

SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2014

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except percentages and per share data)	Quarters ended			Nine months ended		
	May 31, 2014	May 31, 2013 [2]	Change	**May 31, 2014**	May 31, 2013 [2]	Change
	$	$	%	**$**	$	%
Operations						
Revenue	**536,067**	504,434	6.3	**1,571,515**	1,329,543	18.2
Adjusted EBITDA[1]	**233,083**	220,878	5.5	**678,930**	574,034	18.3
Impairment of property, plant and equipment	**32,197**	—	—	**32,197**	—	—
Profit for the period	**35,635**	49,995	(28.7)	**150,941**	146,051	3.3
Profit for the period attributable to owners of the Corporation	**11,469**	17,185	(33.3)	**51,915**	50,391	3.0
Cash Flow						
Cash flow from operating activities	**184,706**	167,641	10.2	**432,552**	318,731	35.7
Cash flow from operations[1]	**176,491**	158,172	11.6	**509,128**	399,797	27.3
Acquisitions of property, plant and equipment, intangible and other assets	**84,960**	113,492	(25.1)	**253,537**	302,666	(16.2)
Free cash flow[1]	**91,531**	44,680	—	**255,591**	97,131	—
Financial Condition[3]						
Property, plant and equipment	**—**	—	—	**1,794,227**	1,874,866	(4.3)
Total assets	**—**	—	—	**5,407,774**	5,453,835	(0.8)
Indebtedness[4]	**—**	—	—	**2,964,153**	3,054,275	(3.0)
Equity attributable to owners of the Corporation	**—**	—	—	**500,119**	456,905	9.5
Per Share Data[5]						
Earnings per share						
Basic	**0.69**	1.03	(33.0)	**3.10**	3.01	3.0
Diluted	**0.68**	1.02	(33.3)	**3.08**	2.99	3.0

(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 May 31, 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 nine-month periods ended May 31, 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 the Corporation's 2013 annual MD&A as well as in the present MD&A) that could cause actual results to differ materially from what COGECO currently expects. These factors include namely risks pertaining to markets and competition, technology, regulatory developments, operating costs, information systems, disasters or other contingencies, financial risks related to capital requirements, human resources, controlling shareholder and holding structure, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation and does not undertake to update or alter this information at any particular time, except as may 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 nine-month periods ended May 31, 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 nine-month period ended May 31, 2014, adjusted EBITDA increased by 18.3% to reach $678.9 million compared to the same period of fiscal 2013. Improvement in the adjusted EBITDA is mainly attributable to the acquisitions, in the Cable segment, of Atlantic Broadband and Peer 1 Hosting[(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 benefiting our foreign operations and the financial results improvement from organic growth.

FREE CASH FLOW

For the nine-month period ended May 31, 2014, COGECO reported free cash flow of $255.6 million, an increase of $158.5 million compared to $97.1 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 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 indebtedness level from the recent acquisitions.

BUSINESS DEVELOPMENTS AND OTHER

BBM Canada's spring 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 women 2+ segment among the musical stations. Regarding the Montreal English market, *The Beat* is the leading radio station in the women 35-64 segment. In most of the Quebec regions, our radio stations registered good ratings.

During the third quarter of fiscal 2014, the Corporation's indirect cable subsidiary, Cogeco Cable Canada, recognized an impairment of $32.2 million of property, plant and equipment, capitalized wages and borrowing costs related to an Internet Protocol Television ("IPTV") solution project on which its Canadian operations had worked. As a result of the unexpected performance issues encountered with the platform, it had to be abandoned by Cogeco Cable Canada. Subsequently, in order to enhance its competitiveness, the Cogeco Cable Canada subsidiary has concluded a partnership with TiVo Inc. (“TiVo”), a global leader in next-generation television services that enable viewers to consume content across all screens in and out-of-the home to be launched at Cogeco Cable Canada by mid-fiscal 2015. The TiVo solution was successfully launched in the first half of fiscal 2014 at Cogeco Cable's subsidiary, Atlantic Broadband with great customer acceptance.

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

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

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2014	May 31, 2013 (1)	Change	**May 31, 2014**	May 31, 2013 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Revenue	**536,067**	504,434	6.3	**1,571,515**	1,329,543	18.2
Operating expenses	**302,984**	283,556	6.9	**892,585**	755,509	18.1
Adjusted EBITDA	**233,083**	220,878	5.5	**678,930**	574,034	18.3

(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 third-quarter revenue increased by $31.6 million or 6.3%, to reach $536.1 million. For the first nine months, revenue amounted to approximately $1.6 billion, an increase of $242.0 million, or 18.2% compared to the first nine months of fiscal 2013. The increase for both periods is mainly attributable to the Cable segment as explained below as well as from the improvement of the media business activities for the first nine months.

In the Cable segment, fiscal 2014 third-quarter revenue increased by $32.0 million, or 6.9%, to reach $496.4 million compared to the same period of last year. Revenue increased organically from all of our operating units combined with favorable foreign exchange rates for our foreign operations. For the first nine months of fiscal 2014, revenue amounted to approximately $1.5 billion, an increase of $235.4 million, or 19.3%, compared to the same period of fiscal 2013. Revenue increased was mainly attributable to the full year impact of the recent acquisitions which both occurred during fiscal 2013 combined with the organic growth from all of our operating segments and favorable foreign exchange rates in our foreign operations. For further details on the Cable segment's revenue, please refer to the "Cable segment" section.

OPERATING EXPENSES

For the third quarter of fiscal 2014, operating expenses increased by $19.4 million, to reach $303.0 million, an increase of 6.9% compared to the prior year. For the first nine months of the fiscal year, operating expenses amounted to $892.6 million, an increase of $137.1 million, or 18.1%, compared to the same period of fiscal 2013. The increase is mainly attributable to the Cable segment operating results.

Operating expenses in the Cable segment for the third quarter of fiscal 2014 increased by $17.7 million, to reach $267.1 million, an increase of 7.1% compared to the prior year. For the first nine months of the fiscal year, operating expenses amounted to $785.2 million, an increase of $130.9 million, or 20.0%, compared to the same period of fiscal 2013. Operating expenses increased was due to the full year impact of the recent acquisitions and the appreciation of the US dollar and British Pound currency compared to the Canadian dollar.

ADJUSTED EBITDA

Fiscal 2014 third-quarter adjusted EBITDA increased by $12.2 million, or 5.5%, to reach $233.1 million, of which the Cable segment contributed $229.4 million to the consolidated adjusted EBITDA. For the first nine months of fiscal 2014, the adjusted EBITDA increased by $104.9 million, or 18.3%, to reach $678.9 million, of which $662.5 million was contributed by the Cable segment. The increase for the quarter in the Cable segment is mainly attributable to the improvement from all of our operating segments as well as the favorable foreign exchange rates from our foreign operations compared to the same periods of last year while the increase for the first nine months is largely attributable to the full impact of the recent acquisitions. For further details on Cogeco Cable's operating results, please refer to the "Cable segment" section.

FIXED CHARGES

	Quarters ended			Nine months ended		
	May 31, 2014	May 31, 2013 (1)	Change	**May 31, 2014**	May 31, 2013 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation and amortization	**118,926**	112,867	5.4	**350,475**	272,831	28.5
Financial expense	**34,071**	36,776	(7.4)	**102,485**	84,899	20.7

(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 nine-month periods ended May 31, 2014, depreciation and amortization expense amounted to $118.9 million and $350.5 million, respectively, compared to $112.9 million and $272.8 million for the same periods of last year. The increase for the quarter is mostly attributable to the appreciation of the US dollar and the British Pound currency compared to the Canadian dollar. The increase for the first nine months of fiscal 2014 results mainly from the full year impact of the recent acquisitions, which occurred at the end of the first quarter and in the second quarter of fiscal 2013 and by the currency appreciation of the US dollar and the British Pound compared to the Canadian dollar.

Fiscal 2014 third-quarter financial expense decreased by $2.7 million, or 7.4%, amounting to $34.1 million compared to $36.8 million in fiscal 2013 third-quarter as a result of a lower indebtedness level. For the first nine months of fiscal 2014, financial expense increased by $17.6 million, or 20.7%, at $102.5 million, compared to $84.9 million in the prior year as a result of the full year impact of financing costs related to the recent acquisitions in the Cable segment.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

INCOME TAXES

For the three and nine-month periods ended May 31, 2014, income tax expense amounted to $9.1 million and $39.1 million, respectively, compared to $19.1 million and $53.3 million, respectively, for the comparable periods in the prior year. The decrease is mostly attributable to the impairment of property, plant and equipment, the increase in fixed charges as well as the favorable impact of the tax structure following the recent acquisitions in the Cable segment, partly offset by the improvement in adjusted EBITDA.

PROFIT FOR THE PERIOD

For the three and nine-month periods ended May 31, 2014, profit for the period amounted to $35.6 million and $150.9 million, of which $11.5 million and $51.9 million, or $0.69 and $3.10 per share, are attributable to owners of the Corporation. For the comparable periods of fiscal 2013, profit for the period amounted to $50.0 million and $146.1 million, of which $17.2 million and $50.4 million, or $1.03 and $3.01 per share, was attributable to owners of the Corporation. The decline for the third quarter is attributable to the impairment of property, plant and equipment explained above, partly offset by the improvement of the adjusted EBITDA. Profit progression for the first nine months of fiscal 2014 is mostly attributable to the improvement of the adjusted EBITDA explained above as well as the decrease in integration, restructuring and acquisition costs, partly offset by the impairment of property, plant and equipment and the increase in fixed charges explained above.

The non-controlling interest represents a participation of approximately 68% in Cogeco Cable's results. For fiscal 2014 three and nine-month periods, the profit for the period attributable to non-controlling interest amounted to $24.2 million and $99.0 million compared to $32.8 million and $95.7 million in fiscal 2013.

CASH FLOW ANALYSIS

	Quarters ended		Nine months ended	
	May 31, 2014	May 31, 2013 (2)	**May 31, 2014**	May 31, 2013 (2)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operations(1)	**176,491**	158,172	**509,128**	399,797
Changes in non-cash operating activities	**13,340**	(5,443)	**(82,379)**	(80,194)
Amortization of deferred transaction costs and discounts on long-term debt	**(2,007)**	(3,520)	**(5,856)**	(7,237)
Income taxes paid	**(16,672)**	(17,031)	**(55,888)**	(79,490)
Current income tax expense	**23,693**	27,563	**72,378**	76,227
Financial expense paid	**(44,210)**	(28,876)	**(107,316)**	(75,271)
Financial expense	**34,071**	36,776	**102,485**	84,899
Cash flow from operating activities	**184,706**	167,641	**432,552**	318,731
Cash flow from investing activities	**(84,935)**	(135,812)	**(252,932)**	(2,308,490)
Cash flow from financing activities	**(123,482)**	(35,540)	**(194,277)**	1,812,085
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(535)**	1,089	**1,390**	1,794
Net change in cash and cash equivalents	**(24,246)**	(2,622)	**(13,267)**	(175,880)
Cash and cash equivalents, beginning of the period	**54,772**	42,265	**43,793**	215,523
Cash and cash equivalents, end of the period	**30,526**	39,643	**30,526**	39,643

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

(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.

OPERATING ACTIVITIES

Fiscal 2014 third-quarter cash flow from operating activities reached $184.7 million compared to $167.6 million, an increase of $17.1 million or 10.2%, compared to the same period of prior year. The increase is mainly explained by the improvement of adjusted EBITDA of $12.2 million and by the increase of $18.8 million in non-cash operating activities as a result of an increase in trade and other payables compared to a decrease in the comparable period, partly offset by an increase of financial expense paid of $15.3 million. For the first nine months of fiscal 2014, cash flow from operating activities reached $432.6 million compared to $318.7 million, an increase of $113.8 million, or 35.7%, compared to the same period in fiscal 2013. The increase is mainly explained by the improvement of adjusted EBITDA of $104.9 million combined with a decrease of $23.6 million in income taxes paid and a decrease of $13.1 million in integration, restructuring and acquisition costs, partly offset by an increase of financial expense paid of $32.0 million.

For the three and nine-month periods ended May 31, 2014, cash flow from operations amounted to $176.5 million and $509.1 million, respectively, compared to $158.2 million and $399.8 million for the comparable periods in fiscal 2013 representing increases of $18.3 million, or 11.6%, and $109.3 million, or 27.3%, respectively. For both periods, the increases are mainly explained by the improvement of adjusted EBITDA of $12.2 million and $104.9 million, respectively.

INVESTING ACTIVITIES

For the three and nine-month periods ended May 31, 2014, investing activities amounted to $84.9 million and $252.9 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 $135.8 million and $2.3 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 Hosting 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 Hosting which had no impact on the statement of profit or loss and comprehensive income for the three and nine-month periods ended May 31, 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 Hosting are as follows:

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

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

For the three and nine-month periods ended May 31, 2014, acquisition of property, plant and equipment amounted to $80.0 million and $239.9 million compared to $109.0 million and $289.0 million for the same periods of fiscal 2013, respectively, mainly as a result of the following factors in the Cable segment:

- A decrease in the quarter and for the nine-month period ended May 31, 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 premise equipment for the three and nine-month periods ended May 31, 2014 mainly due to the launch of TiVo's digital entertainment services in the United States.

For the third quarter and the first nine months of fiscal 2014, the acquisition of intangible and other assets amounted to $4.9 million and $13.7 million, compared to $4.5 million and $13.7 million for the same periods last year, respectively.

FREE CASH FLOW AND FINANCING ACTIVITIES

In the third quarter of fiscal 2014, free cash flow amounted to $91.5 million, an increase of $46.9 million compared to fiscal 2013. This increase is mainly due to the improvement of adjusted EBITDA and the decrease in acquisitions of property, plant and equipment due to the timing of certain initiatives for the Cable segment. For the nine-month period, free cash flow amounted to $255.6 million, $158.5 million, higher than the same period of last year. This variance is mostly attributable to the improvement of adjusted EBITDA, the decrease in acquisitions of property, plant and equipment 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 indebtedness level from the recent acquisitions in the Cable segment.

In the third quarter of fiscal 2014, cash decrease of $110.4 million was mainly due to a lower Indebtedness level provided from repayments of $163.6 million under the revolving facilities and of long-term debt amounting to $4.8 million, partly offset by an increase in bank indebtedness of $9.4 million and the issuance by COGECO Inc. of long-term debt of $48.7 million. In the third quarter of fiscal 2013, a higher Indebtedness level provided a cash increase of $22.0 million mainly due to the issuance, in the Cable segment, of $300 million Senior Secured Debentures Series "4" (the "Debentures") for a net proceed of $297.1 million, net of transaction costs of $2.9 million and the issuance of $410.4 million (US$400 million) Senior Unsecured Notes (the "2020 Notes") for a net proceed of $402.6 million (US$392.4 million), net of transaction costs of $7.8 million (US$7.6 million). In addition, the net proceeds under the Debentures and the 2020 Notes were used to repay the Canadian Term Facility amounting to $175 million, the US Term Facility amounting to $230.8 million (US$225 million), the $114.7 Revolving loan in connection with the financing of the acquisition of Peer 1 Hosting in the Cable segment and $192.4 million Term Revolving Facility.

For the nine-month period of fiscal 2014, a cash decrease of $148.2 million was mainly due to a lower Indebtedness level from repayments of $186.1 million under the revolving facilities and of long-term debt amounting to $10.9 million, partly offset by the issuance of long-term debt by COGECO Inc. of $48.7 million. For the nine-month period of fiscal 2013, a higher Indebtedness level provided for a cash increase of $1.9 billion, mainly due to the issuance of the 2020 Notes and the Debentures, described above, as well as draw-down on the existing Term Revolving Facility of $411.9 million (US$420 million) including the repayments made during the quarter explained above and the First Lien Credit 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 the draw-down of $125.1 million, under Secured Credit Facilities to finance the acquisition of Peer 1 Hosting, net of the repayments made during the third quarter explained above.

During the third quarter of fiscal 2014, a quarterly dividend of $0.22 per share was paid to the holders of subordinate and multiple voting shares, totaling $3.7 million, compared to a dividend of $0.19 per share, or $3.2 million in the third quarter of fiscal 2013. Dividend payments in the first nine months totaled $0.66 per share, or $11.1 million, compared to $0.57 per share, or $9.5 million the year before. In addition, dividends paid by a subsidiary to non-controlling interest in the third quarter amounted to $9.9 million and $29.7 million for the first nine months, compared to $8.6 million and $25.7 million, respectively, for the comparable periods of the prior year.

As at May 31, 2014, the Corporation had a working capital deficiency of $164.9 million compared to $223.1 million at August 31, 2013. The $58.2 million deficiency reduction is mainly due to the decrease of $83.9 million in trade and other payables and the increase of $14.3 million in trade and other receivables, partly offset by the decrease of $13.3 million in cash and cash equivalents and the increase of income tax liabilities of $21.7 million as a result of generated free cash flow. As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of accounts receivable since a large proportion of the Corporation’s customers pay before their services are rendered, unlike trade and other payables, which are usually paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

At May 31, 2014, the Corporation had used $17.1 million of its $50 million Term Revolving Facility for a remaining availability of $32.9 million and Cogeco Cable had used $476.2 million of its $800 million amended and restated Term Revolving Facility for a remaining availability of $323.8 million. In addition, two subsidiaries of Cogeco Cable also benefit from a Revolving Facility of $108.4 million (US$100 million) related to its acquisition of Atlantic Broadband, of which $1.1 million (US$1.0 million) was used at May 31, 2014 for a remaining availability of $107.3 million (US$99 million).

FINANCIAL POSITION

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

Trade and other receivable increased by $14.3 million due to the timing of billings made to customers. Property, plant and equipment decreased by $80.6 million mainly due to the impairment of property, plant and equipment of $32.2 million in the Cable segment as well as depreciation expense exceeding the acquisitions discussed in the "Cash flow analysis" section, taking into account the impact of the US dollar and British Pound currency appreciation against the Canadian dollar. Goodwill increased by $29.3 million as a result of the US dollar and the British Pound currency appreciation against the Canadian dollar during the first nine months of fiscal 2014. The decrease of $83.9 million in trade and other payables is related to the timing of payments made to suppliers. The income tax liabilities increase of $21.7 million is due to the excess of current income tax expense over income tax paid. The decrease of $28.6 million in deferred tax liabilities result of the impairment of property, plant and equipment and the increase in current income taxes. The decreases of $13.3 million in cash and cash equivalents and of $91.2 million in long-term debt are due to the factors previously discussed in the "Cash flow analysis" section, partly offset by the appreciation of the US dollar and British Pound currency compared to the Canadian dollar.

OUTSTANDING SHARE DATA

A description of COGECO’s share data at June 30, 2014 is presented in the table below. Additional details are provided in note 12 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 March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes for net proceeds of $48.7 million, net of transaction costs of approximately $1.3 million. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The net proceeds of the Senior Unsecured Notes was used to reimburse a portion of the Corporation's Term Revolving Facility of $100 million which facility was consequently reduced to $50 million.

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

On November 22, 2013, the Corporation's subsidiary, Cogeco Cable, amended and restated its Term Revolving Facility of $800 million with a syndicate of lenders. The maturity was extended until January 22, 2019 and can be further extended annually. The amendments reduced the margin for the calculation of the interest rate and reduced restrictions on some covenants. The amended and restated Term Revolving Facility also replaced Cogeco Cable’s Secured Credit Facilities coming to maturity on January 27, 2017 which was fully repaid on November 22, 2013. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to $788 million and the second tranche, a UK tranche, amounting to $12 million. Both Cogeco Cable and Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche is available in Canadian dollars, US dollars, Euros and British Pound and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pound, plus the applicable margin. The UK tranche is available in British Pounds and interest rates are based on British Pounds base rate loans and British Pounds LIBOR loans. The Term Revolving Facility is indirectly secured by first priority fixed and floating charges and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Cable. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to 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 nine months of fiscal 2014, amounts due under the US$190 million Senior Secured Notes Series

A increased by $5.9 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 $6.1 million, of which an increase of $5.9 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.2 million was recorded as an increase of other comprehensive income. During the first nine months of fiscal 2013, amounts due under the US$190 million Senior Secured Notes Series A increased by $9.7 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 $9.3 million, of which a decrease of $9.7 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.4 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 nine months of fiscal 2014, the fair value of interest rate swaps asset decreased by a net amount of $0.8 million which was recorded as a decrease of other comprehensive income.

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facilities and First Lien Credit Facilities is approximately $6.5 million based on the outstanding debt at May 31, 2014.

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 Pound. This risk was mitigated since the major part of the purchase prices for Atlantic Broadband and Peer 1 Hosting were borrowed directly in US dollars and British Pounds. At May 31, 2014, the investments for Atlantic Broadband and Peer 1 Hosting amounted to US$1.1 billion and £62.7 million while long-term debt hedging these investments were US$859.5 million and £56.0 million.The exchange rate used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at May 31, 2014 was $1.0842 per US dollar and $1.8173 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $26.9 million.

Since Cogeco Cable's condensed interim consolidated financial statements are expressed in Canadian dollars but a portion of its business is conducted in US dollar and British Pound currency, exchange rate fluctuations can increase or decrease the Corporation's operating results. For the three and nine-month periods ended May 31, 2014, the average rates prevailing used to convert the operating results of the Cable segment were as follows:

	Quarters ended			Nine months ended		
	May 31, 2014	May 31, 2013	Change	**May 31, 2014**	May 31, 2013	Change
	$	$	%	**$**	$	%
US dollar vs Canadian dollar	**1.0997**	1.0211	7.7	**1.0759**	1.0091	6.6
British Pound vs Canadian dollar	**1.8405**	1.5545	18.4	**1.7664**	1.5565	13.5

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 nine-month periods ended May 31, 2014:

				Cable segment
	Quarters ended		Nine months ended	
	As reported	Exchange rate impact	As reported	Exchange rate impact
(in thousands of dollars)	$	$	$	$
Revenue	**496,448**	**13,990**	**1,457,436**	**40,388**
Operating expenses	**267,059**	**9,370**	**785,235**	**26,497**
Management fees - COGECO Inc.	**—**	**—**	**9,674**	**—**
Adjusted EBITDA	**229,389**	**4,620**	**662,527**	**13,891**
Acquisitions of property, plant and equipment, intangible and other assets	**84,452**	**4,578**	**250,347**	**13,110**

DIVIDEND DECLARATION

At its July 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 August 6, 2014, to shareholders of record on July 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		Nine months ended	
		May 31, 2014		May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
PSU (1)	**2,452,118**	**495,674**	**1,956,444**	**(2,509)**	(1,079)	**(15,539)**	20,783
Television service customers	**1,034,991**	**227,160**	**807,831**	**(9,620)**	(8,407)	**(31,961)**	(21,143)
HSI service customers	**865,597**	**188,795**	**676,802**	**7,811**	4,603	**27,152**	27,340
Telephony service customers	**551,530**	**79,719**	**471,811**	**(700)**	2,725	**(10,730)**	14,586

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

At May 31, 2014, PSU reached 2,452,118 of which 1,956,444 came from Canada and 495,674 came from the United States. For the three and nine-month periods ended May 31, 2014, PSU net losses stood at 2,509 and 15,539 compared to 1,079 and net additions of 20,783 for the comparable periods of fiscal 2013, respectively. Fiscal 2014 third-quarter and first nine months net losses for Television service customers stood at 9,620 and 31,961 compared to 8,407 and 21,143, HSI service customers grew by 7,811 and 27,152 compared to 4,603 and 27,340 and the Telephony service customers net losses stood at 700 and 10,730 compared to net additions of 2,725 and 14,586 for the comparable periods of fiscal 2013. HSI net additions continued to stem from the enhancement of the product offering and the positive impact of the bundle offer.

In Canada, PSU decreased by 5,633 for the third-quarter of fiscal 2014, compared to a decrease of 1,013 for the comparable period last year. For the first nine months of fiscal 2014, PSU decreased by 23,678, compared to an increase of 17,089 for the comparable period in 2013. The decrease is explained by service category maturity and a much more competitive environment for all services.

In the United States, PSU increased by 3,124 for the third-quarter of fiscal 2014, compared to a decrease of 66 for the same period of prior year. For the first nine months of fiscal 2014, PSU increased by 8,139, compared to an increase of 3,694 for the comparable period in 2013. The increase is explained by additional HSI and Telephony services, offset by losses in the Television service.

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2014	May 31, 2013 (1)	Change	**May 31, 2014**	May 31, 2013 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Revenue	**496,448**	464,497	6.9	**1,457,436**	1,222,080	19.3
Operating expenses	**267,059**	249,315	7.1	**785,235**	654,327	20.0
Management fees – COGECO Inc.	**—**	—	—	**9,674**	9,569	1.1
Adjusted EBITDA	**229,389**	215,182	6.6	**662,527**	558,184	18.7
Operating margin	**46.2%**	46.3%		**45.5%**	45.7%	

REVENUE

Fiscal 2014 third-quarter revenue increased by $32.0 million, or 6.9%, to reach $496.4 million driven by the organic growth from all of our operating segments combined with favorable foreign exchange rates for our foreign operations. For the nine-month period ended May 31, 2014, revenue reached approximately $1.5 billion, an increase of $235.4 million, or 19.3% mainly as a result of the full year impact of the recent acquisitions which both occurred during fiscal 2013 combined with the organic growth from all of our operating segments and favorable foreign exchange rates in our foreign operations.

OPERATING EXPENSES AND MANAGEMENT FEES

For the third quarter of fiscal 2014, operating expenses increased by $17.7 million, to reach $267.1 million, an increase of 7.1% compared to the prior year. For the first nine months of the fiscal year, operating expenses amounted to $785.2 million, an increase of $130.9 million, or 20.0%, compared to the same period of fiscal 2013. Operating expenses increased is due to the full year impact of the recent acquisitions and the appreciation of the US dollar and British Pound currency against the Canadian dollar.

For the third quarter of fiscal 2014 and 2013, there was no management fees paid to COGECO Inc. For the first nine months 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.

ADJUSTED EBITDA

For the three and nine-month periods ended May 31, 2014, adjusted EBITDA increased by $14.2 million, or 6.6%, to reach $229.4 million, and by $104.3 million, or 18.7%, to reach $662.5 million, respectively, compared to the comparable periods of the prior year. The increases for the quarter is mainly attributable to the improvement from all our operating segments as well as the favorable foreign exchange rates compared to the same periods of last year while the increase for the first nine months is largely attributable to the full year impact of the recent acquisitions.

FISCAL 2014 REVISED FINANCIAL GUIDELINES

As a result of revised projections in the Cable segment described below, the Corporation revised its consolidated projection for the 2014 fiscal year. Profit for the year should decrease from $240 million to $215 million and consequently, profit for the year attributable to owners of the Corporation should amount to $70 million compared to $77 million for the revised projections issued on April 9, 2014.

Fiscal 2014 revised guidelines are as follows:

	Revised projections July 9, 2014	Revised projections April 9, 2014
	Fiscal 2014	Fiscal 2014
(in millions of dollars)	**$**	**$**
Financial guidelines		
Revenue	**2,105**	2,105
Adjusted EBITDA	**915**	915
Integration, restructuring and acquisition costs	**4**	—
Financial expense	**137**	137
Current income tax expense	**99**	103
Profit for the year	**215**	240
Profit for the year attributable to owners of the Corporation	**70**	77
Acquisitions of property, plant and equipment, intangible and other assets	**430**	430
Free cash flow[1]	**245**	245

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

CABLE SEGMENT

Giving effect to the impairment of property, plant and equipment of $32.2 million which occurred during the third quarter of fiscal 2014 in the Canadian operations as well as additional integration, restructuring and acquisitions costs related to restructuring activities, Cogeco Cable revised downwards its fiscal 2014 projected profit for the year compared to the one issued on April 9, 2014. Profit for the year is now expected to reach $210 million, a decrease of $25 million, or 10.6%, compared to the April 9, 2014 projections.

Fiscal 2014 revised financial guidelines are as follows:

	Revised projections July 9, 2014	Revised projections April 9, 2014
	Fiscal 2014	Fiscal 2014
(in millions of dollars, except operating margin and capital intensity)	**$**	$
Financial guidelines		
Revenue	**1,955**	1,955
Adjusted EBITDA	**895**	895
Operating margin	**45.8%**	45.8%
Integration, restructuring and acquisition costs	**4**	—
Depreciation and amortization	**470**	470
Financial expense	**130**	130
Current income tax expense	**96**	100
Profit for the year	**210**	235
Acquisitions of property, plant and equipment, intangible and other assets	**425**	425
Free cash flow[1]	**240**	240
Capital intensity	**21.7%**	21.7%

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

FISCAL 2015 PRELIMINARY FINANCIAL GUIDELINES

For fiscal 2015, COGECO expects revenue to reach $2.19 billion and adjusted EBITDA should reach $945 million, as a result of the Cable segment's 2015 preliminary guidelines and the projected results of the radio and transit advertising activities. Free cash flow should reach approximately $270 million and profit for the year attributable to the owners of the Corporation $88 million.

(in millions of dollars)	**Preliminary projections Fiscal 2015 $**	Revised projections July 9, 2014 Fiscal 2014 $
Financial guidelines		
Revenue	**2,185**	2,105
Adjusted EBITDA	**945**	915
Integration, restructuring and acquisition costs	**—**	4
Financial expense	**132**	137
Current income tax expense	**105**	99
Profit for the year	**265**	215
Profit for the year attributable to owners of the Corporation	**88**	70
Acquisitions of property, plant and equipment, intangible and other assets	**438**	430
Free cash flow[(1)]	**270**	245

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

CABLE SEGMENT

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

For fiscal 2015, Cogeco Cable expects to achieve revenue of $2.03 billion, representing a growth of $75 million or 3.8% compared to the revised fiscal 2014 projection issued on July 9, 2014. In the Cable segment, revenue should stem primarily from targeted marketing initiatives to improve penetration rates of HSI and Telephony services in the commercial and business sector while the penetration of residential Telephony and Television services should slow in Canada, reflecting service category maturity and intense competition. Furthermore, Digital video and HSI services should continue to benefit from customers' ongoing interest in TiVo's digital entertainment services in the United States as well as the projected launch of TiVo services in Canada. Cable segment will also benefit from the impact of rate increases in most of its services. In its Enterprise services operations, revenue growth should stem primarily from managed hosting and colocation services due to the expansion of Barrie data centre facility as well as from the migration of services in the portfolio that generate revenue with higher margins. In addition, the construction of a new data centre facility in Kirkland, Montreal,is expected be completed in the first half of fiscal 2015 and should begin generating revenue. The revenue growth should also be driven by connectivity services as a result of network expansions and new customer installations.

Fiscal 2015 operating expenses are expected to expand by approximately $45 million, or 4.2%, compared to the 2014 revised projections due to additional expenditures to support the Enterprise services segment growth, salary increases as well as the continuation of the marketing initiatives and retention strategies. These increases should be partly offset by cost reduction initiatives from improved systems and processes and by the restructuring activities that was completed in fiscal 2014.

For fiscal 2015, Cogeco Cable expects adjusted EBITDA of $925 million, an increase of $30 million, or 3.4%, compared to the 2014 revised projections. The operating margin is expected to reach approximately 45.6% in fiscal 2015, compared to the revised projections for the 2014 fiscal year of 45.8%, reflecting lower margins business activities from the Enterprise services operations as well as operating expenses increasing slightly faster than the revenue.

Cogeco Cable expects the depreciation and amortization of property, plant and equipment and intangible assets to decrease by $5 million for fiscal 2015, mainly from the increase in capital expenditures with longer useful lives resulting in lower depreciation and amortization expense for fiscal 2015. Cash flows from operations should finance capital expenditures which are expected to reach $430 million compared to $425 million for the 2014 revised projections. Fiscal 2015 capital expenditures should increase mainly due to the completion of the expansion of the Barrie data centre facility and the construction of a new data centre in Kirkland in the Enterprise services segment.

Fiscal 2015 free cash flow is expected to amount to $270 million, an increase of $30 million, or 12.5% compared to the projected free cash flow of $240 million due to the adjusted EBITDA growth, partly offset by additional capital expenditures. As a result, generated free cash flow will reduce Indebtedness net of cash and cash equivalent, thus improving Cogeco Cable's net leverage ratios. Financial expense should amount to $125 million, a decrease of $5 million, or 3.8%, from lower Indebtedness level. Finally, profit for the year should reach approximately $260 million compared to $210 million for the 2014 revised projections.

Fiscal 2015 preliminary financial guidelines are as follows:

(in millions of dollars, except operating margin and capital intensity)	**Preliminary projections Fiscal 2015 $**	Revised projections July 9, 2014 Fiscal 2014 $
Financial guidelines		
Revenue	**2,030**	1,955
Adjusted EBITDA	**925**	895
Operating margin	**45.6%**	45.8%
Integration, restructuring and acquisition costs	**—**	4
Depreciation and amortization	**465**	470
Financial expense	**125**	130
Current income tax expense	**100**	96
Profit for the year	**260**	210
Acquisitions of property, plant and equipment, intangible and other assets	**430**	425
Free cash flow[(1)]	**270**	240
Capital intensity	**21.2%**	21.7%

(1) Free cash flow is calculated as adjusted EBITDA less, integration, restructuring and acquisition costs, 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 May 31, 2014, and concluded that, as described below, there exists a material weakness in ICFR at Peer 1 Hosting. A material weakness in ICFR exists if there exists a deficiency or combination of deficiencies in ICFR such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

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

Management has committed additional resources in order to complete the review of Peer 1 Hosting's ICFR and bring them in line with Cogeco Cable's design standards by 2014 calendar year, and has progressed in terms of the implementation of a number of measures to address the deficiencies described above. More specifically, Management has implemented several detailed review processes that provide for a more granular level of analysis. Moreover, access rights are being adjusted to reflect proper segregation of duties, and a series of corporate policies have been introduced to enhance Peer 1 Hosting'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 Hosting'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 nine-month periods ended May 31, 2014 do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, and (ii) the 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 nine-month periods ended May 31, 2014.

Peer 1 Hosting represents 10% of revenue, -16% of profit for the period, 15% of total assets, 17% of current assets, 15% of non current assets, 6% of current liabilities and 16% of non current liabilities of the condensed consolidated interim financial statements for the nine-month period ended May 31, 2014.

UNCERTAINTIES AND MAIN RISK FACTORS

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

On October 24, 2013, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued Broadcasting Notice of Invitation inviting Canadians to express their views on the future of the television system in Canada. The initial phases of the "Let's Talk TV" public proceeding and the issuance by the federal government on November 11, 2013 of Order in Council PC 2013-1167 directing the CRTC to report on the ability of Canadian consumers to subscribe to pay and specialty television services on a service-by-service basis have led to the issuance by the CRTC on April 24, 2014 of Notice of Public Hearing CRTC 2014-190 setting up a proposed new broadcasting regulatory approach. If adopted at the conclusion of this proceeding, the new regulatory framework would provide, among other things, that broadcasting distribution undertakings ("BDUs") offer to their customers: a) a small basic service comprised only of local television stations, mandatory services under subsection 9(1)(h) of the *Broadcasting Act*, as well as the relevant provincial educational services, the community channel and the provincial legislature service in the area served by the BDU; and b) all other licensed or exempted programming services and non-Canadian services as discretionary services on a pick-and-pay and on a build-your-own-package basis. BDUs would however be allowed to continue offering discretionary programming services in pre-assembled packages to subscribers in the same manner as they do now. This new regulatory framework would have a significant impact on the broadcasting distribution business of Cogeco Cable and other BDUs by forcing the removal of American conventional television networks and of popular sports and other specialty services from the basic service tier and requiring the handling of pick-and-pay and build-your-own-package options for all discretionary programming services. On June 27, 2014, Cogeco Cable filed a comprehensive intervention with the CRTC as part of this proceeding and has requested to appear at a public hearing to be held by the CRTC starting on September 8, 2014. At this time, it is not possible to determine the final outcome of this important regulatory proceeding, the timetable for its implementation or its impact on the broadcasting distribution activities and future financial outlook of Cogeco Cable.

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 the 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. Cogeco Cable has concluded multi-years agreements for the distribution of the Sportsnet and TVA Sport specialty programming services which include NHL hockey games in their respective programming. These agreements are factored into the financial guidelines issued by Cogeco Cable.

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 nine-month periods ended May 31, 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		Nine months ended	
	May 31, 2014	May 31, 2013 (1)	**May 31, 2014**	May 31, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**184,706**	167,641	**432,552**	318,731
Changes in non-cash operating activities	**(13,340)**	5,443	**82,379**	80,194
Amortization of deferred transaction costs and discounts on long-term debt	**2,007**	3,520	**5,856**	7,237
Income taxes paid	**16,672**	17,031	**55,888**	79,490
Current income tax expense	**(23,693)**	(27,563)	**(72,378)**	(76,227)
Financial expense paid	**44,210**	28,876	**107,316**	75,271
Financial expense	**(34,071)**	(36,776)	**(102,485)**	(84,899)
Cash flow from operations	**176,491**	158,172	**509,128**	399,797

(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		Nine months ended	
	May 31, 2014	May 31, 2013 (1)	**May 31, 2014**	May 31, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operations	**176,491**	158,172	**509,128**	399,797
Acquisition of property, plant and equipment	**(80,017)**	(108,976)	**(239,865)**	(289,016)
Acquisition of intangible and other assets	**(4,943)**	(4,516)	**(13,672)**	(13,650)
Free cash flow	**91,531**	44,680	**255,591**	97,131

(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		Nine months ended	
	May 31, 2014	May 31, 2013 (1)	**May 31, 2014**	May 31, 2013 (1)
(in thousands of dollars)	**$**	$	**$**	$
Profit for the period	**35,635**	49,995	**150,941**	146,051
Income taxes	**9,068**	19,080	**39,052**	53,341
Financial expense	**34,071**	36,776	**102,485**	84,899
Impairment of property, plant and equipment	**32,197**	—	**32,197**	—
Depreciation and amortization	**118,926**	112,867	**350,475**	272,831
Integration, restructuring and acquisitions costs	**3,186**	2,160	**3,780**	16,912
Adjusted EBITDA	**233,083**	220,878	**678,930**	574,034

(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	**May 31,**		February 28,		November 30,		August 31,	
(in thousands of dollars, except per share data)	**2014**	2013 (2)	**2014**	2013 (2)	**2013**	2012 (2)	2013 (2)	2012
	$	$	**$**	$	$	$	$	$
Revenue	**536,067**	504,434	**518,477**	458,501	**516,971**	366,608	504,714	356,685
Adjusted EBITDA	**233,083**	220,878	**221,807**	196,272	**224,040**	156,884	224,608	163,617
Impairment of property, plant and equipment	**32,197**	—	**—**	—	**—**	—	—	—
Income taxes	**9,068**	19,080	**14,147**	15,089	**15,837**	19,172	10,374	33,625
Profit for the period	**35,635**	49,995	**58,467**	48,950	**56,839**	47,106	43,770	44,900
Profit for the period attributable to owners of the Corporation	**11,469**	17,185	**17,391**	14,676	**23,055**	18,530	13,869	13,889
Cash flow from operating activities	**184,706**	167,641	**187,611**	157,095	**60,235**	(6,005)	233,464	203,193
Cash flow from operations	**176,491**	158,172	**173,415**	140,124	**159,222**	101,501	162,138	119,612
Acquisitions of property, plant and equipment, intangible and other assets	**84,960**	113,492	**81,997**	106,019	**86,580**	83,155	108,756	124,638
Free cash flow	**91,531**	44,680	**91,418**	34,105	**72,642**	18,346	53,382	(5,026)
Earnings per share (1)								
Basic	**0.69**	1.03	**1.04**	0.88	**1.38**	1.11	0.83	0.83
Diluted	**0.68**	1.02	**1.03**	0.87	**1.37**	1.10	0.82	0.83

(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 July 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
July 9, 2014



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2014

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

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
(In thousands of Canadian dollars, except per share data)	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)
Revenue	**536,067**	504,434	**1,571,515**	1,329,543
Operating expenses (note 5)	**302,984**	283,556	**892,585**	755,509
Integration, restructuring and acquisition costs	**3,186**	2,160	**3,780**	16,912
Depreciation and amortization (note 6)	**118,926**	112,867	**350,475**	272,831
Impairment of property, plant and equipment (note 7)	**32,197**	—	**32,197**	—
Financial expense (note 8)	**34,071**	36,776	**102,485**	84,899
Income taxes (note 9)	**9,068**	19,080	**39,052**	53,341
Profit for the period	**35,635**	49,995	**150,941**	146,051
Profit for the period attributable to:				
Owners of the Corporation	**11,469**	17,185	**51,915**	50,391
Non-controlling interest	**24,166**	32,810	**99,026**	95,660
	35,635	49,995	**150,941**	146,051
Earnings per share (note 10)				
Basic	**0.69**	1.03	**3.10**	3.01
Diluted	**0.68**	1.02	**3.08**	2.99

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

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
(In thousands of Canadian dollars)	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)
Profit for the period	**35,635**	49,995	**150,941**	146,051
Other comprehensive income (loss)				
Items to be subsequently reclassified to profit or loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**(4,919)**	1,343	**5,324**	9,288
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**4,408**	(1,026)	**(5,928)**	(9,709)
Income tax recovery (expense) on cash flow hedging adjustments	**178**	(119)	**(120)**	(304)
	(333)	198	**(724)**	(725)
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**(14,392)**	2,394	**23,087**	31,487
Net changes in unrealized adjustments on translation of long-term debt designated as hedges of net investments in foreign operations	**8,524**	(712)	**(13,234)**	(19,517)
	(5,868)	1,682	**9,853**	11,970
Items not to be subsequently reclassified to profit or loss				
Defined benefit pension plans actuarial adjustments				
Employee defined benefit pension plans actuarial re-measurements	**(200)**	5,530	**667**	7,599
Income tax recovery (expense) on defined benefit pension plans actuarial adjustments	**59**	(1,487)	**(172)**	(2,042)
	(141)	4,043	**495**	5,557
Other comprehensive income (loss) for the period	**(6,342)**	5,923	**9,624**	16,802
Comprehensive income for the period	**29,293**	55,918	**160,565**	162,853
Comprehensive income for the period attributable to:				
Owners of the Corporation	**9,291**	21,060	**54,948**	58,177
Non-controlling interest	**20,002**	34,858	**105,617**	104,676
	29,293	55,918	**160,565**	162,853

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 12)	Share-based payment reserve $ (note 12)	Accumulated other comprehensive income $ (note 13) (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	—	—	—	50,391	95,660	146,051
Other comprehensive income for the period	—	—	3,613	4,173	9,016	16,802
Comprehensive income for the period	—	—	3,613	54,564	104,676	162,853
Share based payment	—	1,757	—	—	1,596	3,353
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(81)	—	—	798	717
Dividends on multiple voting shares	—	—	—	(1,050)	—	(1,050)
Dividends on subordinate voting shares	—	—	—	(8,484)	(25,703)	(34,187)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(36)	36	—
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(1,201)	—	—	—	—	(1,201)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	1,034	(1,041)	—	7	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	—	—	—	(4,076)	(4,076)
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	(457)	—	3	454	—
Non-controlling interest acquired as a result of a business combinations	—	—	—	—	16,962	16,962
Acquisition of non-controlling interest	—	—	—	—	(17,424)	(17,424)
Total contributions by and distributions to shareholders	(167)	178	—	(9,560)	(27,357)	(36,906)
Balance at May 31, 2013	117,769	5,516	4,649	318,240	883,925	1,330,099
Balance at August 31, 2013	**117,769**	**6,007**	**6,177**	**326,952**	**911,311**	**1,368,216**
Profit for the period	**—**	**—**	**—**	**51,915**	**99,026**	**150,941**
Other comprehensive income for the period	**—**	**—**	**2,925**	**108**	**6,591**	**9,624**
Comprehensive income for the period	**—**	**—**	**2,925**	**52,023**	**105,617**	**160,565**
Share-based payment	**—**	**2,628**	**—**	**—**	**2,936**	**5,564**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(489)**	**—**	**—**	**5,470**	**4,981**
Dividends on multiple voting shares	**—**	**—**	**—**	**(1,216)**	**—**	**(1,216)**
Dividends on subordinate voting shares	**—**	**—**	**—**	**(9,846)**	**(29,738)**	**(39,584)**
Effect of change in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**131**	**(131)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(1,941)**	**—**	**—**	**—**	**—**	**(1,941)**
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	**1,629**	**(1,543)**	**—**	**(86)**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**—**	**—**	**—**	**(6,934)**	**(6,934)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	**—**	**(1,010)**	**—**	**9**	**1,001**	**—**
Total contributions by and distributions to shareholders	**(312)**	**(414)**	**—**	**(11,008)**	**(27,396)**	**(39,130)**
Balance at May 31, 2014	**117,457**	**5,593**	**9,102**	**367,967**	**989,532**	**1,489,651**

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

(In thousands of Canadian dollars)	**May 31, 2014** **$**	August 31, 2013 $
		(restated, notes 2 and 3)
Assets		
Current		
Cash and cash equivalents	**30,526**	43,793
Trade and other receivables (note 16 A))	**132,659**	118,312
Income taxes receivable	**24,465**	18,372
Prepaid expenses and other	**18,045**	14,182
	205,695	194,659
Non-current		
Other assets	**10,037**	11,046
Property, plant and equipment	**1,794,227**	1,874,866
Intangible assets	**1,994,599**	2,002,677
Goodwill	**1,257,618**	1,228,356
Derivative financial instruments	**6,157**	833
Deferred tax assets	**139,441**	141,398
	5,407,774	5,453,835
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**13,217**	13,166
Trade and other payables	**210,163**	294,014
Provisions	**17,617**	12,800
Income tax liabilities	**45,608**	23,924
Deferred and prepaid revenue	**57,015**	56,656
Balance due on a business combination, bank prime rate plus 1%	**2,000**	2,000
Current portion of long-term debt (note 11)	**24,994**	15,216
	370,614	417,776
Non-current		
Long-term debt (note 11)	**2,893,555**	2,984,740
Deferred and prepaid revenue and other liabilities	**25,441**	21,287
Pension plan liabilities and accrued employees benefits	**16,739**	21,459
Deferred tax liabilities	**611,774**	640,357
	3,918,123	4,085,619
Shareholders' equity		
Equity attributable to owners of the Corporation		
Share capital (note 12)	**117,457**	117,769
Share-based payment reserve	**5,593**	6,007
Accumulated other comprehensive income (note 13)	**9,102**	6,177
Retained earnings	**367,967**	326,952
	500,119	456,905
Non-controlling interest	**989,532**	911,311
	1,489,651	1,368,216
	5,407,774	5,453,835

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

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
(In thousands of Canadian dollars)	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)
Cash flow from operating activities				
Profit for the period	**35,635**	49,995	**150,941**	146,051
Adjustments for:				
Depreciation and amortization (note 6)	**118,926**	112,867	**350,475**	272,831
Impairment of property, plant and equipment (note 7)	**32,197**	—	**32,197**	—
Financial expense (note 8)	**34,071**	36,776	**102,485**	84,899
Income taxes (note 9)	**9,068**	19,080	**39,052**	53,341
Share-based payment (note 12)	**2,763**	1,693	**7,166**	4,149
Loss on disposals and write-offs of property, plant and equipment	**770**	13	**2,065**	1,837
Defined benefit pension plans contributions, net of expense	**(1,182)**	(1,433)	**(6,246)**	(9,184)
Other	**—**	—	**—**	(238)
	232,248	218,991	**678,135**	553,686
Changes in non-cash operating activities (note 14)	**13,340**	(5,443)	**(82,379)**	(80,194)
Income taxes paid	**(16,672)**	(17,031)	**(55,888)**	(79,490)
Financial expense paid	**(44,210)**	(28,876)	**(107,316)**	(75,271)
	184,706	167,641	**432,552**	318,731
Cash flow from investing activities				
Acquisition of property, plant and equipment	**(80,017)**	(108,976)	**(239,865)**	(289,016)
Acquisition of intangible and other assets	**(4,943)**	(4,516)	**(13,672)**	(13,650)
Business combination, net of cash and cash equivalents acquired (note 3)	**—**	(22,377)	**—**	(2,006,129)
Other	**25**	57	**605**	305
	(84,935)	(135,812)	**(252,932)**	(2,308,490)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	**9,351**	(3,993)	**51**	(741)
Net increases (repayments) under the revolving facilities	**(163,598)**	(305,691)	**(186,088)**	547,488
Issuance of long-term debt, net of discounts and transaction costs	**48,670**	694,651	**48,670**	1,728,617
Repayments of long-term debt	**(4,819)**	(406,956)	**(10,870)**	(408,640)
Increase in deferred transaction costs	**—**	(1,960)	**(1,346)**	(4,317)
Repayment of balance due on a business combination	**—**	—	**—**	(10,525)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 12)	**(12)**	—	**(1,941)**	(1,201)
Dividends paid on multiple voting shares	**(405)**	(350)	**(1,216)**	(1,050)
Dividends paid on subordinate voting shares	**(3,298)**	(2,807)	**(9,846)**	(8,484)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**553**	130	**4,981**	717
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 12)	**—**	—	**(6,934)**	(4,076)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	**(9,924)**	(8,564)	**(29,738)**	(25,703)
	(123,482)	(35,540)	**(194,277)**	1,812,085
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(535)**	1,089	**1,390**	1,794
Net change in cash and cash equivalents	**(24,246)**	(2,622)	**(13,267)**	(175,880)
Cash and cash equivalents, beginning of the period	**54,772**	42,265	**43,793**	215,523
Cash and cash equivalents, end of the period	**30,526**	39,643	**30,526**	39,643

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"), in radio broadcasting through Cogeco Diffusion Acquisitions Inc. (“Cogeco Diffusion”) and in out-of-home advertising specialized in the public transit sector through Métromédia CMR Plus Inc. (“Métromédia”) (see note 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 in Canada, and in the US, due to the winter season residents returning home from late spring through the fall in the Miami area.

The condensed interim consolidated financial statements were approved by the Board of Directors of COGECO Inc. at its meeting held on July 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-measurements.

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 May 31, 2013		
	As previously reported	Effects of amended IAS 19	As currently reported
	$	$	$
Operating expenses			
Salaries, employee benefits and outsourced services	96,811	(304)	96,507
Financial expense	36,487	289	36,776
Income taxes	19,076	4	19,080
Profit for the period	49,984	11	49,995
Other comprehensive income			
Employee defined benefit pension plans re-measurements	5,461	69	5,530
Income tax expense on defined benefit pension plan actuarial adjustments	(1,469)	(18)	(1,487)
Earnings per share			
Basic	1.02	—	1.03
Diluted	1.02	—	1.02

	Nine months ended May 31, 2013		
	As previously reported	Effects of amended IAS 19	As currently reported
	$	$	$
Operating expenses			
Salaries, employee benefits and outsourced services	256,093	(912)	255,181
Financial expense	84,032	867	84,899
Income taxes	53,329	12	53,341
Profit for the period	146,018	33	146,051
Other comprehensive income			
Employee defined benefit pension plans re-measurements	7,392	207	7,599
Income tax expense on defined benefit pension plan actuarial adjustments	(1,988)	(54)	(2,042)
Earnings per share			
Basic	3.01	—	3.01
Diluted	2.99	—	2.99

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 Hosting”). 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 Hosting 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 Hosting 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 Hosting'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 Hosting was finalized by Cogeco Cable during the second quarter of fiscal 2014.

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

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

The finalization of the purchase price allocation of Peer 1 Hosting during the second quarter ended February 28, 2014 had no impact on the statement of profit or loss and comprehensive income for the three and nine-month periods ended May 31, 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, Web 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.

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. Transactions between segments are measured at agreed to amounts between the parties.

					Three months ended May 31,	
	Cable		**Other**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
		(restated, note 2)		(restated, note 2)		(restated, note 2)
Revenue[1]	**496,448**	464,497	**39,619**	39,937	**536,067**	504,434
Operating expenses	**267,059**	249,315	**35,925**	34,241	**302,984**	283,556
Integration, restructuring and acquisition costs	**3,186**	2,101	**—**	59	**3,186**	2,160
Depreciation and amortization	**117,653**	111,445	**1,273**	1,422	**118,926**	112,867
Impairment of property, plant and equipment	**32,197**	—	**—**	—	**32,197**	—
Financial expense	**32,038**	35,146	**2,033**	1,630	**34,071**	36,776
Income taxes	**8,801**	18,411	**267**	669	**9,068**	19,080
Profit for the period	**35,514**	48,079	**121**	1,916	**35,635**	49,995
Acquisition of property, plant and equipment	**79,509**	108,325	**508**	651	**80,017**	108,976
Acquisition of intangible and other assets	**4,943**	4,516	**—**	—	**4,943**	4,516

(1) For the three-month period ended May 31, 2014, revenue by geographic market included $396,172 in Canada ($381,388 in 2013), $129,833 in the United States ($115,931 in 2013) and $10,062 in Europe ($7,115 in 2013).

	Cable		Other		Nine months ended May 31, Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$
		(restated, notes 2 and 3)		(restated, note 2)		(restated, notes 2 and 3)
Revenue[1]	**1,457,436**	1,222,080	**114,079**	107,463	**1,571,515**	1,329,543
Operating expenses	**785,235**	654,327	**107,350**	101,182	**892,585**	755,509
Management fees – COGECO Inc.	**9,674**	9,569	**(9,674)**	(9,569)	**—**	—
Integration, restructuring and acquisition costs	**3,780**	16,865	**—**	47	**3,780**	16,912
Depreciation and amortization	**346,540**	268,611	**3,935**	4,220	**350,475**	272,831
Impairment of property, plant and equipment	**32,197**	—	**—**	—	**32,197**	—
Financial expense	**97,505**	80,068	**4,980**	4,831	**102,485**	84,899
Income taxes	**36,912**	51,615	**2,140**	1,726	**39,052**	53,341
Profit for the period	**145,593**	141,025	**5,348**	5,026	**150,941**	146,051
Total assets[2]	**5,206,189**	5,254,419	**201,585**	199,416	**5,407,774**	5,453,835
Property, plant and equipment[2]	**1,773,325**	1,854,155	**20,902**	20,711	**1,794,227**	1,874,866
Intangible assets[2]	**1,902,947**	1,910,089	**91,652**	92,588	**1,994,599**	2,002,677
Goodwill[2]	**1,218,493**	1,189,231	**39,125**	39,125	**1,257,618**	1,228,356
Acquisition of property, plant and equipment	**236,675**	286,457	**3,190**	2,559	**239,865**	289,016
Acquisition of intangible and other assets	**13,672**	13,650	**—**	—	**13,672**	13,650

(1) For the nine-month period ended May 31, 2014 revenue by geographic market included $1,167,506 in Canada ($1,110,256 in 2013), $376,042 in the United States ($209,851 in 2013) and $27,967 in Europe ($9,436 in 2013).

(2) At May 31, 2014 and August 31, 2013.

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

	Canada	United States	Europe	At May 31, 2014 Total
	$	**$**	**$**	**$**
Property, plant and equipment	**1,347,276**	**392,988**	**53,963**	**1,794,227**
Intangible assets	**1,174,486**	**808,260**	**11,853**	**1,994,599**
Goodwill	**372,835**	**832,938**	**51,845**	**1,257,618**

	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 May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Salaries, employee benefits and outsourced services	**103,999**	96,507	**302,680**	255,181
Service delivery costs[1]	**148,808**	141,135	**445,907**	373,739
Customer related costs[2]	**20,891**	20,713	**60,415**	54,764
Other external purchases[3]	**29,286**	25,201	**83,583**	71,825
	302,984	283,556	**892,585**	755,509

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, data US 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 May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Property, plant and equipment	**103,209**	96,622	**302,775**	237,990
Intangible assets	**15,717**	16,245	**47,700**	34,841
	118,926	112,867	**350,475**	272,831

7. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

During the third quarter of fiscal 2014, the Corporation's indirect cable subsidiary, Cogeco Cable Canada, recognized an impairment of $32.2 million of property, plant and equipment, capitalized wages and borrowing costs related to an Internet Protocol Television ("IPTV") solution project on which its Canadian operations had worked. As a result of the unexpected performance issues encountered with the platform, it had to be abandoned by Cogeco Cable Canada. At May 31, 2014, these costs were not yet depreciated.

8. FINANCIAL EXPENSE

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Interest on long-term debt	**33,304**	36,993	**99,293**	83,216
Net foreign exchange losses (gains)	**(336)**	186	**(373)**	924
Amortization of deferred transaction costs	**488**	(141)	**1,454**	1,038
Capitalized borrowing costs [1]	**(867)**	(995)	**(2,232)**	(2,792)
Other	**1,482**	733	**4,343**	2,513
	34,071	36,776	**102,485**	84,899

(1) For the three and nine-month periods ended May 31, 2014, the weighted average interest rate used for the capitalization of borrowing costs was 4.5% (6% in 2013).

9. INCOME TAXES

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Current	**23,693**	27,563	**72,378**	76,227
Deferred	**(14,625)**	(8,483)	**(33,326)**	(22,886)
	9,068	19,080	**39,052**	53,341

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 May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Profit before income taxes	**44,703**	69,075	**189,993**	199,392
Combined Canadian income tax rate	**25.81%**	25.47%	**26.62%**	26.60%
Income tax expense at combined income tax rate	**11,537**	17,604	**50,576**	53,031
Adjustment for losses or profit subject to lower or higher tax rates	**1,726**	3,191	**1,770**	2,798
Income taxes arising from non-deductible expenses	**1,368**	819	**103**	5,241
Tax impacts related to investments in foreign operations	**(4,928)**	(3,501)	**(13,445)**	(6,908)
Changes in valuation allowance	**—**	(961)	**—**	(2,203)
Other	**(635)**	1,928	**48**	1,382
Income tax expense	**9,068**	19,080	**39,052**	53,341

10. EARNINGS PER SHARE

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

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Profit for the period attributable to owners of the Corporation	**11,469**	17,185	**51,915**	50,391
Weighted average number of multiple and subordinate voting shares outstanding	**16,729,177**	16,725,074	**16,729,701**	16,725,745
Effect of dilutive incentive share units	**102,646**	107,124	**103,475**	107,810
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,831,823**	16,832,198	**16,833,176**	16,833,555
Earnings per share				
Basic	**0.69**	1.03	**3.10**	3.01
Diluted	**0.68**	1.02	**3.08**	2.99

11. LONG-TERM DEBT

	Maturity	Interest rate	May 31, 2014	August 31, 2013
		%	$	$
Parent Corporation				
Term Revolving Facility [a]				
Revolving loans	February 2018 [1]	2.83 [2]	**14,972**	72,891
Unsecured Debentures	November 2021	6.50	**34,734**	34,707
Senior Unsecured Notes [a]	March 2020	6.00	**48,716**	—
Finance lease	January 2017	3.23	**73**	93
Subsidiaries				
Term Revolving Facility [b]				
Canadian Revolving Facility				
Revolving loan – US$244.5 million (US$206 million at August 31, 2013)	January 2019	1.85 [2] [3]	**265,087**	216,918
Revolving loans	January 2019	2.89 [2]	**104,801**	219,561
Revolving loan – £56 million	January 2019	2.19 [2]	**101,769**	—
Secured Credit Facilities [b]				
Revolving Facility				
Revolving loan – £52.2 million at August 31, 2013	—	—	**—**	85,180
Revolving loan – US$21.9 million at August 31, 2013	—	—	**—**	23,061
UK Revolving Facility – £3.4 million at August 31, 2013	—	—	**—**	5,548
Senior Secured Notes				
Series A – US$190 million	October 2015	7.00 [4]	**205,528**	199,349
Series B	October 2018	7.60	**54,715**	54,672
Senior Secured Notes - US$215 million	June 2025	4.30	**231,656**	224,872
Senior Secured Debentures Series 2	November 2020	5.15	**198,801**	198,686
Senior Secured Debentures Series 3	February 2022	4.93	**198,497**	198,379
Senior Secured Debentures Series 4	May 2023	4.18	**297,180**	296,989
Senior Unsecured Debenture	March 2018	5.94	**99,856**	99,829
Senior Unsecured Notes – US$400 million	May 2020	4.88	**426,886**	413,674
First Lien Credit Facilities				
Term Loan A Facility – US$184 million (US$190 million at August 31, 2013)	November 2017	2.28 [2]	**195,522**	195,193
Term Loan B Facility – US$413.7 million (US$416.85 million at August 31, 2013)	November 2019	3.25 [2]	**434,434**	423,528
Revolving Facility – US$33 million at August 31, 2013	November 2017	— [2]	**—**	34,749
Term Revolving Facility [b]				
UK Revolving Facility – £2.3 million	January 2019	2.20 [2]	**4,180**	—
Finance leases	January 2015	3.27 [5]	**1,142**	2,077
			2,918,549	2,999,956
Less current portion			**24,994**	15,216
			2,893,555	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 May 31, 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 March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes for net proceeds of $48.7 million, net of transaction costs of approximately $1.3 million. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The net proceeds of the Senior Unsecured Notes was used to reimburse a portion of the Corporation's Term Revolving Facility of $100 million which facility was consequently reduced to $50 million.

b) On November 22, 2013, the Corporation's subsidiary, Cogeco Cable Inc., amended and restated its Term Revolving Facility of $800 million with a syndicate of lenders. The maturity was extended until January 22, 2019 and can be further extended annually. The amendments also reduced the margin for the calculation of the interest rate and reduced restrictions on certain covenants. The amended and restated Term Revolving Facility also replaced Cogeco Cable's Secured Credit Facilities 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.

12. 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

	May 31, 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
102,846 subordinate voting shares held in trust under the Incentive Share Unit Plan (107,124 at August 31, 2013)	**(4,531)**	(4,219)
	117,457	117,769

During the first nine 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	**40,074**	**1,941**
Subordinate voting shares distributed to employees	**(44,352)**	**(1,629)**
Balance at May 31, 2014	**102,846**	**4,531**

C) DIVIDENDS

For the nine-month period ended May 31, 2014, quarterly dividends of $0.22 per share, for a total of $0.66 per share, were paid to the holders of multiple and subordinate voting shares, totaling $11.1 million, compared to quarterly dividends of $0.19 per share, for a total of $0.57 per share or $9.5 million for the nine-month period ended May 31, 2013.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Cable Inc., offer to certain of its executives Stock Option Plans, which are described in the Corporation's annual consolidated financial statements. For the nine-month period ended May 31, 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 May 31, 2014 and August 31, 2013. However, for the nine-month period ended May 31, 2014, the Corporation's subsidiary, Cogeco Cable Inc., granted 311,650 stock options (207,142 in 2013) with an exercise price of $50.10 to $58.12 ($38.08 to $45.60 in 2013) of which 84,250 stock options (71,233 in 2013) were granted to COGECO Inc.'s senior executives who are also executives of Cogeco Cable. These options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. During the three and nine-month periods ended May 31, 2014, Cogeco Cable charged COGECO Inc. amounts of $124,000 and $286,000 ($99,000 and $275,000 in 2013) with respect to its options granted to COGECO Inc.'s senior executives. As a result, a compensation expense of $301,000 and $820,000 ($200,000 and $549,000 in 2013) was recorded for the three and nine-month periods ended May 31, 2014.

The weighted average fair value of stock options granted by Cogeco Cable for the nine-month period ended May 31, 2014 was $10.56 ($7.77 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**	26.59
Risk-free interest rate	**1.87**	1.49
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 May 31, 2014:

	Options	**Weighted average exercise price**
		$
Outstanding at August 31, 2013	**725,093**	**37.14**
Granted	**311,650**	**50.12**
Exercised[(1)]	**(161,563)**	**30.83**
Cancelled	**(77,824)**	**45.29**
Balance at May 31, 2014	**797,356**	**42.71**
Exercisable at May 31, 2014	**297,899**	**36.83**

(1) The weighted average share price for options exercised during the period was $51.91.

The Corporation and its subsidiary, Cogeco Cable Inc., also offer to certain of its executive and designated employee Incentive Share Unit Plans ("ISU Plans"), which are described in the Corporation's annual consolidated financial statements. For the nine-month period ended May 31, 2014, the Corporation and its subsidiary granted 40,074 (35,630 in 2013) and 137,071 (103,947 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 trustees to purchase 40,074 (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 $1,941,000 ($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 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 $1,703,000 and $4,744,000 ($978,000 and $2,804,000 in 2013) was recorded for the three and nine-month periods ended May 31, 2014, respectively, related to these plans. During the three and nine-month periods ended May 31, 2014, Cogeco Cable Inc. charged COGECO Inc. amounts of $122,000 and $440,000 ($117,000 and $336,000 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 May 31, 2014:

Outstanding at August 31, 2013	**107,124**
Granted	**40,074**
Distributed	**(44,352)**
Outstanding at May 31, 2014	**102,846**

Under the ISU Plan of Cogeco Cable Inc., the following ISUs were granted and are outstanding at May 31, 2014:

Outstanding at August 31, 2013	**209,608**
Granted	**137,071**
Distributed	**(73,171)**
Cancelled	**(14,700)**
Outstanding at May 31, 2014	**258,808**

The Corporation and its subsidiary, Cogeco Cable Inc., offer Deferred Share Unit Plans ("DSU Plans") for members of the Board of directors which is described in the Corporation's annual consolidated financial statements. For the nine-month period ended May 31, 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 Plans. A compensation expense of $759,000 and $1,602,000 ($275,000 and $556,000 in 2013) was recorded for the three and nine-month periods ended May 31, 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 May 31, 2014:

Outstanding at August 31, 2013	**30,854**
Issued	**9,120**
Dividend equivalents	**470**
Outstanding at May 31, 2014	**40,444**

Under the DSU Plan of Cogeco Cable Inc., the following DSUs were issued and are outstanding at May 31, 2014:

Outstanding at August 31, 2013	**23,745**
Issued	**7,228**
Dividend equivalents	**481**
Outstanding at May 31, 2014	**31,454**

13. 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)	(232)	3,845	3,613
Balance at May 31, 2013	773	3,876	4,649
Balance at August 31, 2013	**846**	**5,331**	**6,177**
Other comprehensive income (loss)	**(232)**	**3,157**	**2,925**
Balance at May 31, 2014	**614**	**8,488**	**9,102**

14. STATEMENTS OF CASH FLOWS

CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Trade and other receivables	**(2,847)**	(3,835)	**(14,505)**	(6,942)
Prepaid expenses and other	**420**	(378)	**(3,773)**	427
Trade and other payables	**13,339**	(3,862)	**(70,759)**	(80,722)
Provisions	**(768)**	122	**2,938**	(960)
Deferred and prepaid revenue and other liabilities	**3,196**	2,510	**3,720**	8,003
	13,340	(5,443)	**(82,379)**	(80,194)

15. 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 May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
	$	$	**$**	$
		(restated, note 2)		(restated, note 2)
Recognized in:				
Operating expenses				
Salaries, employee benefits and outsourced services				
Current service costs	**2,705**	2,598	**9,910**	7,989
Past service costs	**—**	—	**565**	—
Financial expense				
Other	**199**	289	**614**	867
	2,904	2,887	**11,089**	8,856

16. 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 May 31, 2014, management believes that the credit risk relating to its derivative financial instruments is minimal, since the

lowest credit rating of the counterparties to the agreements is “A” by Standard & Poor’s rating services (“S&P”) and “AA (low)” by Dominion Bond Rating Services (“DBRS”).

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

	May 31, 2014	August 31, 2013
	$	$
Trade accounts receivable	**128,150**	112,018
Allowance for doubtful accounts	**(7,782)**	(4,687)
	120,368	107,331
Other accounts receivable	**12,291**	10,981
	132,659	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 May 31, 2014 and August 31, 2013:

	May 31, 2014	August 31, 2013
	$	$
Less than 60 days overdue	**48,333**	44,161
60 to 90 days overdue	**4,948**	4,062
More than 90 days overdue	**5,833**	2,860
	59,114	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 May 31, 2014, the available amount of the Corporation’s Term Revolving Facility and Cogeco Cable Inc.'s Term Revolving Facility was $356.7 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$99 million ($107.3 million) was available at May 31, 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	**13,217**	**13,217**	**—**	**—**	**—**	**—**	**—**	**13,217**
Trade and other payables[1]	**191,827**	**191,827**	**—**	**—**	**—**	**—**	**—**	**191,827**
Long-term debt[2]	**2,917,334**	**4,391**	**27,322**	**240,475**	**35,779**	**231,878**	**2,411,999**	**2,951,844**
Balance due on a business combination	**2,000**	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Other liabilities	**1,955**	**—**	**736**	**1,253**	**1,253**	**48**	**—**	**3,290**
Derivative financial instruments	**(6,157)**	**—**	**—**	**(4,123)**	**—**	**—**	**—**	**(4,123)**
Finance leases[3]	**1,215**	**349**	**842**	**28**	**12**	**—**	**—**	**1,231**
	3,121,391	**211,784**	**28,900**	**237,633**	**37,044**	**231,926**	**2,411,999**	**3,159,286**

(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 May 31, 2014 and their respective maturities:

	2014 $	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
Interest payments on long-term debt	**17,515**	**123,557**	**115,494**	**107,336**	**104,370**	**272,936**	**741,208**
Interest receipts on derivative financial instruments	**(81)**	**(14,718)**	**(7,210)**	**—**	**—**	**—**	**(22,009)**
Interest payments on derivative financial instruments	**215**	**15,401**	**7,307**	**—**	**—**	**—**	**22,923**
	17,649	**124,240**	**115,591**	**107,336**	**104,370**	**272,936**	**742,122**

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 May 31, 2014, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facilities and First Lien Credit Facilities. To mitigate such risk, Cogeco Cable has entered on July 22, 2013 into interest rate swap agreements to fix the interest rate on $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 $6.5 million based on the outstanding debt at May 31, 2014.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. In order to mitigate this risk, the Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Corporation's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. 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 $5.8 million based on the outstanding debt at May 31, 2014.

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness, 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:

	May 31, 2014			August 31, 2013		
	US	**Euros**	**British Pounds**	US	Euros	British Pounds
	$	**$**	**$**	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**—**	**353**	**265**	7,536	1,171	257
Trade and other receivables	**2,449**	**—**	**—**	—	—	—
Bank indebtedness	**(508)**	**—**	**—**	—	—	—
Trade and other payables and provisions	**(4,874)**	**(7,390)**	**—**	(16,554)	(6,933)	—
	(2,933)	**(7,037)**	**265**	(9,018)	(5,762)	257

Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% fluctuation in the foreign exchange rates (US dollar, Euro and British Pound) would change financial expense by approximately $1 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 Hosting were borrowed directly in US dollars and British Pounds. At May 31, 2014, the investments for Atlantic Broadband and Peer 1 Hosting amounted to US$1.1 billion and £62.7 million while long-term debt hedging these investments were US$859.5 million and £56 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 May 31, 2014 was $1.0842 per US dollar and $1.8173 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $26.9 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:

	May 31, 2014		August 31, 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**2,918,549**	**3,045,366**	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 May 31, 2014 and August 31, 2013 the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

	May 31, 2014	August 31, 2013
Net senior indebtedness[(1)(2)] / operating income before depreciation and amortization[(3)]	**2.3**	2.7
Net indebtedness[(2)(4)] / operating income before depreciation and amortization[(3)]	**3.1**	3.4
Operating income before depreciation and amortization[(3)] / financial expense[(3)]	**6.3**	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 May 31, 2014 and August 31, 2013 excluding Atlantic Broadband and other non-significant unrestricted subsidiaries and including Peer 1 Hosting results for the twelve-month period ended May 31, 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.

17. SUBSEQUENT EVENT

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

CABLE SEGMENT CUSTOMER STATISTICS

	May 31, 2014	February 28, 2014	November 30, 2013	August 31, 2013	May 31, 2013
Primary service units[1]	**2,452,118**	**2,454,627**	**2,464,932**	2,467,657	2,481,017
CANADA	**1,956,444**	**1,962,077**	**1,975,502**	1,980,122	1,992,143
UNITED STATES	**495,674**	**492,550**	**489,430**	487,535	488,874
Television service customers	**1,034,991**	**1,044,611**	**1,057,859**	1,066,952	1,079,285
CANADA	**807,831**	**815,852**	**827,649**	834,771	845,344
Penetration as a percentage of homes passed	**47.9%**	**48.5%**	**49.3%**	49.9%	50.7%
UNITED STATES	**227,160**	**228,759**	**230,210**	232,181	233,941
Penetration as a percentage of homes passed	**43.8%**	**44.2%**	**44.5%**	44.9%	45.3%
High Speed Internet service customers	**865,597**	**857,786**	**848,897**	838,445	837,348
CANADA	**676,802**	**672,981**	**668,257**	661,337	661,178
Penetration as a percentage of homes passed	**40.2%**	**40.0%**	**39.8%**	39.5%	39.7%
UNITED STATES	**188,795**	**184,805**	**180,640**	177,108	176,170
Penetration as a percentage of homes passed	**36.4%**	**35.7%**	**34.9%**	34.3%	34.1%
Telephony service customers	**551,530**	**552,230**	**558,176**	562,260	564,384
CANADA	**471,811**	**473,244**	**479,596**	484,014	485,621
Penetration as a percentage of homes passed	**28.0%**	**28.1%**	**28.6%**	28.9%	29.1%
UNITED STATES	**79,719**	**78,986**	**78,580**	78,246	78,763
Penetration as a percentage of homes passed	**15.4%**	**15.3%**	**15.2%**	15.1%	15.2%

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