Credit Facilities				
Term Loan A Facility – US$187 million (US$190 million at August 31, 2013)	November 2017	2.28 (2)	**202,671**	195,193
Term Loan B Facility – US$414.75 million (US$416.85 million at August 31, 2013)	November 2019	3.25 (2)	**444,290**	423,528
Revolving Facility – US$20 million (US$33 million at August 31, 2013)	November 2017	2.28 (2)	**22,148**	34,749
Term Revolving Facility a)				
UK Revolving Facility – £1.8 million	January 2019	2.20 (2)	**3,338**	—
Finance leases	January 2015	3.34 (5)	**1,505**	2,077
			3,076,907	2,999,956
Less current portion			**22,545**	15,216
			3,054,362	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.

(2) Interest rate on debt includes applicable margin.

(3) Interest rate swap agreements have resulted in an effective interest rate of 2.10% at February 28, 2014 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 until January 22, 2019 and can be further extended annually. The amendments also reduced the margin for the calculation of the interest rate and reduced restrictions on some covenants. The amended and restated Term Revolving Facility also replaced Cogeco Cable's Secured Credit Facilities coming to maturity on January 27, 2017 which was fully repaid on November 22, 2013. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to $788 million and the second tranche, a UK tranche, amounting to $12 million. Both Cogeco Cable and Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche is available in Canadian dollars, US dollars, Euros and British 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:

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

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	February 28, 2014	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
103,021 subordinate voting shares held in trust under the Incentive Share Unit Plan (107,124 at August 31, 2013)	**(4,537)**	(4,219)
	117,451	117,769

During the first six 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	**39,874**	**1,929**
Subordinate voting shares distributed to employees	**(43,977)**	**(1,611)**
Balance at February 28, 2014	**103,021**	**4,537**

C) DIVIDENDS

For the six-month period ended February 28, 2014, quarterly dividends of $0.22 per share, for a total of $0.44 per share, were paid to the holders of multiple and subordinate voting shares, totaling $7.4 million, compared to quarterly dividends of $0.19 per share, for a total of $0.38 per share or $6.4 million for the six-month period ended February 28, 2013.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Cable Inc., offer for certain executives a Stock Option Plan, which is described in the Corporation's annual consolidated financial statements. For the six-month period ended February 28, 2014 and 2013, no stock options were granted to employees by COGECO Inc. under the Stock Option Plan of the Corporation and no options were outstanding at February 28, 2014 and August 31, 2013. However, for the six-month period ended February 28, 2014, the Corporation's subsidiary, Cogeco Cable Inc., granted 311,050 stock options (201,442 in 2013) with an exercise price of $50.10 ($38.08 to $40.45 in 2013) of which 83,650 stock options (71,233 in 2013) were granted to COGECO'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 and six-month periods ended February 28, 2013, Cogeco Cable Inc. charged COGECO Inc. amounts of $68,000 and $162,000 ($86,000 and $176,000 in 2013) with respect to the Corporation's options granted to COGECO's senior executives. As a result, a compensation expense of $288,000 and $519,000 ($177,000 and $349,000 in 2013) was recorded for the three and six-month periods ended February 28, 2013.

The weighted average fair value of stock options granted by Cogeco Cable for the six-month period ended February 28, 2013 was $10.55 ($7.75 in 2013) 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:

	2014	2013
	%	%
Expected dividend yield	**2.05**	2.60
Expected volatility	**24.87**	26.60
Risk-free interest rate	**1.87**	1.50
Expected life in years	**6.3**	6.2

Under the Stock Option Plan of Cogeco Cable, the following options were granted and are outstanding at February 28, 2014:

	Options	**Weighted average exercise price**
		$
Outstanding at August 31, 2013	**725,093**	**37.14**
Granted	**311,050**	**50.10**
Exercised[(1)]	**(146,596)**	**30.20**
Cancelled	**(42,404)**	**42.88**
Balance at February 28, 2014	**847,143**	**42.82**
Exercisable at February 28, 2014	**312,786**	**36.83**

(1) The weighted average share price for options exercised during the period was $50.98.

The Corporation and its subsidiary, Cogeco Cable Inc., also offer 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 six-month period ended February 28, 2014, the Corporation and its subsidiary granted 39,874 (35,630 in 2013) and 134,516 (101,047 in 2013) 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 subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation. The Corporation and its subsidiary instructed the trustee to purchase 39,874 (35,630 in 2013) and 137,416 (101,047 in 2013) subordinate voting shares on the stock market. These shares were purchased for cash consideration aggregating $1,929,000 ($1,201,000 in 2013) and $6,934,000 ($4,076,000 in 2013) and are held in trust for the participants until they are fully vested. The trusts, considered as a 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 $1,396,000 and $3,041,000 ($975,000 and $1,826,000 in 2013) was recorded for the three and six-month periods ended February 28, 2014, respectively, related to these plans. During the three and six-month periods ended February 28, 2014, Cogeco Cable Inc. charged COGECO Inc. amounts of $119,000 and $318,000 ($112,000 and $219,000 in 2013), respectively, with respect to ISUs granted to COGECO's senior executives.

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at February 28, 2014:

Outstanding at August 31, 2013	**107,124**
Granted	**39,874**
Distributed	**(44,352)**
Outstanding at February 28, 2014	**102,646**

Under the ISU Plan of Cogeco Cable Inc., the following ISUs were granted and are outstanding at February 28, 2014:

Outstanding at August 31, 2013	**209,608**
Granted	**134,516**
Distributed	**(59,029)**
Cancelled	**(5,400)**
Outstanding at February 28, 2014	**279,695**

The Corporation and its subsidiary, Cogeco Cable Inc., offer a Deferred Share Unit Plan ("DSU Plan") for members of the Board of directors which is described in the Corporation's annual consolidated financial statements. For the six-month period ended February 28, 2014, the Corporation and its subsidiary issued respectively 9,120 and 7,228 deferred share units ("DSUs") (8,139 and 5,573 in 2013) to the participants in connection with the DSU Plan. A compensation expense of $412,000 and $843,000 ($83,000 and $281,000 in 2013) was recorded for the three and six-month periods ended February 28, 2014, respectively, for the increase in liability related to this plan.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at February 28, 2014:

Outstanding at August 31, 2013	**30,854**
Issued	**9,120**
Dividend equivalents	**314**
Outstanding at February 28, 2014	**40,288**

Under the DSU Plan of Cogeco Cable Inc., the following DSUs were issued and are outstanding at February 28, 2014:

Outstanding at August 31, 2013	**23,745**
Issued	**7,228**
Dividend equivalents	**326**
Outstanding at February 28, 2014	**31,299**

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
		(restated, note 3)	(restated, note 3)
Balance at August 31, 2012	1,005	31	1,036
Other comprehensive income (loss)	(296)	3,184	2,888
Balance at February 28, 2013	709	3,215	3,924
Balance at August 31, 2013	**846**	**5,331**	**6,177**
Other comprehensive income (loss)	**(125)**	**5,033**	**4,908**
Balance at February 28, 2014	**721**	**10,364**	**11,085**

13. STATEMENTS OF CASH FLOWS

CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Trade and other receivables	**(3,832)**	(588)	**(11,658)**	(3,107)
Prepaid expenses and other	**1,894**	588	**(4,193)**	805
Trade and other payables	**1,746**	10,389	**(84,098)**	(76,860)
Provisions	**1,470**	309	**3,706**	(1,082)
Deferred and prepaid revenue and other liabilities	**(1,032)**	2,059	**524**	5,493
	246	12,757	**(95,719)**	(74,751)

14. EMPLOYEE BENEFITS

The Corporation and 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 February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Recognized in:				
Operating expenses				
Salaries, employee benefits and outsourced services				
Current service costs	**4,359**	2,856	**7,205**	5,391
Past service costs	**565**	—	**565**	—
Financial expense				
Other	**215**	289	**415**	578
	5,139	3,145	**8,185**	5,969

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 February 28, 2014, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P") and "AA (low)" by Dominion Bond Rating Services ("DBRS").

Cash and cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. At February 28, 2014, 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 February 28, 2014 and August 31, 2013, no customer balance represented a significant portion of the Corporation’s consolidated trade accounts receivable. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer’s balance outstanding as well as the customer’s collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada, in the United States and in Europe, there is no significant concentration of credit risk.

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

	February 28, 2014	August 31, 2013
	$	$
Trade accounts receivable	**124,652**	112,018
Allowance for doubtful accounts	**(7,422)**	(4,687)
	117,230	107,331
Other accounts receivable	**12,383**	10,981
	129,613	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 February 28, 2014 and August 31, 2013:

	February 28, 2014	August 31, 2013
	$	$
Less than 60 days overdue	**41,056**	44,161
60 to 90 days overdue	**4,238**	4,062
More than 90 days overdue	**4,207**	2,860
	49,501	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 February 28, 2014, the available amount of the Corporation’s Term Revolving Facility and Cogeco Cable Inc.'s Term Revolving Facility was $258.2 million. Management believes that the committed Term Revolving Facilities will, until their maturities in February 2018 and January 2019, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. Two subsidiaries of Cogeco Cable also benefit from a Revolving Facility of US$100 million related to its acquisition of Atlantic Broadband, of which US$78.9 million ($87.4 million) was available at February 28, 2014.

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	**3,866**	**3,866**	**—**	**—**	**—**	**—**	**—**	**3,866**
Trade and other payables[1]	**179,908**	**179,908**	**—**	**—**	**—**	**—**	**—**	**179,908**
Long-term debt[2]	**3,075,322**	**8,970**	**27,906**	**245,621**	**36,544**	**307,526**	**2,484,022**	**3,110,589**
Balance due on a business combination	**2,000**	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Other liabilities	**2,359**	**—**	**1,253**	**1,253**	**1,253**	**48**	**—**	**3,807**
Derivative financial instruments	**(11,076)**	**—**	**—**	**(8,531)**	**—**	**—**	**—**	**(8,531)**
Finance leases[3]	**1,585**	**714**	**859**	**28**	**12**	**—**	**—**	**1,613**
	3,253,964	**195,458**	**30,018**	**238,371**	**37,809**	**307,574**	**2,484,022**	**3,293,252**

(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 therereafter, based on the principal amount and interest rate prevailing on the outstanding debt at February 28, 2014 and their respective maturities:

	2014 $	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
Interest payments on long-term debt	**63,713**	**126,949**	**118,714**	**110,380**	**106,159**	**271,003**	**796,918**
Interest receipts on derivative financial instruments	**(7,536)**	**(15,044)**	**(7,364)**	**—**	**—**	**—**	**(29,944)**
Interest payments on derivative financial instruments	**7,746**	**15,418**	**7,307**	**—**	**—**	**—**	**30,471**
	63,923	**127,323**	**118,657**	**110,380**	**106,159**	**271,003**	**797,445**

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 February 28, 2014, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facilities and First Lien Credit Facilities. To mitigate such risk, Cogeco Cable has entered on July 22, 2013 into interest rate swap agreements to fix the interest rate on $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 $8.3 million based on the outstanding debt at February 28, 2014.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. In order to mitigate this risk, the Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Corporation's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. 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 approximatively $6.0 million based on the outstanding debt at February 28, 2014.

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

	February 28, 2014			August 31, 2013		
	US	**Euros**	**British Pounds**	US	Euros	British Pounds
	$	**$**	**$**	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**5,934**	**366**	**1,318**	7,394	1,171	257
Trade and other receivables	**94**	**—**	**—**	—	—	—
Trade and other payables and provisions	**(7,070)**	**(7,643)**	**—**	(16,554)	(6,933)	—
	(1,042)	**(7,277)**	**1,318**	(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 $0.7 million.

Furthermore, Cogeco Cable's investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pounds. This risk was mitigated since the major part of the purchase prices for Atlantic Broadband and PEER 1 were borrowed directly in US dollars and British Pounds. At February 28, 2014, the investments for Atlantic Broadband and PEER 1 amounted to US$1.1 billion and £65.5 million while long-term debt hedging these investments were US$859.5 million and £56.9 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 February 28, 2014 was $1.1074 per US dollar and $1.8543 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $28.0 million.

Fair value of financial instruments

Fair value is the amount at which willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for debts of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and matters of significant 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 Pounds 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, Senior Unsecured Debenture and Unsecured Debentures 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:

	February 28, 2014		August 31, 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**3,076,907**	**3,182,461**	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, balance due on business combination and assets or liabilities related to derivative financial instruments.

The provisions of the financing agreements provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense and total indebtedness. At February 28, 2014 and August 31, 2013 the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

	February 28, 2014	August 31, 2013
Net senior indebtedness[1][2] / operating income before depreciation and amortization[3]	**2.5**	2.7
Net indebtedness[2][4] / operating income before depreciation and amortization[3]	**3.3**	3.4
Operating income before depreciation and amortization[3] / financial expense[3]	**5.6**	6.2

(1) Net secured indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Unsecured Debentures, Senior Unsecured Debenture and Senior Unsecured Notes.
(2) Excluding Atlantic Broadband and other non-significant unrestricted subsidiaries' cash and cash equivalents and non-recourse First Lien Credit Facilities.
(3) Calculation based on operating income before depreciation and amortization and financial expense for the twelve-month period ended February 28, 2014 and August 31, 2013 excluding Atlantic Broadband and other non-significant unrestricted subsidiaries and including PEER 1 results for the twelve-month period ended February 28, 2014 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, balance due on a business combination less cash and cash equivalents.

16. SUBSEQUENT EVENT

On March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes for net proceeds of $49 million, net of transaction costs of approximately $1 million. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The net proceeds of the Senior Unsecured Notes was used to reimburse a portion of the Corporation's Term Revolving Facility of $100 million which facility was consequently reduced to $50 million.

CABLE SEGMENT CUSTOMER STATISTICS

	February 28, 2014	November 30, 2013	August 31, 2013	May 31, 2013	February 28, 2013
Primary service units[1]	**2,454,627**	**2,464,932**	2,467,657	2,481,017	2,482,096
CANADA	**1,962,077**	**1,975,502**	1,980,122	1,992,143	1,993,156
UNITED STATES	**492,550**	**489,430**	487,535	488,874	488,940
Television service customers	**1,044,611**	**1,057,859**	1,066,952	1,079,285	1,087,692
CANADA	**815,852**	**827,649**	834,771	845,344	852,707
Penetration as a percentage of homes passed	**48.5%**	**49.3%**	49.9%	50.7%	51.4%
UNITED STATES	**228,759**	**230,210**	232,181	233,941	234,985
Penetration as a percentage of homes passed	**44.2%**	**44.5%**	44.9%	45.3%	45.5%
High Speed Internet service customers	**857,786**	**848,897**	838,445	837,348	832,745
CANADA	**672,981**	**668,257**	661,337	661,178	657,766
Penetration as a percentage of homes passed	**40.0%**	**39.8%**	39.5%	39.7%	39.6%
UNITED STATES	**184,805**	**180,640**	177,108	176,170	174,979
Penetration as a percentage of homes passed	**35.7%**	**34.9%**	34.3%	34.1%	33.9%
Telephony service customers	**552,230**	**558,176**	562,260	564,384	561,659
CANADA	**473,244**	**479,596**	484,014	485,621	482,683
Penetration as a percentage of homes passed	**28.1%**	**28.6%**	28.9%	29.1%	29.1%
UNITED STATES	**78,986**	**78,580**	78,246	78,763	78,976
Penetration as a percentage of homes passed	**15.3%**	**15.2%**	15.1%	15.2%	15.3%

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