POWERFUL CONNECTIONS FOR OUR CUSTOMERS

GENUINE CONNECTIONS WITH OUR CUSTOMERS

PROFILE

COGECO Inc. is a diversified holding corporation which operates in the communications and media sectors. Through its Cogeco Cable Inc. subsidiary, COGECO provides its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Cable Inc. operates in Canada under the Cogeco Cable Canada name in Québec and Ontario, and in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through Cogeco Peer 1, Cogeco Cable Inc. provides its business customers with a suite of information technology services (colocation, network connectivity, managed hosting, cloud services and managed IT services), through its 21[1] data centres, extensive FastFiber Network™ and more than 50 points-of-presence in North America and Europe.

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

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

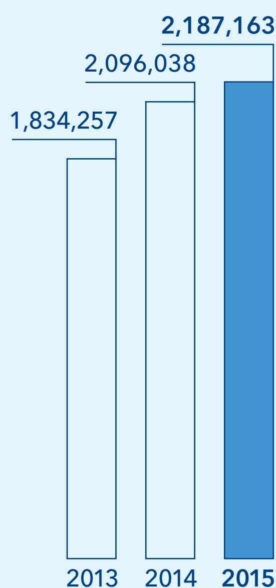
TABLE OF CONTENTS

THREE-YEAR FINANCIAL PERFORMANCE	2
FINANCIAL HIGHLIGHTS	3
MESSAGE TO SHAREHOLDERS	4
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")	7
CONSOLIDATED FINANCIAL STATEMENTS	44
INVESTOR INFORMATION	88
CABLE AND ENTERPRISE DATA SERVICES SEGMENT CUSTOMER STATISTICS	90
BOARD OF DIRECTORS AND CORPORATE MANAGEMENT	91
CORPORATE INFORMATION	93
SUBSIDIARIES AND OPERATING SEGMENTS	94

(1) At October 28, 2015.

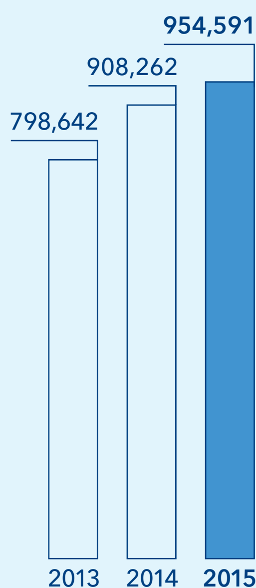
THREE-YEAR FINANCIAL **PERFORMANCE**

REVENUE
(in thousands of dollars)



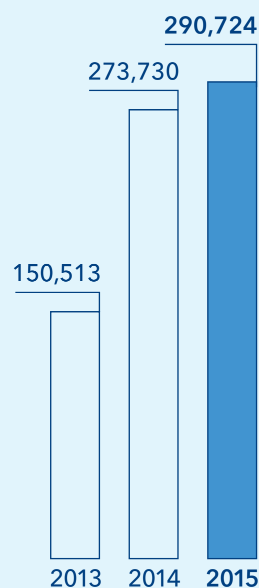
CAGR **
+9.2%

ADJUSTED EBITDA*
(in thousands of dollars)



CAGR **
+9.3%

FREE CASH FLOW*
(in thousands of dollars)



CAGR **
+39.0%

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

** CAGR is defined as the Compound Annual Growth Rate.

FINANCIAL HIGHLIGHTS

YEARS ENDED AUGUST 31, *(in thousands of dollars, except percentages and per share data)*	**2015 $**	2014 $	CHANGE %
OPERATIONS			
Revenue	**2,187,163**	2,096,038	4.3
Adjusted EBITDA	**954,591**	908,262	5.1
Integration, restructuring and acquisition costs	**13,950**	4,736	—
Settlement of a claim with a supplier	**(27,431)**	—	—
Impairment of property, plant and equipment	—	35,493	(100.0)
Profit for the year	**265,215**	210,170	26.2
Profit for the year attributable to owners of the Corporation	**89,627**	67,680	32.4
CASH FLOW			
Cash flow from operating activities	**694,300**	764,770	(9.2)
Cash flow from operations[1]	**733,399**	693,909	5.7
Acquisitions of property, plant and equipment, intangible and other assets	**442,675**	420,179	5.4
Free cash flow	**290,724**	273,730	6.2
FINANCIAL CONDITION			
Cash and cash equivalents	**164,189**	63,831	—
Property, plant and equipment	**2,005,461**	1,852,270	8.3
Total assets	**6,205,795**	5,367,730	15.6
Indebtedness[2]	**3,361,948**	2,848,040	18.0
Equity attributable to owners of the Corporation	**603,598**	513,965	17.4
PER SHARE DATA[3]			
Earnings per share			
Basic	**5.35**	4.05	32.1
Diluted	**5.32**	4.02	32.3
Weighted average number of multiple and subordinate voting shares outstanding	**16,737,173**	16,731,069	—

(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.
(2) Indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt, balance due on business combinations and obligations under derivative financial instruments.
(3) Per multiple and subordinate voting share.

MESSAGE TO SHAREHOLDERS

"For COGECO Inc., fiscal 2015 was a year for consolidation on many fronts and for seizing opportunities for growth, enhancing and improving our positioning in our markets. We are committed to remaining on our path of continued growth, building on our robust foundation, and increasing shareholder value. Consequently, our focus remains on optimizing profitability while efficiently managing capital to secure future growth."

JAN PEETERS
Chairman of the Board

Dear fellow shareholders:

For COGECO Inc. ("COGECO" or the "Corporation"), fiscal 2015 was a year where we continued to build from our solid foundation to further enhance and expand on our positioning in all of our markets. By maintaining rigorous cost control discipline in how we leverage our spending, we achieved continued growth and profitability, while remaining opportunistic and further strengthening our ability to create value in the years ahead.

Consolidated revenue increased by 4.3% in fiscal 2015 to $2.2 billion, while adjusted EBITDA reached $954.6 million, up by 5.1%. Profit for the year amounted to $265.2 million and the Corporation generated free cash flow of $290.7 million. Dividends paid to our shareholders increased by 15.9% to $17.1 million. Our subsidiary Cogeco Cable Inc. ("Cogeco Cable") made good progress and ended the year in a strong financial position.

COGECO CABLE

A YEAR FOR CONSOLIDATION AND BUILDING ON OUR STRENGTHS

Our steady performance in fiscal 2015 was largely bolstered by the very solid results of our American cable services segment as well as effective cost control in our three operating segments: Canadian cable services, American cable services and Enterprise data services. In 2015, we continued to demonstrate our ability to grow profitably and adapt our product and service offerings and our structure despite the challenges present in our markets, where we face intense competition from existing and new players, changing market dynamics and rapid technological advancements. We continue to expand and strengthen our presence in the North American cable market, most notably through a second acquisition in the United States. In the Enterprise data services segment, we have combined our business units and product offerings, positioning ourselves to increase operational efficiencies and leverage the global footprint. In all our operating segments, our solid management teams strive to further strengthen and enhance our market position.

INITIATIVES

Despite the intense competition that has continued to define the cable industry for the past several years, we have continued to demonstrate our ability to understand the needs of our customers, offering them the leading-edge services and solutions and superior customer service they expect and deserve. In our Enterprise data services segment, we continue to evolve our product offering and business model to adapt to the changes in technology, markets and customer needs. The following are examples of initiatives and achievements from our operating segments that demonstrate Cogeco Cable's capacity to adapt to fulfill customers' needs and create value for its shareholders.

Canadian cable services segment

On November 3, 2014 and on March 30, 2015, the Corporation's subsidiary, Cogeco Cable Canada, officially launched TiVo's digital advanced video services in Ontario and Québec, respectively. TiVo is the leader in advanced video services, providing TV viewers with simple universal search, discovery, viewing and recording from any device, integrating linear, recorded and over-the-top ("OTT") content, creating the ultimate viewing experience. These significant launches represent the completion of TiVo deployment in both our Canadian and American footprints.

For the sixth year in the last eight, Cogeco Cable Canada was awarded two "*Voice of Customer Excellence Awards*" by the *Service Quality and Measurement Group*, including winner of its *North American Call Center Award* for the highest level

"We have once again shown our capacity to grow, both in terms of our results and our footprint. Faced with constant changes in technology and market dynamics, we have successfully responded to these challenges by improving our product offering, building on our high standards of customer service, and adapting our structure where needed to ensure efficiency and effectiveness. Through this, we have demonstrated an underlying agility and single-minded focus to continually meet and exceed the evolving needs of our customers."

LOUIS AUDET
President and Chief Executive Officer

of customer service in the Canadian telecommunications and television industry. These awards demonstrate our continuing commitment to improving processes in order to better serve our clients and position our team as a leader in best practices for the call centre industry.

Throughout fiscal 2015, Cogeco Cable Canada continued to consolidate and improve its network, enhancing our offering to both our residential and business clients in Ontario and Québec.

American cable services segment

On August 20, 2015, Atlantic Broadband completed the acquisition of substantially all of the net assets of MetroCast Communications of Connecticut, LLC ("MetroCast Connecticut"). MetroCast Connecticut's network passes close to 70,000 homes and businesses across nine communities in eastern Connecticut. At August 31, 2015, MetroCast Connecticut served 27,256 video, 22,673 Internet and 7,817 telephony customers and brings Atlantic Broadband sizeable residential and business growth opportunities.

Notwithstanding customer growth through the MetroCast Connecticut acquisition, Atlantic Broadband increased its customer growth in fiscal 2015, by 3.5%, among the fastest growth rates in the United States cable industry.

Enterprise data services segment

In May 2015, Cogeco Cable Inc. built on its position as a leader in the Enterprise data services segment by combining the strength of its two business units Cogeco Data Services and Peer 1 Hosting to form Cogeco Peer 1. This combination represents a growth opportunity and builds on our current strength in this sector. By combining the resources and capabilities of our two business units, Cogeco Peer 1 is well positioned to increase operational, product offering and sales efficiencies and solidify its position as a trusted partner and global provider of essential business to business data products.

Cogeco Peer 1 continued to expand its data centre footprint with the construction of the first pod of a new approximately 100,000 gross square foot facility in Montréal, Québec, which was officially opened on September 18, 2015.

CORPORATE SOCIAL RESPONSIBILITY – PROGRESS AND RECOGNITION

Cogeco Cable strives to improve its performance in Corporate Social Responsibility ("CSR") in line with the expectations of its stakeholders, its corporate values and its business objectives, with the support of leaders from all our business units and a sound corporate governance framework. To achieve our goals of reducing our environmental footprint and having a positive impact on society, we have developed key performance indicators for social, economic and environmental objectives which are tracked and reported on a biannual basis to the Corporate Governance Committee.

Amongst our initiatives and achievements in fiscal 2015 was the implementation of the CSR program's key initiatives in all our business units. Over the course of the year we also developed a Suppliers' Code of Conduct, conducted an internal and external stakeholder engagement survey, had about 20% of our facilities undergo environmental assessments conducted by a third party and attributed over $2.7 million to sponsorships and donations. Once again this year, we were thrilled to see our efforts recognized as Corporate Knights Magazine raised our listing from 24th last year to 9th in fiscal 2015 in its *The Future 40 Responsible Corporate Leaders in Canada* ranking; and by Jantzi, which once again included us in its *Jantzi Social Index* of 60 Canadian companies that passed a set of broadly based environmental, social, and governance rating criteria.

For fiscal 2016, our focus will continue to be the implementation of our CSR program in our business units, as well as equipment energy consumption (such as set-top boxes) and conflict minerals, two areas of environmental concern that are currently receiving significant attention in the communications industry.

REGULATORY MATTERS

Following the conclusion of the “Let’s Talk TV” broadcasting policy proceeding earlier this year, the CRTC issued *Broadcasting Regulatory Policy* CRTC 2015-96 and draft amendments to the Broadcasting Distribution Regulations. These oblige licensed terrestrial and satellite broadcasting distribution undertakings to offer to all their customers a small basic service for a monthly retail price of no more than $25, and discretionary television services both individually à-la-carte and as part of small packages of up to 10 services. We consider that these changes to the regulatory framework are largely in line with the submissions made by Cogeco Cable as part of the CRTC's proceeding.

In fiscal 2015, the CRTC also initiated a telecommunications policy proceeding to consider a new regulatory framework for basic telecommunications service providers (“TSPs”). Among other things, the proceeding will consider the inclusion of broadband Internet access service as part of a basket of telecommunications services made available to all customers, and consider additional funding contributions from TSPs to support the offering of this expanded service at affordable rates throughout Canada. This proceeding is still pending and its outcome cannot be assessed at this time.

RADIO BROADCASTING AND OUT-OF-HOME ADVERTISING

Despite a slowdown in advertising spending in fiscal 2015, Cogeco Diffusion Inc. enjoyed a positive year thanks to solid audience ratings and tight cost management. Throughout fiscal 2015, Numeris' surveys in the Montréal region reported that our talk radio station, 98.5 FM, has remained the leader in the Greater Montréal market, while Rythme FM maintained its leadership position among the Montréal French-language music stations. Our English radio station, *The Beat*, continues to improve its performance. In our other Québec radio markets, both our talk and music format radio stations continue to either perform well or increase their audience in a highly competitive environment. Our Cogeco Métromédia subsidiary continues to focus on providing compelling advertising solutions that effectively reach our clients’ targets, while ensuring rigorous cost control discipline.

2016 OUTLOOK

In the Cable and Enterprise data services segment, we expect revenue growth to stem primarily from targeted marketing initiatives to improve penetration rates of our Internet services in the residential and business sectors and telephony services in the business sector in Canada and the United States. We expect customers' ongoing interest in TiVo's digital advanced video services to positively impact the penetration of digital video and Internet services. The Canadian and American cable services operations should also benefit from the impact of rate increases for most of its services in Canada and the United States and from primary service unit[1] (“PSU”) growth in the United States. For the Enterprise data services operations, revenue growth should stem primarily from network connectivity, colocation, managed hosting, cloud services and managed IT services due to the increasing market demand. Furthermore, we believe the operational, financial and organizational restructuring of this segment brings greater efficiencies in our operational and sales structures, and the development of a new, more focused go-to-market strategy targeting our customers’ needs and will favourably position the Enterprise data services operations.

Our radio broadcasting business expects to benefit financially from strong audience ratings, consolidating their leading position in Montréal and Québec City. In our out-of-home advertising business, Cogeco Métromédia has already begun putting in place innovative projects to further attract new advertisers.

For fiscal 2016, COGECO expects growth in revenue of 8% to 9%, adjusted EBITDA of 7% to 10%, free cash flow of 12% to 22% and profit for the year of 8% to 17%, of which a maximum of 11% will be attributable to the owners of the Corporation. We will continue to seek new growth opportunities in a prudent manner.

CONCLUDING REMARKS

We wish to thank the members of our Board of Directors for their counsel and unwavering support. We also wish to acknowledge the contribution of more than 4,700 employees who work towards COGECO’s success on a daily basis by upholding our values of dedication to customers, teamwork, innovation, respect and trust.

JAN PEETERS
Chairman of the Board

LOUIS AUDET
President and Chief Executive Officer

(1) Represents the sum of video, Internet and telephony services customers.

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

Management's Discussion and Analysis ("MD&A")

1. Forward-looking statements.... 8
2. Overview of the business.... 9
3. Operating and financial results.... 13
4. Related party transactions.... 15
5. Cash flow analysis.... 16
6. Financial position.... 19
7. Capital resources and liquidity.... 20
8. Cable and Enterprise data services segment.... 24
9. Quarterly financial highlights.... 26
10. Fiscal 2016 financial guidelines.... 30
11. Uncertainties and main risk factors.... 31
12. Corporate responsibility program.... 38
13. Controls and procedures.... 39
14. Accounting policies.... 39
15. Non-IFRS financial measures.... 39
16. Additional Information.... 42

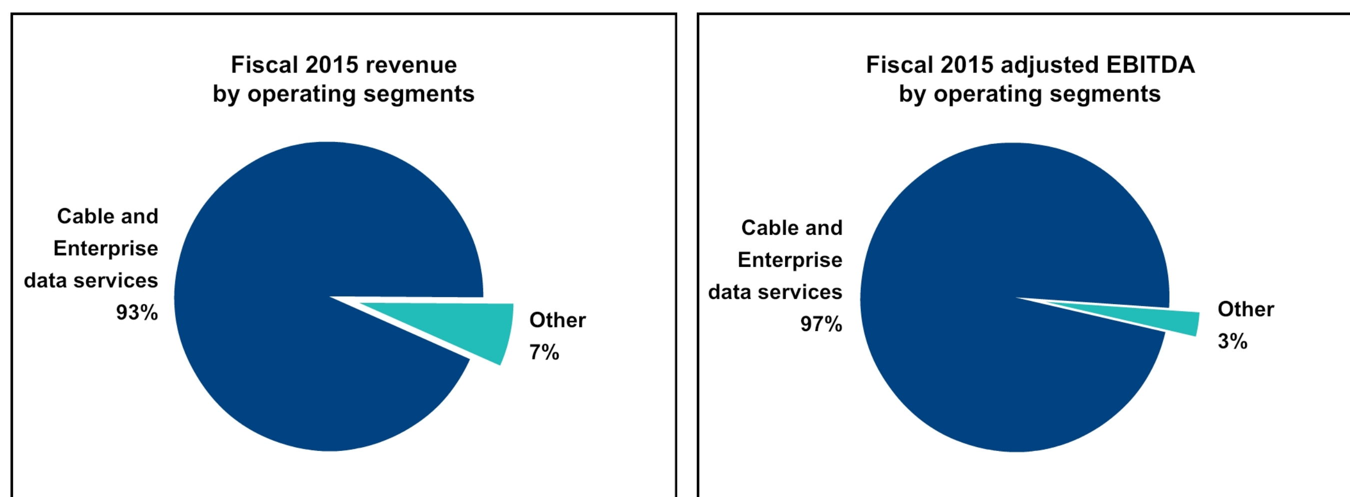
1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to COGECO Inc's ("COGECO" or "the Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, 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. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2016 Financial Guidelines" sections of the present MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what COGECO currently expects. These factors include risks such as technological changes, changes in markets and competition, increased cord-shaving or cord-cutting of our services, increased programming costs or support structure costs, the successful implementation of our business strategies, regulatory or policy developments, non-renewal of licences or franchises, a failure to renew a critical lease, a failure of supply of equipment or services, a failure in our cable network head-ends, the inability to enhance our information systems, security breaches, malicious or abusive Internet practices, disasters or other contingencies, general and economic conditions, fluctuations in foreign exchange rates, interest rates, capital markets and changes in tax policy, strikes or labor protests, loss of key executives and the Corporation's controlling shareholder having conflicting interests with shareholders and other stakeholders, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the present MD&A. These factors are not intended to represent a complete list of the factors that could affect COGECO and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A and forward-looking statements contained in this MD&A represent COGECO's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto, prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2015.

2. OVERVIEW OF THE BUSINESS

COGECO is a diversified holding corporation concentrated in various segments of the communication sector. In fiscal 2015, the Corporation reported its operating results in two operating segments: Cable and Enterprise data services and Other. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance. For the year ended August 31, 2015, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA[1] were as follows:



2.1 CABLE AND ENTERPRISE DATA SERVICES SEGMENT

Through its Cogeco Cable Inc. ("Cogeco Cable") subsidiary, COGECO provides its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Cable operates in Canada under the Cogeco Cable Canada name in Québec and Ontario, and in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1, Cogeco Cable provides its business a suite of information technology services (colocation, network connectivity, managed hosting, cloud services and a rich portfolio of managed IT services), with 21[2] data centres covering approximately 420,000 gross square feet, extensive FastFiber Network™ and more than 50 points-of-presence in North America and Europe.

At August 31, 2015, the Cable and Enterprise data services segment provided video service to 1,014,661 customers, Internet service to 934,470 customers and telephony service to 548,571 customers for a total of 2,497,702 primary service units[3] ("PSU").

2.2 OTHER

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

Through its subsidiary, Métromédia CMR Plus Inc. ("Métromédia"), COGECO operates an out-of-home advertising company specialized in the public transit sector.

2.3 CABLE AND ENTERPRISE DATA SERVICES SEGMENT NETWORKS AND INFRASTRUCTURE

CABLE OPERATIONS

Cogeco Cable Canada and Atlantic Broadband provide residential video, Internet, telephony services and business telecommunications services through advanced fibre optic and two-way broadband distribution networks. Cogeco Cable Canada and Atlantic Broadband deliver these services through long distance fibre optic systems, advanced hybrid fibre-coax ("HFC") broadband distribution networks, point to point fibre networks and Fibre-to-the-home ("FTTH") network technologies.

(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.
(2) At October 28, 2015.
(3) Represents the sum of video, Internet and telephony service customers.

Cogeco Cable Canada distribution network extends over 39,000 kilometres while Atlantic Broadband distribution networks extends over 19,000 kilometres. The leading-edge intercity optical transport networks extend over 10,000 kilometres and 850 kilometres in Canada and the United States, respectively. The broad reach of Cogeco Cable Canada and Atlantic Broadband core transport network is designed to easily interconnect, at very high speed, its many local distribution systems to video content providers, other public telephony networks, software application providers and to the world-wide Internet.

For residential services, Cogeco Cable Canada and Atlantic Broadband are deploying optical fibres to nodes serving clusters of typically 367 homes passed and 355 homes passed, respectively, with multiple fibres per node in most cases to rapidly extend the capacity of the system with smaller clusters when necessary. This just in time process, known as “node splitting”, leads to further improvement in quality and reliability while increasing the capacity of two-way services such as Internet, Video-on-Demand ("VOD") and telephony and maximizing the efficiency of capital investments. The HFC distribution infrastructure is designed with Radio Frequency ("RF") capacity of 450 MHz, 550 MHz, 750 MHz, 860 MHz or 1 GHz of bandwidth capacity, depending on the market served and customer needs.

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

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

(a) conversion of video services from analogue to digital. The deployment of Digital-To-Analog ("DTA") converters to its customers having older analogue equipment is completed in major systems and in almost all smaller systems. This significant capacity enhancement replaces each analogue channel by up to four High Definition ("HD") channels or sixteen Standard Definition ("SD") channels; and

(b) conversion to Switched Digital Video ("SDV") technology. This technology allows Cogeco Cable Canada to selectively broadcast the channels that are currently being viewed by customers, effectively allowing it to offer a greater selection of digital channels over the same network infrastructure. Conversion is completed in Ontario and technology will be extended in Québec over the next two fiscal years.

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

(a) in markets where overall bandwidth is below 750 MHz, Atlantic Broadband has completed the conversion of video services from analogue to digital with the deployment of DTA converters to its customers having older analogue television equipment;

(b) in 750 MHz markets where Atlantic Broadband has a larger customer base, it has begun the conversion to all digital, which it anticipates will be completed in 2016; and

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

Cogeco Cable Canada and Atlantic Broadband use DOCSIS technology to deliver Internet and business services over HFC networks. DOCSIS has numerous advanced features, including the prioritization of packets to ensure a continuous transmission and high quality of service delivery. This prioritization is important for services that need to be transmitted in real time, such as telephony service. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds up to 250 Mbps and beyond and for providing other products such as symmetrical services, which are particularly well suited for commercial customer applications. Today, Cogeco Cable Canada and Atlantic Broadband offers a top internet speed of 120 Mbps using DOCSIS 3.0 technology and they are on track to continue with the necessary infrastructure enhancements to selectively incorporate DOCSIS 3.1 to continue with speed increases to 250 Mbps and beyond. In select areas, Atlantic Broadband is currently offering Gigabit speeds using passive optical network technology.

Finally, Cogeco Cable Canada and Atlantic Broadband are deploying FTTH technology in all new residential developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. Cogeco Cable Canada and Atlantic Broadband use a FTTH technology called Radio Frequency over Glass ("RFoG"). The primary benefit of RFoG is its compatibility backward and forward with existing Cable Modem Termination System ("CMTS") investments and back-office systems. RFoG offers increased reliability, lower maintenance costs and is an excellent platform for the delivery of enhanced video services and higher speed internet services in the future.

The following table shows the percentage of homes passed in Canada and in the United States where Digital Video, VOD, Internet and telephony services were available at August 31, 2015:

	% of homes passed where service is available	
Service	**Canada**	**United States**
Digital video	99%	99%
VOD	97%	86%
Internet (DOCSIS 2.0)	98%	99%
Internet (DOCSIS 3.0)	97%	95%
Telephony	96%	99%

ENTERPRISE DATA SERVICES OPERATIONS

At October 28, 2015, Cogeco Peer 1 provided its services through 21 data centres covering approximately 420,000 gross square feet and more than 50 core points-of-presence in North America and Europe.

Cogeco Peer 1's data centres include highly secure and redundant IT infrastructure, including state of the art 24/7/365 monitoring, regulated climate control, power redundancy, support, and biometric security access. In addition, Cogeco Peer 1's data centres are designed, built, and operated to data centre industry standards in order to meet both service and compliance requirements of its enterprise customers.

During the last fiscal year, Cogeco Peer 1 completed the building of a new approximately 100,000 gross square foot data centre in Montréal, which officially opened on September 18, 2015. The new facility will be built-out in stages over several years, aligned with the pace at which Cogeco Peer 1 secures multi-year contracts.

2.4 BUSINESS DEVELOPMENTS AND OTHER

Numeris' spring 2015 survey in the Montréal region, conducted with the *Portable People Meter* ("PPM"), reported that *98.5 FM* is the leading radio station in the Montréal French market amongst all listeners as well as men two years old and over ("2+"), while *Rythme FM* has maintained its leadership position in the women 2+ segment among the musical stations. *The Beat* is the leading radio station in the women 35-64 segment in the Montréal English market. Finally, most of our other regional radio stations in Québec registered good ratings.

On October 27, 2015, the Corporation amended its Term Revolving Facility. Under the terms of the amendment, the maturity was extended by an additional year until February 1, 2021.

On October 14, 2015, a US subsidiary of Cogeco Cable has entered into two interest rate swap agreements to fix interest rates on a notional amount of US$150 million (US$75 million each agreement) of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate at a fixed rate of 0.6120% and 0.9870%, under Atlantic Broadband's Term Loan A and Term Loan A-2 Facilities until October 30, 2017 and July 31, 2019, respectively.

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Cable Inc., completed the acquisition of substantially all of the net assets of MetroCast Communications of Connecticut, LLC ("MetroCast Connecticut"), which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US$200 million, subject to a post-closing net working capital adjustment, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US$90 million and US$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Cable's footprint in the American cable market and provides for further growth potential.

2.5 CORPORATE OBJECTIVES AND STRATEGIES

COGECO's objectives are to provide outstanding service to its customers and create shareholder value by increasing profitability and ensuring continued revenue growth. The Corporation maximizes profitability and shareholder value by maintaining strict control over spending. In order to achieve this, COGECO seeks to become more efficient with its processes. In addition, tight controls over processes ensure that shareholders receive timely and factual information on the Corporation's development.

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

The strategies employed to reach these objectives are specific to each segment described below.

CABLE AND ENTERPRISE DATA SERVICES SEGMENT

Cogeco Cable is dedicated to increasing shareholder value and consequently focuses on optimizing profitability while efficiently managing capital utilization to secure future growth. To achieve these objectives, Cogeco Cable has developed the following strategies:

Canadian and American cable services operations	Enterprise data services operations
Expanding service offerings, enhancing existing services at attractive prices and seeking value added acquisitions	Combining the operations of Cogeco Data Services and Peer 1 Hosting ("Cogeco Peer 1") in order to market a combined brand, supported by a people centric culture
Improving the networks with state of the art advanced technologies	Growing our customer base through an enhanced go to market strategy with a strong focus on specific horizontal and vertical markets
Improving customer experience and business processes to build on customer loyalty and retention	Rationalizing and expanding our product suite to bring relevant solutions to market, supported by exceptional customer service
Maintaining sound capital management and strict control over spending	Strengthening internal processes and systems to improve operational efficiency, optimize infrastructure and minimize operating expenses
	Optimizing the use of current assets in order to minimize operating expenses

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

Cogeco Cable measures its performance, with regard to these objectives by monitoring adjusted EBITDA, operating margin, free cash flow and capital intensity. For further details please refer to the 2015 Annual Report of Cogeco Cable Inc. available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

RADIO BROADCASTING AND OUT-OF-HOME ADVERTISING

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

ANTICIPATED RESULTS OF THE CORPORATION'S STRATEGIES

Results from the successful implementation of the above-described strategies should increase revenue and adjusted EBITDA thus leading to heightened profitability and reduced Indebtedness that will be measured based on the following criteria (these criteria are described in greater detail on "Fiscal 2016 financial guidelines" section):

- COGECO expects in fiscal 2016 to achieve adjusted EBITDA between $1.0 billion and $1.1 billion mainly due to the Cable and Enterprise data services segment's projected operating results in fiscal 2016; and
- The Corporation expects to generate free cash flow between $330 million and $360 million resulting from the growth in adjusted EBITDA, partly offset by increases in acquisitions of property, plant and equipment and current income taxes.

Please refer to the "Key performance indicators and performance highlights" section for further details on the fiscal 2015 results and achievements.

2.6 KEY PERFORMANCE INDICATORS AND PERFORMANCE HIGHLIGHTS

The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with IFRS and should not be considered an alternative to other measures of performance in accordance with IFRS. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies. The Corporation measures its performance, with regard to these objectives by monitoring adjusted EBITDA[(1)] and free cash flow[(1)].

	Original projections October 31, 2014	**Actual**	Achievement of the original projections[(1)]
	Fiscal 2015	**Fiscal 2015**	Fiscal 2015
(in millions of dollars, except percentages)	$	**$**	
Financial guidelines			
Revenue	2,185	**2,187**	✓
Adjusted EBITDA	945	**955**	✓
Integration, restructuring and acquisition costs[(2)]	—	**14**	×
Financial expense	132	**149**	×
Current income taxes	105	**97**	✪
Profit for the year	265	**265**	✓
Profit for the year attributable to owners of the Corporation	88	**90**	✓
Acquisitions of property, plant and equipment, intangible and other assets	438	**443**	✓
Free cash flow	280	**291**	✪

✪ : Surpassed ✓ : Achieved × : Under-achieved

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

(2) The integration, restructuring and acquisition costs are comprised of acquisition costs of $1.6 million with regards to a business combination in Cogeco Cable's American cable services operations and restructuring costs of $12.3 million related to the operational, financial and organizational restructuring in Cogeco Cable's Enterprise data services operations.

For fiscal 2015, COGECO achieved or surpassed almost all of its key performance indicators compared to its original projections issued on October 31, 2014. For further details on the Corporation's operating results, please refer to the "Operating and financial results" and the "Cash flow analysis" sections.

(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.

2.7 ADJUSTED EBITDA

Adjusted EBITDA is a benchmark commonly used in the telecommunications industry, as it allows comparisons with companies that have different capital structures and is more current measures since it excludes the impact of historical investments in assets. Adjusted EBITDA evolution assesses COGECO's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its debt. Adjusted EBITDA is a proxy for cash flow from operations[1]. Consequently, adjusted EBITDA is one of the key metrics used by the financial community to value the business and its financial strength. Fiscal 2015 adjusted EBITDA amounted to $955 million, achieving the Corporation's original projections issued on October 31, 2014.

2.8 FREE CASH FLOW

Free cash flow is defined as cash flow from operations less acquisitions of property, plant and equipment, intangible and other assets. The financial community closely monitors this indicator since it measures the Corporation's ability to repay debt, distribute capital to its shareholders and finance its growth. Fiscal 2015 free cash flow amounted to $291 million, surpassing the Corporation's original projections. The Corporation expects to use the increased free cash flow to reduce its indebtedness and further invest where appropriate.

2.9 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	**2015**	2014	2013
(in thousands of dollars, except percentages and per share data)	**$**	$	$
Revenue	**2,187,163**	2,096,038	1,834,257
Adjusted EBITDA	**954,591**	908,262	798,642
Integration, restructuring and acquisition costs	**13,950**	4,736	21,662
Settlement of a claim with a supplier	**(27,431)**	—	—
Impairment of property, plant and equipment	**—**	35,493	—
Profit for the year	**265,215**	210,170	189,821
Profit for the year attributable to owners of the Corporation	**89,627**	67,680	64,260
Cash flow from operating activities	**694,300**	764,770	552,195
Cash flow from operations	**733,399**	693,909	561,935
Acquisitions of property, plant and equipment, intangible and other assets	**442,675**	420,179	411,422
Free cash flow	**290,724**	273,730	150,513
Total assets	**6,205,795**	5,367,730	5,348,627
Indebtedness	**3,361,948**	2,848,040	3,054,275
Equity attributable to owners of the Corporation	**603,598**	513,965	456,905
Per Share Data[1]			
Earnings per share attributable to owners of the Corporation			
Basic	**5.35**	4.05	3.84
Diluted	**5.32**	4.02	3.82
Dividends	**1.02**	0.88	0.76

(1) Per multiple and subordinate voting share.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years ended August 31,	**2015**	2014	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**2,187,163**	2,096,038	4.3
Operating expenses	**1,232,572**	1,187,776	3.8
Adjusted EBITDA	**954,591**	908,262	5.1

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

REVENUE

Fiscal 2015 revenue amounted to $2.2 billion, an increase of $91.1 million, or 4.3% compared to fiscal 2014 as a result of the improvement in the Cable and Enterprise data services segment.

In the Cable and Enterprise data services segment, fiscal 2015 revenue amounted to $2.0 billion, an increase of $95.7 million, or 4.9% compared to fiscal 2014, driven by a growth of 20.1% in its American cable services operations, 3.5% in its Enterprise data services operations and 0.6% in its Canadian cable services operations. Revenue increased as a result of the growth in its American cable services operations, with stable revenue in its Canadian cable services operations combined with the favorable foreign exchange rates for our foreign operations compared to fiscal 2014. For further details on revenue, please refer to the "Cable and Enterprise data services segment" section.

OPERATING EXPENSES

Fiscal 2015 operating expenses amounted to $1.2 billion, an increase of $44.8 million, or 3.8%, compared to fiscal 2014. The increase in operating expenses is mainly attributable to the Cable and Enterprise data services segment operating results, partly offset by cost reduction initiatives in the radio broadcasting and out-of-home advertising business activities.

In the Cable and Enterprise data services segment, fiscal 2015 operating expenses amounted to $1.1 billion, an increase of $58.4 million, or 5.6%, compared fiscal 2014. Operating expenses increased organically for all of its business units combined with the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by savings resulting from the operational, financial and organizational restructuring in its Enterprise data services segment. For further details on operating expenses, please refer to the "Cable and Enterprise data services segment" section.

ADJUSTED EBITDA

Fiscal 2015 adjusted EBITDA increased by $46.3 million, or 5.1%, to reach $954.6 million as a result of revenue growth exceeding operating expenses growth in the Cable and Enterprise data services segment, favorable foreign exchange rates compared to the prior year as well as cost reduction initiatives in the radio broadcasting and out-of-home advertising business activities.

In the Cable and Enterprise data services segment, fiscal 2015 adjusted EBITDA increased by $37.1 million, or 4.2%, to reach $930.5 million as a result of the improvement from all of its operating segments combined with the favorable exchange rates compared to fiscal 2014. For further details on adjusted EBITDA, please refer to the "Cable and Enterprise data services segment" section.

3.2 FIXED CHARGES

Years ended August 31,	**2015**	2014	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation and amortization	**472,615**	465,648	1.5
Impairment on property, plant and equipment	**—**	35,493	(100.0)
Financial expense	**148,892**	137,455	8.3

Fiscal 2015 depreciation and amortization expense reached $472.6 million compared to $465.6 million in the prior year. The increase resulted mainly from the appreciation of the US dollar and the British Pound currency compared to Canadian dollar and from additional acquisitions of property, plant and equipment, partly offset by certain intangible assets being fully amortized since the end of fiscal 2014.

For fiscal 2015, financial expense increased by $11.4 million, or 8.3%, to reach $148.9 million compared to $137.5 million in the prior year mainly due to the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by debt repayments.

During the third quarter of fiscal 2014, Cogeco Cable's subsidiary, Cogeco Cable Canada, recognized an impairment of $32.2 million of property, plant and equipment related to an Internet Protocol Television ("IPTV") project which had to be abandoned as a result of unexpected performance issues encountered with the platform. In addition, during the fourth quarter of fiscal 2014, Cogeco Cable recognized in its Enterprise data services segment, an impairment of $3.3 million of property, plant and equipment related to the rationalization of its automation platforms with regard to data centre operating activities.

3.3 SETTLEMENT OF A CLAIM WITH A SUPPLIER

On August 20, 2015, Cogeco Cable's subsidiary, Cogeco Cable Canada, concluded an agreement with a supplier to settle a claim that was initiated in a previous year. The settlement amounted to $27.4 million, which will be paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment.

3.4 INCOME TAXES

Fiscal 2015 income taxes amounted to $81.4 million, compared to $54.8 million in the prior year. The increase in fiscal 2015 is mostly attributable to the improvement of adjusted EBITDA, the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, the settlement of a claim with a supplier, the impact of a higher proportion of Cogeco Cable's subsidiary, Atlantic Broadband, profit on the consolidated operating results which is taxed at a higher rate and last year's impairment of property, plant and equipment in the Cable and Enterprise data services segment, partly offset by increases in integration, restructuring and acquisition costs and financial expense compared to fiscal 2014.

3.5 PROFIT FOR THE YEAR

Fiscal 2015 profit for the year amounted to $265.2 million of which $89.6 million, or $5.35 per share, was attributable to owners of the Corporation, compared to a profit of $210.2 million of which $67.7 million, or $4.05 per share, is attributable to owners of the Corporation in fiscal 2014. Profit progression for the year is mostly attributable to the improvement of adjusted EBITDA, the settlement of a claim with a supplier and last year's impairment of property, plant and equipment, partly offset by the increases in integration, restructuring and acquisition costs, financial expense and income taxes.

The non-controlling interest represents a participation of approximately 68% in Cogeco Cable's results. Profit for the year attributable to non-controlling interest amounted to $175.6 million in fiscal 2015 compared to $142.5 million for fiscal 2014.

The Corporation obtained a return on equity[1] of 16.0% for the year ended August 31, 2015 compared to 13.9% for the prior year. The improvement for fiscal 2015 is mainly due to increased profit for the year.

4. RELATED PARTY TRANSACTIONS

COGECO holds 31.9% of Cogeco Cable's equity shares, representing 82.4% of Cogeco Cable's voting shares.

On July 14, 2015, the Management Services Agreement (the "Agreement") pursuant to which COGECO provides executive, administrative, financial and strategic planning services and other services (the "Management Services") to Cogeco Cable was amended and restated (the "Amended and Restated Agreement"). Originally entered into in 1993 when the cable operations of COGECO were spun off into Cogeco Cable, COGECO initially provided the Management Services for an annual fee equal to 2% of Cogeco Cable's gross revenue, subject to an inflation-adjusted maximum annual fee. In addition, Cogeco Cable reimburses COGECO's out-of-pocket expenses incurred with respect to services provided to Cogeco Cable under the Agreement. The maximum annual fee level was increased only once in 1997 as a result of the growth of cable operations.

Consideration of the amendment began when a presentation related to the Management Services and fees was reviewed and discussed at a special meeting of the Board of COGECO at the end of June 2015. The independent Directors of the Board resolved that the management fees should be increased, for the fiscal year beginning on September 1, 2015, to an annual fee, payable monthly, equal to 0.85% of the consolidated revenue of Cogeco Cable, with no maximum level or inflation-based adjustment. Accordingly, COGECO submitted to Cogeco Cable a request for an adjustment of the fees and amendments to the Agreement.

As contemplated by the Agreement, this was referred to the Audit Committee of Cogeco Cable for determination. The Committee acknowledged that the size of operations of Cogeco Cable has expanded significantly in recent years, both by virtue of internal growth and its several acquisitions including Atlantic Broadband, Cogeco Data Services and Peer 1 Hosting. Consequently, the services, time and efforts of COGECO's management being supplied to Cogeco Cable have also increased significantly. The Audit Committee ultimately determined that the management fees were no longer aligned with the costs, time and resources committed by COGECO and should be increased to the requested level of 0.85% of the consolidated revenue of Cogeco Cable. The matter was then considered by Cogeco Cable's Board at its July 2015 meeting, and the increased level of management fees and the Amended and Restated Management Services Agreement were ratified and approved by the independent Directors of the Board. In the Amended and Restated Agreement, provision is made for future adjustment upon the request of either COGECO or Cogeco Cable should the level of management fees no longer align with the costs, time and resources committed by COGECO.

For fiscal year 2015, management fees have been set at a maximum of $9.9 million ($9.7 million in 2014), which were fully paid in the first quarter (fully paid in the first half of the year in fiscal 2014). In fiscal 2016, under the Amended and Restated Agreement, management fees will no longer be subject to a maximum amount and will be paid on a monthly basis. Accordingly, management fees will be recognized and paid throughout the year resulting in more comparable operating margins from quarter to quarter. For fiscal year 2016, management fees should amount to approximately $19 million.

No direct remuneration is payable to COGECO's executive officers by Cogeco Cable. However, during fiscal 2015, Cogeco Cable granted 61,300 (84,250 in 2014) stock options to these executive officers as executive officers of Cogeco Cable. During fiscal 2015, Cogeco Cable charged COGECO amounts of $502,000 ($293,000 in 2014) with regard to Cogeco Cable's stock options granted to these executive officers.

No Incentive Share Units ("ISUs") of Cogeco Cable were granted to executive officers of COGECO as executive officers of Cogeco Cable during fiscal 2015 (12,550 in 2014). During fiscal 2015, Cogeco Cable charged COGECO amounts of $303,000 ($681,000 in 2014) with regard to the ISUs previously granted by Cogeco Cable to these executive officers.

During the first quarter of fiscal 2015, Cogeco Cable introduced a Performance Share Unit Plan ("PSU Plan"). For fiscal 2015, Cogeco Cable granted 11,050 Performance Share Units ("PSUs") to executive officers of COGECO as executive officers of Cogeco Cable and charged COGECO an amount of $188,000 for the year ended August 31, 2015 with regard to Cogeco Cable's PSUs granted to these executive officers. Details regarding the new PSU Plan are provided in Note 17 of the consolidated financial statements.

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

5. CASH FLOW ANALYSIS

Years ended August 31, *(in thousands of dollars)*	**2015** **$**	2014 $
Operating activities		
Cash flow from operations	**733,399**	693,909
Changes in non-cash operating activities	**(63,402)**	47,981
Amortization of deferred transaction costs and discounts on long-term debt	**(8,702)**	(7,905)
Income taxes paid	**(76,179)**	(66,268)
Current income taxes	**96,879**	86,170
Financial expense paid	**(136,587)**	(126,572)
Financial expense	**148,892**	137,455
Cash flow from operating activities	**694,300**	764,770
Investing activities	**(705,122)**	(418,421)
Financing activities	**105,841**	(327,813)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**5,339**	1,502
Net change in cash and cash equivalents	**100,358**	20,038
Cash and cash equivalents, beginning of year	**63,831**	43,793
Cash and cash equivalents, end of year	**164,189**	63,831

5.1 OPERATING ACTIVITIES

Fiscal 2015 cash flow from operating activities reached $694.3 million, representing a decrease of $70.5 million, or 9.2%, compared to fiscal 2014 mainly as a result of the following:

- the decrease of $111.4 million in change in non-cash operating activities primarily due to changes in working capital;
- the increase of $10.0 million in financial expense paid;
- the increase of $9.9 million in income taxes paid; and
- the increase of $9.2 million in integration, restructuring and acquisition costs; partly offset by
- the increase of $46.3 million in adjusted EBITDA; and
- the settlement of a claim with a supplier of $27.4 million.

For fiscal 2015, cash flow from operations reached $733.4 million, representing an increase of $39.5 million, or 5.7%, compared to $693.9 million in fiscal 2014 mainly as a result of the following:

- the improvement of $46.3 million in adjusted EBITDA; and
- the settlement of a claim with a supplier of $27.4 million; partly offset by
- the increase of $11.4 million in financial expense;
- the increase of $10.7 million in current income taxes; and
- the increase of $9.2 million in integration, restructuring and acquisition costs.

5.2 INVESTING ACTIVITIES

For fiscal 2015, investing activities amounted to $705.1 million, an increase of $286.7 million, or 68.5%, compared to $418.4 million mainly due to the acquisition of $263.2 million (US$201.3 million) of MetroCast Connecticut by Cogeco Cable's wholly-owned subsidiary, Atlantic Broadband, on August 20, 2015, combined with additional acquisitions of property, plant and equipment, intangible and other assets as explained below.

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Cable Inc., completed the acquisition of substantially all of the net assets of MetroCast Connecticut, which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US$200 million, subject to a post-closing net working capital adjustment, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US$90 million and US$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Cable's footprint in the American cable market and provides for further growth potential.

The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price of MetroCast Connecticut is as follows, pending the finalization of the determination of the fair value of the net assets acquired:

(in thousands of dollars)	**$**
Consideration	
Paid	
Purchase price	**261,600**
Working capital adjustments	**1,640**
	263,240
Net assets acquired	
Trade and other receivables	**616**
Prepaid expenses and other	**1,696**
Property, plant and equipment	**51,368**
Intangible assets	**108,564**
Goodwill	**101,685**
Trade and other payables assumed	**(689)**
	263,240

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

For the year ended August 31, 2015, acquisition of property, plant and equipment amounted to $426.4 million compared to $405.6 million for fiscal 2014. The increases are mainly due to the following factors in the Cable and Enterprise data services segment:

- additional customer premise equipment for the launch of TiVo digital advanced video services on November 3, 2014 in Ontario and on March 30, 2015 in Québec as well as its continued deployment in the United States;
- increase in scalable infrastructure and line extensions to extend and improve network capacity in the areas served; and
- the construction of pod 1 at a new data centre in Montréal, Québec; partly offset by
- lower capital expenditures in fiscal 2015 compared to fiscal 2014 to build out the remaining pods at the Barrie, Ontario data centre; and
- capital expenditures decreases due to the timing of certain initiatives.

Acquisitions of intangible and other assets amounted to $16.3 million compared to $14.6 million for fiscal 2014 as a result of higher reconnect activities, partly offset by lower customer acquisition costs.

5.3 FREE CASH FLOW AND FINANCING ACTIVITIES

Fiscal 2015 free cash flow amounted to $290.7 million, an increase of $17.0 million, or 6.2%, compared to last year mainly as a result of the following:

- the improvement of $46.3 million in adjusted EBITDA; and
- the settlement of a claim with a supplier of $27.4 million; partly offset by
- the increase of $22.5 million in acquisitions of property, plant and equipment, intangible and other assets;
- the increase of $9.2 million in integration, restructuring and acquisition costs;
- the increase of $11.4 million in financial expense; and
- the increase of $10.7 million in current income taxes.

During fiscal 2015, higher Indebtedness level provided for a cash increase of $174.8 million, as a result of the following:

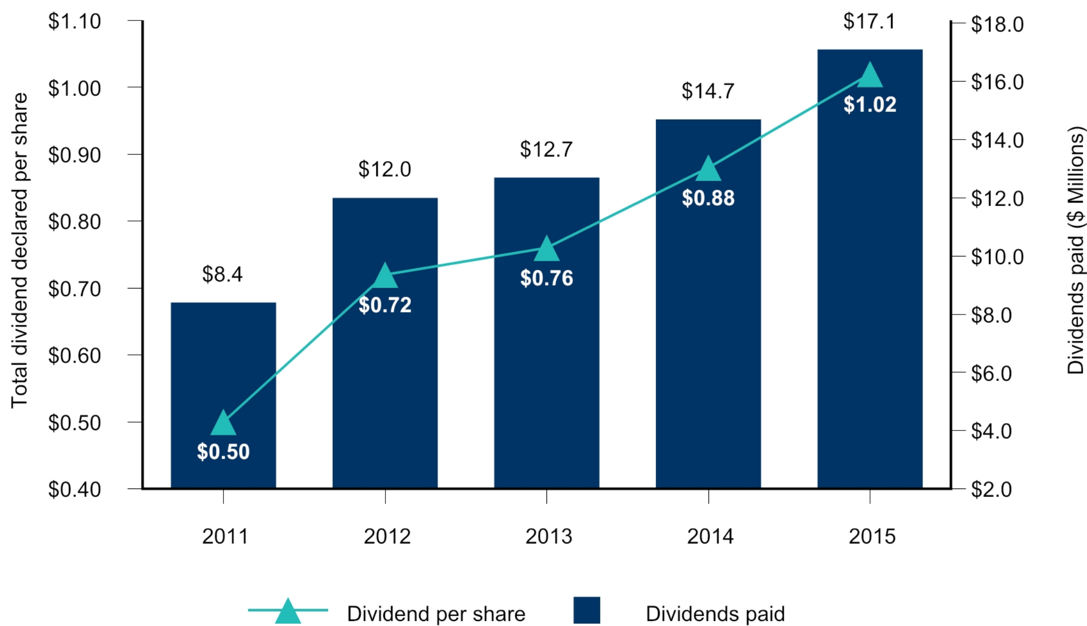
- the issuance, on August 20, 2015, in the Cable and Enterprise data service segment, of an incremental Term Loan A-2 Facility of $130.8 million (US$100 million) in connection with the acquisition of MetroCast Connecticut, for net proceeds of $128.6 million, net of transaction costs of $2.2 million (US$1.7 million); and
- the increase under the revolving facilities of $85.1 million mainly as a result of a draw-down of $117.7 million (US$90 million) to finance a portion of the acquisition of MetroCast Connecticut, partly offset by repayments; partly offset by
- the repayments of $35.7 million of Term Loan A and B Facilities.

During fiscal 2014, lower Indebtedness level provided for a cash decrease of $268.9 million, as a result of the following:

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

In fiscal 2015, quarterly dividends of $0.255 per share, totaling $1.02 per share were paid to the holders of subordinate and multiple voting shares, for a total of $17.1 million. In fiscal 2014, quarterly dividends of $0.22 per share, totaling $0.88 per share were paid to the holders of subordinate and multiple voting shares, for a total of $14.7 million. In addition, dividends paid by a subsidiary to non-controlling interests in fiscal 2015 amounted to $46.5 million compared to $39.7 million in the prior year. Overall, during the last five years, total dividend per share increased by 19.5% on a compounded annual basis.

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



6. FINANCIAL POSITION

6.1 WORKING CAPITAL

As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of trade and other receivables as a large portion of the Corporation's customers pay before their services are rendered, unlike trade and other payables, which are paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

The variations are as follows:

At August 31,	**2015**	2014	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Current assets				
Cash and cash equivalents	**164,189**	63,831	100,358	Excess cash flow generated from operations combined with the appreciation of the US dollar and British Pound currency against the Canadian dollar compared to last year, partly offset by long-term debt repayments and dividend payments.
Trade and other receivables	**149,355**	123,094	26,261	Increase in revenue and amount receivable from the settlement of a claim with a supplier combined with the appreciation of the US dollar and British Pound currency against the Canadian dollar.
Income taxes receivable	**10,753**	22,254	(11,501)	Mainly attributable to amounts received during the year.
Prepaid expenses and other	**18,016**	18,090	(74)	Non significant.
Derivative financial instruments	**49,834**	—	49,834	Increase in the value of the cross-currency swaps on the Senior Notes Series A maturing in October 2015 due to the appreciation of the US dollar currency against the Canadian dollar.
	392,147	227,269	164,878	
Current liabilities				
Bank indebtedness	**—**	3,228	(3,228)	Non significant.
Trade and other payables	**313,631**	345,910	(32,279)	Timing of payments made to suppliers.
Provisions	**24,445**	16,749	7,696	Non significant, for further details, refer to Note 15 in the consolidated financial statements.
Income tax liabilities	**54,826**	47,561	7,265	Non significant.
Deferred and prepaid revenue	**63,499**	57,012	6,487	Non significant.
Balance due on a business combination	**—**	2,000	(2,000)	Non significant, paid during the year.
Current portion of long-term debt	**297,657**	32,349	265,308	US$190 million Senior Secured Notes Series A maturing in October 2015.
	754,058	504,809	249,249	
Working capital deficiency	**(361,911)**	(277,540)	(84,371)	

6.2 OTHER SIGNIFICANT CHANGES

At August 31,	**2015**	2014	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Non-current assets				
Property, plant and equipment	**2,005,461**	1,852,270	153,191	Increase due to the acquisition of MetroCast Connecticut in the fourth quarter of fiscal 2015 combined with the appreciation of the US dollar and British Pound currency against the Canadian dollar and higher capital expenditures, partly offset by the depreciation expense.
Intangible assets	**2,214,998**	1,986,187	228,811	Increase due to the acquisition of MetroCast Connecticut in the fourth quarter of fiscal 2015 combined with the appreciation of the US dollar and British Pound currency against the Canadian dollar, partly offset by the amortization expense exceeding acquisitions of intangible assets.
Goodwill	**1,543,504**	1,259,654	283,850	Increase due to the acquisition of MetroCast Connecticut in the fourth quarter of fiscal 2015 combined with the US dollar and the British Pound currency appreciation against the Canadian dollar.
Non-current liabilities				
Long-term debt	**3,081,092**	2,782,712	298,380	Increase mainly due to the new Term A-2 Loan and the draw-down under the Revolving Facility related to the acquisition of MetroCast Connecticut in the fourth quarter of fiscal 2015 combined with the appreciation of the US dollar and British Pound currency against the Canadian dollar, partly offset by the increase in the current portion of long-term debt and repayments.
Deferred taxes liabilities	**528,211**	498,866	29,345	Refer to Note 10 in the consolidated financial statements.

7. CAPITAL RESOURCES AND LIQUIDITY

7.1 CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2016 guidelines:

Years ended August 31,	2016 Guidelines [1]	**2015**	2014
Average cost of indebtedness[2]	4.1%	**4.2%**	4.4%
Fixed rate indebtedness[3]	71%	**65%**	78%
Average term: long-term debt (in years)	4.6	**5.2**	6.2
Net secured indebtedness[4] / Adjusted EBITDA	2.6	**2.6**	2.4
Net indebtedness[5] / Adjusted EBITDA	3.3	**3.4**	3.1
Adjusted EBITDA / financial expense	6.4	**6.4**	6.6

(1) Based on mid-range guidelines.

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

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

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

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

In fiscal 2016, assuming no further acquisitions are made, the financial leverage ratios relating to net indebtedness and net secured indebtedness over adjusted EBITDA should decline due to the projected increase in adjusted EBITDA, combined with a reduction in Indebtedness from generated free cash flow. The financial expense coverage ratio should increase as a result of the projected increase in adjusted EBITDA and the projected decline in financial expense. The percentage of fixed rated indebtedness is expected to decline by August 31, 2016, as the US$190 million Senior Secured Notes due on October 1, 2015 will have been repaid with expected excess cash and on October 14, 2015, Cogeco Cable entered into interest rate swap agreements on a notional amount of US$150 million.

CABLE AND ENTERPRISE DATA SERVICES SEGMENT

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2016 guidelines:

Years ended August 31,	2016 Guidelines [1]	**2015**	2014
Average cost of indebtedness[2]	4.0%	**4.1%**	4.3%
Fixed rate indebtedness[3]	63%	**64%**	78%
Average term: long-term debt (in years)	4.6	**5.2**	6.2
Net secured indebtedness[4][5] / adjusted EBITDA[6]	N/A [8]	**2.1**	2.1
Net indebtedness[5][7] / adjusted EBITDA[6]	N/A [8]	**3.0**	2.9
Adjusted EBITDA[6] / financial expense[6]	N/A [8]	**6.3**	6.8

(1) Based on mid-range guidelines

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

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

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

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

(6) Calculation excludes Atlantic Broadband.

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

(8) Specific guidance on these ratios cannot be provided given that Atlantic Broadband's segmented financial guidance are not provided.

In fiscal 2016, assuming no further acquisitions are made, the financial leverage ratios relating to net indebtedness and net secured indebtedness over adjusted EBITDA should decline due to the projected increase in adjusted EBITDA, combined with a reduction in Indebtedness from generated free cash flow. The financial expense coverage ratio should increase as a result of the projected increase in adjusted EBITDA and the projected decline in financial expense. The percentage of fixed rated indebtedness is expected to decline by August 31, 2016, as the US$190 million Senior Secured Notes due on October 1, 2015 will have been repaid with expected excess cash and on October 14, 2015, Cogeco Cable entered into interest rate swap agreements on a notional amount of US$150 million.

7.2 OUTSTANDING SHARE DATA

A description of COGECO's share data at September 30, 2015 is presented in the table below. Additional details are provided in Note 17 of the consolidated financial statements.

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

7.3 FINANCING

In connection with the acquisition of MetroCast Connecticut by Cogeco Cable's subsidiary, Atlantic Broadband, on August 20, 2015, the First Lien Credit Facilities were amended on July 17, 2015 and such amendments became effective on the closing date of the acquisition. Pursuant to the amendment, an incremental Term Loan A-2 Facility in an amount of US$100 million was issued for net proceeds of US$98.3 million ($128.6 million) net of transaction costs of US$1.7 million ($2.2 million). The Term Loan A-2 Facility matures on September 3, 2019 and is subject to a quarterly fixed amortization schedule. In addition to the fixed amortization schedule, the Term Loan A-2 Facility is subject to a prepayment percentage of excess cash flow generated during the prior fiscal year which may reduce the quarterly fixed amortization schedule, consistent with that of the Term Loan A. Other terms and conditions related to financial covenants and interest rates remained the same.

On December 12, 2014, the Corporation amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by two additional years until February 1, 2020. Similarly, on the same date, the Corporation's subsidiary, Cogeco Cable Inc., has also amended its Term Revolving Facility to extend the maturity by an additional year until January 22, 2020.

At August 31, 2015, COGECO had used $15.0 million of its $50 million Term Revolving Facility for a remaining availability of $35.0 million. Furthermore, at August 31, 2015, Cogeco Cable had used $211.5 million of its $800.0 million amended and restated Term Revolving Facility for a remaining availability of $588.5 million. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Revolving Facility of $197.4 million (US150 million), of which $148.3 million (US$112.7 million) was used at August 31, 2015 for a remaining availability of $49.0 million (US $37.3 million).

7.4 COGECO CABLE CREDIT RATINGS

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

At August 31, 2015	**Moody's**	**DBRS**	**Fitch**	**S&P**
Cogeco Cable				
Senior Secured Notes and Debentures	**NR**	**BBB (low)**	**BBB-**	**BBB**
Senior Unsecured Notes	**NR**	**BB**	**BB+**	**BB-**
Atlantic Broadband				
First Liens Credit Facilities	**Ba3**	**NR**	**NR**	**BB**

NR : Not rated

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

On July 29, 2014, Dominion Bond Rating Service ("DBRS") confirmed their ratings of "BBB (low)" on the Senior Secured Debentures and Notes, of "BB" on the Senior Unsecured Notes and confirmed the "BB (high)" Issuer Rating. The "BBB (low)" rating is one notch above the Issuer rating of "BB (high)" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as of adequate credit quality. Obligations rated in the "BB" category are speculative, non-investment grade credit quality.

On April 28, 2014, Standard & Poor's Ratings Services ("S&P") confirmed their ratings of "BBB" on the Senior Secured Debentures and Notes, of "BB-" on the Senior Unsecured Notes and confirmed the "BB+" corporate credit rating. The "BBB" rating is two notches above the corporate credit ratings of "BB+" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as investment-grade. Such obligations show adequate protection parameters. The ratings may be modified by the addition of a plus "(+)" or minus "(-)" sign to show relative standing within the major rating categories. Obligations rated in the "BB" category are speculative, non-investment grade credit quality.

On April 13, 2015, Fitch Ratings ("Fitch") has confirmed the "BB+" Issuer Default Rating ("IDR") and has also confirmed the rating of "BBB-" on the Senior Secured Notes and of "BB+" on the Senior Unsecured Notes. Obligations rated in the "BBB" category are regarded as of good credit quality. Obligations rated in the "BB" category are regarded as speculative.

Atlantic Broadband

On June 20, 2015, following the announcement of an agreement to acquire MetroCast Connecticut, Moody's Investors Service ("Moody's") affirmed their ratings on Atlantic Broadband's credit facilities at "Ba3", one notch above the "B1" corporate family rating. Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

On June 17, 2015, following the announcement of an agreement to acquire MetroCast Connecticut, S&P confirmed their ratings on Atlantic Broadband's credit facilities to "BB", one notch above the "BB-" Issuer Rating.

7.5 FINANCIAL MANAGEMENT

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 Senior Secured Notes Series A.

The following table shows the cross-currency swaps outstanding at August 31, 2015:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Exchange rate	Hedged item
Cash flow	US$190 million	7.00% USD	7.24% CAD	October 1, 2015	1.0625	US$190 million Senior Secured Notes Series A

The Corporation is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds.The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximatively $7.7 million based on the outstanding debt at August 31, 2015.

The Corporation is also exposed to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation's subsidiary, Cogeco Cable Inc., has entered into foreign currency forward contracts during the third quarter of fiscal 2015 and designated them as cash-flow hedges for accounting purposes.

The following table shows the forward contracts outstanding at August 31, 2015:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$2.4 million	September 2015	1.22204	Purchase commitments of property, plant and equipment

Furthermore, Cogeco Cable's net investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk is 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.

The following table shows the investments in foreign operations outstanding at August 31, 2015:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$860.5 million	US$1.1 billion	Net investment in foreign operations in US dollar
Net investment	£54 million	£58.1 million	Net investment in foreign operations in British pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at August 31, 2015 was $1.3157 ($1.0873 in 2014) per US dollar and $2.0189 ($1.8052 in 2014) per British Pound. The impact of a 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $30.9 million.

For the year ended August 31, 2015, the average rates prevailing used to convert the operating results of the Cable and Enterprise data services segment were as follows:

Years ended August 31,	**2015**	2014	Change
	$	$	%
US dollar vs Canadian dollar	**1.2101**	1.0777	12.3
British Pound vs Canadian dollar	**1.8771**	1.7821	5.3

The following highlights in Canadian dollars, the impact of a 10% increase in US dollar or British Pound against the Canadian dollar on the Cable and Enterprise data services segment's operating results for the year ended August 31, 2015:

	Cable and Enterprise data services segment	
	As reported	Exchange rate impact
(in thousands of dollars)	$	$
Revenue	**2,043,316**	**65,502**
Operating expenses	**1,102,960**	**42,310**
Management fees - COGECO Inc.	**9,877**	**—**
Adjusted EBITDA	**930,479**	**23,192**
Acquisitions of property, plant and equipment, intangible and other assets	**439,220**	**20,912**

7.6 COMMITMENTS AND GUARANTEES

COGECO's contractual obligations at August 31, 2015 are shown in the table below:

Years ended August 31,	2016	2017	2018	2019	2020	Thereafter	Total
(in thousands of dollars)	$	$	$	$	$	$	$
Long-term debt[1]	**297,659**	**46,878**	**381,134**	**76,135**	**1,360,087**	**1,248,123**	**3,410,016**
Derivatives financial instruments	**(48,108)**	**—**	**—**	**—**	**—**	**—**	**(48,108)**
Finance leases[2]	**29**	**12**	**—**	**—**	**—**	**—**	**41**
Operating lease agreements[3]	**37,911**	**33,538**	**31,107**	**27,698**	**26,742**	**68,494**	**225,490**
Other long-term contracts[4]	**47,085**	**37,346**	**31,140**	**17,141**	**14,406**	**47,709**	**194,827**
Acquisition of property, plant and equipment and intangible assets[5]	**16,375**	**13,865**	**—**	**21,314**	**—**	**—**	**51,554**
Pension plan liabilities and accrued employees benefits [6]	**—**	**—**	**—**	**—**	**—**	**11,105**	**11,105**
Total contractual obligations[7]	**350,951**	**131,639**	**443,381**	**142,288**	**1,401,235**	**1,375,431**	**3,844,925**

(1) Including principal.
(2) Including interest.
(3) Include significant operating lease agreements for rented premises and support structures.
(4) Include long-term commitments with suppliers to provide services including minimum spend commitments.
(5) Include minimum spend commitments under acquisitions of home terminal devices and software licenses.
(6) The nature of these obligations prevents the Corporation from estimating an annual breakdown.
(7) Annual breakdown excludes pension plan liabilities and accrued employees benefits.

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

BUSINESS COMBINATIONS AND ASSET DISPOSALS

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation and its subsidiaries have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will in certain circumstances be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors' and officers' liability insurance with a deductible per loss. At August 31, 2015 and 2014, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 15 in the consolidated financial statements.

LONG-TERM DEBT

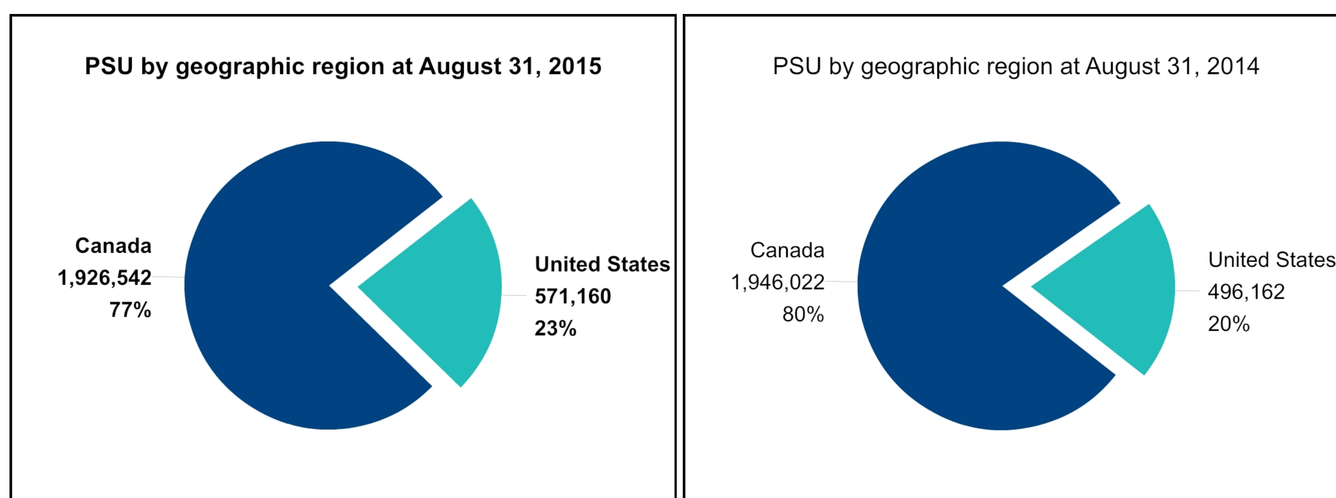
Under the terms of Cogeco Cable's Senior Secured Notes and Senior Unsecured Notes, the cable subsidiary has agreed to indemnify the other parties against changes in regulations relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents Cogeco Cable from estimating the maximum potential liability it could be required to pay. At August 31, 2015 and 2014, no liability has been recorded with respect to these indemnifications.

EMPLOYEES AND CONTRACTUALS INDEMNIFICATION AGREEMENTS

The Corporation's subsidiary, Cogeco Diffusion, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss. At August 31, 2015 and 2014, no liability has been recorded with respect to these indemnifications.

8. CABLE AND ENTERPRISE DATA SERVICES SEGMENT

8.1 CUSTOMER STATISTICS



	August 31, 2015			Net additions (losses) Years ended August 31,		% of penetration[2] August 31,	
	Consolidated	**Canada**	**United States** [1]	**2015** [1]	2014	**2015**	2014
PSU	**2,497,702**	**1,926,542**	**571,160**	**55,518**	(25,473)		
Video service customers	**1,014,661**	**765,358**	**249,303**	**(8,433)**	(43,858)	**44.6**	46.4
Internet service customers	**934,470**	**704,555**	**229,915**	**65,017**	31,008	**41.1**	39.5
Telephony service customers	**548,571**	**456,629**	**91,942**	**(1,066)**	(12,623)	**24.1**	24.9

(1) Includes 57,746 PSU (27,256 video services, 22,673 Internet services and 7,817 telephony services customers) from the acquisition of MetroCast Connecticut in the fourth quarter of fiscal 2015.

(2) As a percentage of homes passed.

At August 31, 2015, PSU reached 2,497,702 of which 1,926,542 came from Canada and 571,160 came from the United States. Fiscal 2015 PSU net additions stood at 55,518, of which 57,746 came from the acquisition of MetroCast Connecticut by Atlantic Broadband in the fourth quarter of fiscal 2015.

VIDEO

Fiscal 2015 video service customers net losses stood at 8,433 compared to 43,858 in fiscal 2014. The lower decrease is mainly due to the net additions of 27,256 from the acquisition of MetroCast Connecticut, the launch of TiVo digital advanced video services in Canada on November 3, 2014 in Ontario and on March 30, 2015 in Québec and throughout fiscal 2014 in the United States, partly offset by service category maturity and competitive offers in the industry.

INTERNET

Fiscal 2015 Internet service customers grew by 65,017 compared to 31,008 in fiscal 2014. Internet net additions are primarily due to the net additions of 22,673 from the acquisition of MetroCast Connecticut, the enhancement of the product offering, the positive impact of the bundle offers, the launch of TiVo's services and the growth in the business sector.

TELEPHONY

Fiscal 2015 telephony service customers net losses stood at 1,066 compared to 12,623 in fiscal 2014. The lower decrease is mainly attributable to the net additions of 7,817 from the acquisition of MetroCast Connecticut, partly offset by net losses in the Canadian cable services segment as a result of the increasing mobile penetration rate in North America and various unlimited offers launched by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only.

CANADA AND UNITED STATES

In Canada, PSU net losses stood at 19,480 in fiscal 2015 compared to 34,100 in fiscal 2014. In the United States, PSU net additions stood at 74,998, of which 57,746 additions came from the acquisition of MetroCast Connecticut in the fourth quarter of fiscal 2015 compared to 8,627 in fiscal 2014.

8.2 OPERATING RESULTS

Years ended August 31, *(in thousands of dollars, except percentages)*	**2015** **$**	2014 $	Change %
Revenue	**2,043,316**	1,947,591	4.9
Operating expenses	**1,102,960**	1,044,560	5.6
Management fees – COGECO Inc.	**9,877**	9,674	2.1
Adjusted EBITDA	**930,479**	893,357	4.2

REVENUE

Fiscal 2015 revenue amounted to $2.0 billion, an increase of $95.7 million, or 4.9% compared to fiscal 2014, driven by a growth of 20.1% in the American cable services segment, 3.5% in the Enterprise data services segment and 0.6% in the Canadian cable services segment. Revenue increased as a result of the growth in the American cable services segment, with stable revenue in the Canadian cable services segment combined with the favorable foreign exchange rates for our foreign operations compared to fiscal 2014.

OPERATING EXPENSES AND MANAGEMENT FEES

For fiscal 2015, operating expenses amounted to $1.1 billion, an increase of $58.4 million, or 5.6%, compared to the same period of fiscal 2014. Operating expenses increased organically for all of our business units combined with the appreciation of the US dollar and British Pound currency compared to the Canadian dollar, partly offset by the operational, financial and organizational restructuring in the Enterprise data services segment.

Management fees paid to COGECO Inc. amounted to $9.9 million compared to $9.7 million in fiscal 2014.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2015 adjusted EBITDA increased by $37.1 million, or 4.2%, to reach $930.5 million as a result of the improvement from all our operating segments combined with the favorable exchange rates compared to fiscal 2014.

Cogeco Cable’s operating margin slightly decreased to 45.5% from 45.9% for the prior year as a result of a reduction in the American cable services segment combined with its higher proportion in the consolidated operating results, partly offset by an improvement in the Enterprise data services segment and a stable margin in the Canadian cable services segment.

9. QUARTERLY FINANCIAL HIGHLIGHTS

9.1 QUARTERLY FINANCIAL HIGHLIGHTS

	Fiscal 2015				Fiscal 2014			
Quarters ended[1]	**Nov. 30**	**Feb. 28**	**May. 31**	**Aug. 31**	Nov. 30	Feb. 28	May. 31	Aug. 31
(in thousands of dollars, except percentages and per share data)	**$**	**$**	**$**	**$**	$	$	$	$
Revenue	**538,383**	**536,904**	**557,787**	**554,089**	516,971	518,477	536,067	524,523
Adjusted EBITDA	**233,983**	**229,069**	**246,977**	**244,562**	224,040	221,807	233,083	229,332
Integration, restructuring and acquisition costs	**—**	**1,339**	**5,669**	**6,942**	248	346	3,186	956
Settlement of a claim with a supplier	**—**	**—**	**—**	**(27,431)**	—	—	—	—
Impairment of property, plant and equipment	**—**	**—**	**—**	**—**	—	—	32,197	3,296
Profit for the period	**65,363**	**55,038**	**66,285**	**78,529**	56,839	58,467	35,635	59,229
Profit for the period attributable to owners of the Corporation	**26,774**	**14,867**	**22,584**	**25,402**	23,055	17,391	11,469	15,765
Cash flow from operating activities	**18,999**	**198,925**	**200,686**	**275,690**	60,235	187,611	184,706	332,218
Cash flow from operations	**174,252**	**172,493**	**182,736**	**203,918**	159,222	173,415	176,491	184,781
Acquisitions of property, plant and equipment, intangible and other assets	**103,524**	**103,576**	**104,807**	**130,768**	86,580	81,997	84,960	166,642
Free cash flow	**70,728**	**68,917**	**77,929**	**73,150**	72,642	91,418	91,531	18,139
Earnings per share attributable to the owners of the Corporation[2]								
Basic	**1.60**	**0.89**	**1.35**	**1.52**	1.38	1.04	0.69	0.94
Diluted	**1.59**	**0.88**	**1.34**	**1.51**	1.37	1.03	0.68	0.94

(1) The addition of quarterly information may not correspond to the annual total due to rounding.
(2) Per multiple and subordinate voting share.

9.2 SEASONAL VARIATIONS

COGECO's operating results are not generally subject to material seasonal fluctuations except as follows. In the Cable and Enterprise data services segment, the number of video and Internet customers 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, eastern Connecticut, Maryland and 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.

9.3 FOURTH-QUARTER OPERATING RESULTS

OPERATING RESULTS

CONSOLIDATED

Quarters ended August 31,	**2015**	2014	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**554,089**	524,523	5.6
Operating expenses	**309,527**	295,191	4.9
Adjusted EBITDA	**244,562**	229,332	6.6

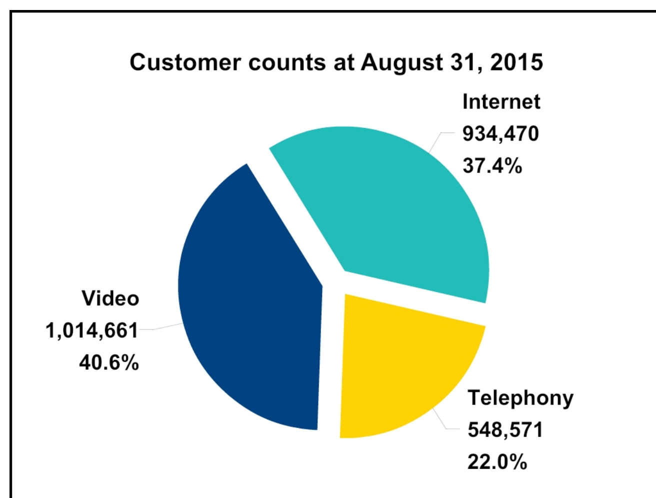
Fiscal 2015 fourth-quarter revenue increased by $29.6 million, or 5.6%, to reach $554.1 million compared to the prior year primarily due to the improvement in the Cable and Enterprise data services segment.

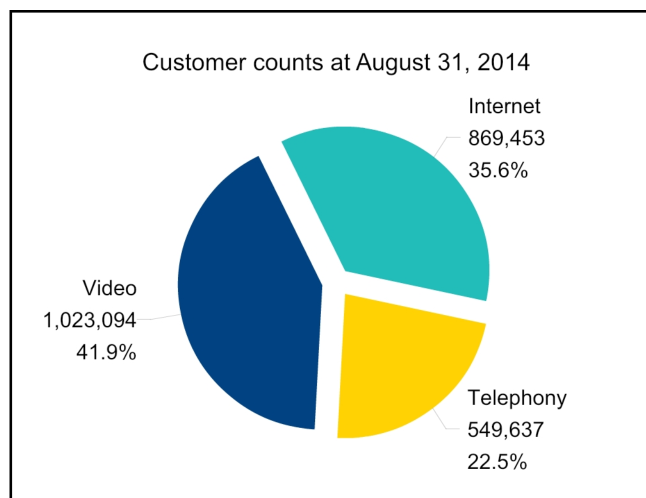
Fiscal 2015 fourth-quarter operating expenses increased by $14.3 million, or 4.9%, to reach $309.5 million compared to fiscal 2014. The increase in operating expenses is mainly attributable to the Cable and Enterprise data services segment operating results, partly offset by cost reduction initiatives in the radio broadcasting and out-of-home advertising business activities.

As a result of revenue growth exceeding operating expenses growth, adjusted EBITDA increased by $15.2 million, or 6.6%, to reach $244.6 million in the fourth quarter of fiscal 2015.

In the Cable and Enterprise data services segment, fiscal 2015 fourth-quarter revenue improved by $30.3 million, or 6.2%, to reach $520.4 million compared to the prior year driven by growth in its American cable services and Enterprise data services operations, with stable revenue in its Canadian cable services operations. Fiscal 2015 fourth-quarter operating expenses increased by $20.5 million, or 7.9%, at $279.8 million mainly due to favorable foreign exchange rates and organic growth, partly offset by cost reduction initiatives in its Canadian cable services and Enterprise data services operations. As a result, adjusted EBITDA increased by $9.8 million, or 4.2%, to reach $240.6 million.

CABLE AND ENTERPRISE DATA SERVICES SEGMENT CUSTOMER STATISTICS





	August 31, 2015			Net additions (losses) Quarters ended	
	Consolidated	Canada	United States (1)	August 31, 2015 (1)	August 31, 2014
PSU	**2,497,702**	**1,926,542**	**571,160**	**48,947**	(9,934)
Video service customers	**1,014,661**	**765,358**	**249,303**	**16,618**	(11,897)
Internet service customers	**934,470**	**704,555**	**229,915**	**29,413**	3,856
Telephony service customers	**548,571**	**456,629**	**91,942**	**2,916**	(1,893)

(1) Includes 57,746 PSU (27,256 video services, 22,673 Internet services and 7,817 telephony services customers) from the acquisition of MetroCast Connecticut in the fourth quarter of fiscal 2015.

Fiscal 2015 fourth-quarter PSU net additions amounted to 48,947 of which 57,746 came from the acquisition of MetroCast Connecticut by Atlantic Broadband on August 20, 2015 compared to net losses of 9,934 for the same period of prior year explained as follows:

VIDEO

Fiscal 2015 fourth-quarter video service customers net additions stood at 16,618, of which 27,256 net additions came from the acquisition of MetroCast Connecticut. The net variance is due to the launch of TiVo digital advanced video services in Canada on November 3, 2014 in Ontario and on March 30, 2015 in Québec as well as in fiscal 2014 in the United States, partly offset by promotional offers of competitors for the video services, service category maturity and the IPTV footprint growth from competitors.

INTERNET

Fiscal 2015 fourth-quarter Internet service customers grew by 29,413, of which 22,673 net additions came from the acquisition of MetroCast Connecticut. The net variance is due to the enhancement of product offering, the impact of the bundled offer of video, Internet and telephony services, the launch of TiVo's services, promotional activities and the growth in the business sector.

TELEPHONY

Fiscal 2015 fourth-quarter telephony service customers net additions stood at 2,916, of which 7,817 net additions came from the acquisition of MetroCast Connecticut. The net variance result mainly from the increasing mobile penetration rate in North America and various unlimited offers by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only.

CASH FLOW ANALYSIS

Quarters ended August 31, *(in thousands of dollars)*	**2015** **$**	2014 $
Operating activities		
Cash flow from operations	**203,918**	184,781
Changes in non-cash operating activities	**47,130**	130,360
Amortization of deferred transaction costs and discounts on long-term debt	**(2,226)**	(2,049)
Income taxes paid	**(20,100)**	(10,380)
Current income taxes	**30,126**	13,792
Financial expense paid	**(19,558)**	(19,256)
Financial expense	**36,400**	34,970
Cash flow from operating activities	**275,690**	332,218
Investing activities	**(394,258)**	(165,489)
Financing activities	**205,917**	(133,536)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**2,122**	112
Net change in cash and cash equivalents	**89,471**	33,305
Cash and cash equivalents, beginning of period	**74,718**	30,526
Cash and cash equivalents, end of period	**164,189**	63,831

Fiscal 2015 fourth-quarter cash flow from operating activities reached $275.7 million compared to $332.2 million last year, a decrease of $56.5 million, or 17.0%, mainly as a result of the following:

- the decrease of $83.2 million in non-cash operating activities primarily due to changes in working capital;
- the increase of $9.7 million in income taxes paid; and
- the increase of $6.0 million in integration, restructuring and acquisition costs; partly offset by
- the improvement of $15.2 million in adjusted EBITDA; and
- the settlement of a claim with a supplier of $27.4 million.

Fiscal 2015 fourth-quarter cash flow from operations reached $203.9 million compared to $184.8 million last year, an increase of $19.1 million, or 10.4%, mainly as a result of the following:

- the improvement of adjusted EBITDA of $15.2 million; and
- the settlement of a claim with a supplier of $27.4 million; partly offset by
- the increase of $16.3 million in current income taxes; and
- the increase of $6.0 million in integration, restructuring and acquisition costs.

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Cable Inc., completed the acquisition of substantially all of the net assets of MetroCast Connecticut, which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US$200 million, subject to a post-closing net working capital adjustment, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US$90 million and US$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Cable's footprint in the American cable market and provides for further growth potential.

The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price of MetroCast Connecticut is as follows, pending the finalization of the determination of the fair value of the net assets acquired:

(in thousands of dollars)	$
Consideration	
Paid	
Purchase price	**261,600**
Working capital adjustments	**1,640**
	263,240
Net assets acquired	
Trade and other receivables	**616**
Prepaid expenses and other	**1,696**
Property, plant and equipment	**51,368**
Intangible assets	**108,564**
Goodwill	**101,685**
Trade and other payables assumed	**(689)**
	263,240

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

Fiscal 2015 fourth-quarter acquisition of property, plant and equipment amounted to $126.0 million compared to $165.7 million in fiscal 2014. The decrease is mainly due to the following factors in the Cable and Enterprise data services segment:

- lower capital expenditures in fiscal 2015 compared to fiscal 2014 to build out the remaining pods at the Barrie, Ontario data centre; and
- capital expenditures decrease due to the timing of certain initiatives; partly offset by
- the construction of pod 1 at a new data centre in Montréal, Québec.

Fiscal 2015 fourth-quarter acquisition of intangible and other assets amounted to $4.8 million compared to $1.0 million in fiscal 2014 as a result of higher reconnect activities, partly offset by lower customer acquisition costs.

FREE CASH FLOW AND FINANCING ACTIVITIES

Fourth-quarter 2015 free cash flow amounted to $73.2 million, an increase of $55.0 million compared to the fourth quarter of fiscal 2014, mainly as a result of the following:

- the improvement of $15.2 million of adjusted EBITDA;
- the settlement of a claim with a supplier of $27.4 million; and
- the decrease of $35.9 million in acquisitions of property, plant and equipment, intangible and other assets; partly offset by
- the increase of $6.0 million in integration, restructuring and acquisition costs; and
- the increase of $16.3 million in current income taxes.

In the fourth quarter of fiscal 2015, a higher Indebtedness level resulted in a cash increase of $223.8 million, as a result of the following:

- the issuance, on August 20, 2015, in the Cable and Enterprise data service segment, of an incremental Term Loan A-2 Facility of $130.8 million (US$100 million) in connection with the acquisition of MetroCast Connecticut, for net proceeds of $128.6 million, net of transaction costs of $2.2 million (US$1.7 million); and
- the increase of $116.1 million under the revolving facilities mainly as a result of a draw-down of $117.7 million (US$90 million) to finance a portion of the acquisition of MetroCast Connecticut; partly offset by
- the increase of $13.4 million in bank indebtedness; and
- the repayment of $7.5 million of Term Loan A Facility.

In the fourth quarter of fiscal 2014, a lower Indebtedness level resulted in a cash decrease of $120.7 million, as a result of the following:

- the repayments of $242.2 million under the revolving facilities and of $58.0 million of long-term debt; and
- the decrease of $10.0 million in bank indebtedness; partly offset by
- the issuance, on August 27, 2014, in the Cable and Enterprise data service segment, of a private placement of $27.2 million (US$25 million) Senior Secured Notes Series A for net proceeds of $27.1 million, net of transaction costs of $0.1 million; and
- the issuance, on August 27, 2014, in the Cable and Enterprise data service segment, of a private placement of $163.4 million (US$150 million) Senior Secured Notes Series B for net proceeds of $162.5 million, net of transaction costs of $0.9 million.

During the fourth quarter of fiscal 2015, a quarterly eligible dividend of $0.255 per share was paid to the holders of subordinate and multiple voting shares, totaling $4.3 million, compared to a dividend paid of $0.22 per share, or $3.7 million in the fourth quarter of fiscal 2014.

10. FISCAL 2016 FINANCIAL GUIDELINES

10.1 CONSOLIDATED

COGECO revised its fiscal 2016 preliminary financial guidelines, as issued on July 14, 2015, to take into consideration the expected financial results from the Cable and Enterprise data services segment.

Fiscal 2016 financial guidelines are as follows:

	Projections October 28, 2015	Preliminary projections July 14, 2015	**Actuals**
	Fiscal 2016 [(2)]	Fiscal 2016	**Fiscal 2015**
(in millions of dollars)	**$**	$	**$**
Financial guidelines			
Revenue	**2,360 to 2,390**	2,280 to 2,315	**2,187**
Adjusted EBITDA	**1,025 to 1,055**	1,000 to 1,030	**955**
Integration, restructuring and acquisition costs	**3 to 5**	—	**14**
Financial expense	**145 to 155**	135 to 145	**149**
Current income taxes	**110 to 120**	105 to 115	**97**
Profit for the year	**285 to 310**	290 to 315	**265**
Profit for the year attributable to owners of the Corporation	**90 to 100**	95 to 100	**90**
Acquisitions of property, plant and equipment, intangible and other assets	**455 to 470**	435 to 450	**443**
Free cash flow[(1)]	**325 to 355**	330 to 360	**291**

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

(2) Fiscal 2016 financial guidelines are based on a USD/CDN exchange rate of 1.30 and a GBP/CDN exchange rate of 2.00.

10.2 CABLE AND ENTERPRISE DATA SERVICES SEGMENT

Cogeco Cable revised its fiscal 2016 preliminary financial guidelines, as issued on July 14, 2015, to take into consideration the expected operating results from the acquisition of MetroCast Connecticut by the Corporation's wholly-owned subsidiary, Atlantic Broadband, on August 20, 2015 as well as the appreciation of the US dollar and British Pound currency against the Canadian dollar.

Cogeco Cable expects fiscal 2016 revenue growth to be driven by all its operating segments. In the Canadian and American cable services operations, revenue growth should stem primarily from targeted marketing initiatives to improve penetration rates of Internet services in the residential and business sectors and telephony services in the business sector while the penetration of residential telephony and video services should decrease in Canada, reflecting service category maturity and intense competition. We expect the penetration of digital video and Internet services to continue to benefit from customers' ongoing interest in TiVo's digital advanced video services in Canada and the United States. The Canadian and American cable services operations should also benefit from the impact of rate increases in most of its services in Canada and the United States and from PSU growth in the United States. In the Enterprise data services operations, revenue growth should stem primarily from network connectivity, colocation services, managed hosting, cloud services and managed IT services due to the increasing market demand, the completion of the remaining pods of the Barrie, Ontario data centre facility as well as the construction of the first pod in fiscal 2015 of a new data centre facility in Montréal, Québec as well as network expansions and new customer installations. Furthermore, we believe the recent operational, financial and organizational restructuring of this segment brings greater efficiencies in our operational and sales structures, and the development of a new, more focused go-to-market strategy targeting our customers' needs and will favourably position the Enterprise data services operations.

Adjusted EBITDA progression should stem from revenue growth exceeding operating expenses as a result of cost reduction initiatives from improved systems and processes and cost reductions resulting from the operational, financial and organizational restructuring in the Enterprise data services operations in fiscal 2015, partly offset by marketing initiatives and retention strategies to support the revenue growth. Operating margin should remain in the same range as in fiscal 2015 due to the improvement in the Canadian cable services operations, offset by the higher proportion on the consolidated results of the American cable services and Enterprise data services operations.

Free cash flow should increase compared to fiscal 2015 projections as a result of the improvement of the adjusted EBITDA, partly offset by additional capital expenditures. Accordingly, generated free cash flow should reduce Indebtedness, net of cash and cash equivalents, thus improving the Corporation's net leverage ratios. The capital intensity ratio should decrease compared to fiscal 2015.

Fiscal 2016 financial guidelines are as follows:

(in million of dollars, except percentages)	Projections October 28, 2015 Fiscal 2016 [2] $	Preliminary projections July 14, 2015 Fiscal 2016 $	Actuals Fiscal 2015 $
Revenue	**2,215 to 2,245**	2,140 to 2,170	**2,043**
Adjusted EBITDA	**995 to 1,025**	970 to 1,000	**930**
Operating margin	**44.9% to 45.7%**	45.3% to 46.1%	**45.5%**
Integration, restructuring and acquisition costs	**3 to 5**	—	**14**
Depreciation and amortization	**495 to 505**	475 to 485	**467**
Financial expense	**140 to 150**	130 to 140	**142**
Current income tax expense	**100 to 110**	95 to 105	**91**
Profit for the year	**275 to 300**	280 to 305	**258**
Acquisitions of property, plant and equipment, intangible and other assets	**450 to 465**	430 to 445	**439**
Free cash flow[1]	**310 to 340**	315 to 345	**286**
Capital intensity	**20.3% to 20.7%**	20.0% to 20.5%	**21.5%**

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

(2) Fiscal 2016 financial guidelines are based on a USD/CDN exchange rate of 1.30 and a GBP/CDN exchange rate of 2.00.

11. UNCERTAINTIES AND MAIN RISK FACTORS

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

The Corporation adopted an Enterprise Risk management ("ERM") policy and implemented the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") ERM Framework to manage risks and uncertainties in order to support the achievement of organizational objectives and ultimately maximize shareholder value. As part of this process, Management identifies bi-annually the principal business risks facing the Corporation in the context of its global business and affairs that are liable to have a major impact on the Corporation's financial situation, revenue or activities. Management also identifies appropriate measures to proactively manage these risks as may be reasonable and appropriate in the circumstances. Such risks and mitigation measures are presented to the Board and fully considered in the annual strategic planning process. They are also monitored quarterly by the Audit Committee who oversees the implementation by Management of appropriate mitigation measures. This section reflects management's current views on uncertainties and main risk factors.

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

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

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

In the Canadian cable services operations of Cogeco Cable, we currently face competition in our service areas from several large integrated electronic communications service providers:

- BCE Inc. ("Bell"), our largest competitor, which offers through its various operating entities a full range of competitive voice, data and video services to residential as well as to business customers in the Provinces of Québec and Ontario through a combination of fixed wireline, mobile terrestrial wireless and satellite platforms throughout our network footprint;
- TELUS Communications Company ("TELUS") offers through its various operating entities a full range of competitive voice, data and video services to residential as well as to business customers in the lower St. Lawrence area of the Province of Québec and through its mobile telecommunications network throughout our footprint;
- Shaw Direct, the direct-to-home satellite service of Shaw Communications Inc. ("Shaw") which competes for video customers throughout our footprint;
- Rogers Wireless Communications Inc. ("Rogers"), an operator of a mobile telecommunications network and the owner of a broadband wireless network with Bell throughout our network footprint; and

- Vidéotron Ltd. ("Vidéotron"), an indirect subsidiary of Québecor Inc., and Wind which are actively marketing their mobile telecommunications services within our network footprint.

We also compete within our network footprint with several other telecommunications service providers, including third parties that use our own wireline network facilities pursuant to our third party Internet access tariff. Furthermore, consolidation of new entrants in the mobile telecommunications space in Canada may lead to more vigorous competition for voice telephony, Internet access and data services within our network footprints.

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

In the American cable services opertaions of Cogeco Cable, the competition is fragmented and varies by geographical area. Our principal competitor for video services is Direct Broadcast Satellite ("DBS") from two providers, DirecTV, Inc. and Dish Network, and our principal competitor for Internet services is Direct Subscriber Line ("DSL") from a variety of service providers. In our Maryland/Delaware market, Verizon has built a FiOS (fiber-to-the-home or "FTTH") network that offers Internet, voice and video services. In our recently-acquired Connecticut market, Frontier provides video, Internet and voice services. AT&T U-verse currently provides service in our Miami and Aiken, South Carolina markets. Additionally, we face limited competition from Comcast in Aventura and the southern section of Miami-Dade County where Atlantic Broadband has "overbuilt" the incumbent Comcast systems. Intensive marketing efforts and aggressive pricing from our competitors and an increase in the presence of local telephone companies and electric utilities competing in our markets may have an adverse impact on our ability to retain customers. Our telephony services face competition from the incumbent local exchange carriers ("ILEC"), as well as other providers such as cellular and alternative data communications services and VoIP providers such as Vonage.

The ILECs in the territories where we operate, notably Bell and TELUS in Canada and Verizon and AT&T in the United States, are building fibre optic networks to deploy IP television services in substantial portions of their service areas. The fibre optic technologies they are using are capable of carrying two-way video, Internet with substantial bandwidth and telephony services, each of which is comparable to the services Cogeco Cable Canada and Atlantic Broadband offer. The ILECs also have the ability to bundle wireless services provided by owned or affiliated companies. In Canada, we are already facing aggressive competition from Bell Fibe and TELUS Optik services, and Bell has announced earlier this year a program to further deploy its FTTH network in our service areas. As a result, we may not be in position to match on a timely basis the technical capability of Bell's FTTH network throughout our network footprint.

We also currently face competition in both the Canadian and American cable services operations of Cogeco Cable from over-the-top ("OTT") services with services that are gaining increased interest from consumers such as Netflix, Google TV, Apple TV, Hulu, Roku and Samsung, in addition to several programming networks making their services available on an OTT basis. The availability of these services and other OTT services may cause our video service customers to view video content increasingly through their broadband connection rather than through their traditional video service connection, and view less On-demand video content from cable service providers. We may not be able to make up for the loss of revenue associated with this migration.

The markets in which our Enterprise data services operations of Cogeco Cable operate are highly competitive, constantly changing and fragmented. Competition includes local and regional, in addition to national and international competitors. We face competition in relation with colocation, network connectivity, managed hosting, cloud services and managed IT services from Canadian networks service providers (e.g., Bell, Telus, Rogers), international managed services providers (e.g., Century Link, Rackspace), small regional and local specialized firms (Beanfield, Cogent) and in some cases from very large system integrators (e.g., IBM, CGI). The principal competitive differentiators include providing our customers with access to a comprehensive suite of services that empower them to scale and grow for the future.

Competition in the Enterprise data services operations of Cogeco Cable is intense and we may not be successful in meeting demand or differentiating ourselves from our competitors in this market segment. Increased supply for these services in excess of demand could also exert downward pressure on prices which could harm our operating margins. Also we have announced earlier this year our decision to combine the operations of Cogeco Data Services and Peer 1 Hosting (hereinafter "Cogeco Peer 1"). Combining the management, operations, customers, systems and processes of Cogeco Peer 1 involves various strategic choices and execution risks that may materially affect the performance of this sector.

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

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

We could be adversely impacted by our customers' switch from cable services to programming content available over the Internet through fixed and mobile broadband connections.

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

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

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

The market for audio and video content services in Canada is characterized by high levels of supplier integration and structural rigidities imposed by the Canadian Radio-television and Telecommunications Commission's ("CRTC") regulatory framework for broadcasting distribution. Our largest and most vertically integrated competitor Bell currently controls about 40% of our programming service affiliation payments for the Canadian cable operations at current wholesale rates. The affiliation agreements with Bell will expire on December 31, 2015 and the terms for their renewal have not been concluded. While we have generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, we may not be able to maintain our current arrangements, or conclude new arrangements that are economically favorable to us, and programming service costs may thus increase by larger increments in future years.

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

In recent years, the American cable industry has experienced a rapid escalation in the cost of programming, particularly sports programming and the retransmission of local broadcast programming. This escalation will likely continue, and Atlantic Broadband may not be able to fully recover recover increased programming costs in the prices it charges to customers which would have an adverse impact on our cash flow and operating margins.

In addition, most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Also, in order to obtain the most popular programming services, programmers require us to carry a number of the programmers' less popular services, further increasing our costs. As we upgrade the channel capacity of our systems and add programming to our basic, expanded basic and digital service offerings, we may face additional market constraints on our ability to pass on programming costs to our customers which could materially adversely affect our profitability.

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

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

We require access to the support structures of hydro electric and telephone utilities and to municipal rights of way to deploy our cable network. Where access to the structures of telephone utilities in our Canadian footprint cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). Access to the structures of provincial or municipal electric utilities is subject to provincial and municipal requirements, and the terms for access to these structures may need to be obtained through provincial and municipal authorities. We have entered into comprehensive support structure access agreements with all of the major hydro electric companies and all of the major telecommunications companies in our network footprint. If we are unable to secure such agreements, we may not be able to implement our business strategies and our businesses, financial condition, results of operations, reputation and prospects could be materially adversely affected.

In the United States, the *Communications Act* requires phone companies and other utilities (other than those owned by municipalities or cooperatives) to provide cable systems with non-discriminatory access to any pole or right-of-way controlled by the utility. The rates that utilities may charge, together with certain terms and conditions for such access are regulated by the *Federal Communications Commission* ("FCC"), or, alternatively, by states that certify to the FCC that they regulate pole attachments. Three states in which Atlantic Broadband has cable systems have certified that they regulate pole attachments. There is always the possibility that the FCC or a State could permit the increase of pole attachment rates paid by cable operators.

We may not successfully implement our business strategies.

Our business strategies for the Canadian and American cable services operations of Cogeco Cable focus on:

- expanding service offerings, enhancing existing services at attractive prices and seeking value added acquisitions;
- improving the networks with state of the art advanced technologies;
- improving customer experience and business processes to build on customer loyalty and retention; and
- maintaining sound capital management and strict control over spending.

Our business strategies for the Enterprise data services operations of Cogeco Cable focus on:

- combining the operations of Cogeco Data Services and Peer 1 Hosting ("Cogeco Peer 1") in order to market a combined brand, supported by a people centric culture;
- growing our customer base through an enhanced go to market strategy with a strong focus on specific horizontal and vertical markets;

- rationalizing and expanding our product suite to bring relevant solutions to market, supported by exceptional customer service;
- strengthening internal processes and systems to improve operational efficiency and optimize infrastructure; and optimizing the use of current assets in order to minimize operating expenses.

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

Cogeco Cable has grown through acquisitions and will continue to seek attractive acquisition opportunities which could involve significant risks and uncertainties. There is no assurance that the integration of these acquisitions would be successful and that the anticipated benefits would be realized. The integration process may lead to greater than expected operating expenses, financial leverage, capital costs, customer losses, business disruption of our other businesses and management’s diversion of time and resources.

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

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

Our Canadian electronic communications and cable telecommunications operations are subject to extensive government regulation and policies in Canada. Canadian laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcasting programming and broadcasting distribution licences. With respect to broadcasting distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services, the composition of the basic cable service, distribution priorities and access to distribution, the resolution of disputes on the terms of carriage for Canadian programming services and mandatory financial contributions for the funding of Canadian programming. There are significant restrictions on the ability of non-Canadians to own or control broadcasting licences and telecommunications common carriers in Canada.

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

Changes to the Canadian regulatory framework, specifically the laws, regulations and policies governing our lines of business or operations, foreign ownership restrictions, terms of licence, the issuance of new licences, including additional spectrum licences to our competitors, the distribution and packaging of services, wholesale or retail service terms, terms for the licensing of programming services for distribution in Canada on various distribution platforms, complaint or dispute resolution processes, industry codes of conduct, or the tax status or treatment of competitive suppliers or their respective services, could have a material adverse effect on our businesses (including who we compete with and how we provide products and services), financial condition, prospects and results of operations. In addition, we may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form Canadian laws, regulations, policies and rulings will be adopted over time, when they will be implemented or how they will be construed by the relevant courts, or the extent to which any changes might adversely affect us.

Following the conclusion of the *Let’s Talk TV* broadcasting policy proceeding earlier this year, the CRTC has issued Broadcasting Regulatory Policy CRTC 2015-96 and draft amendments to the Broadcasting Distribution Regulations obligating licensed terrestrial and satellite broadcasting distributors to offer to all their customers a small basic service for a monthly retail price of no more that $25, a larger first tier offering of television services comprising at least the same Canadian television services as the small basic service, and to offer all discretionary television services both individually *à-la-carte* and as part of small packages of up to 10 services. The impact of these new regulatory requirements on subscription levels to individual television services or packages, wholesale and retail fees and ARPUs for these services or packages cannot be assessed at this time.

The CRTC has also initiated earlier this year a telecommunications policy proceeding to consider a new regulatory framework for basic telecommunications service with a view, among other things, to consider the inclusion of broadband Internet access service at prescribed minimum download and upload speeds as part of a basket of telecommunications services to be offered by telecommunications service providers ("TSPs") to all their customers, as well as to consider additional funding contributions from TSPs to support the offering of this expanded basic telecommunications service at affordable rates throughout Canada. This proceeding is still pending and its outcome cannot be assessed at this time.

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

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

- rules for franchise renewals and transfers;
- limited rate regulation;

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

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

In addition, we could be materially disadvantaged if we remain subject to legal and regulatory constraints that do not apply equally to our competitors. The FCC has adopted rules to ensure that the local franchising process does not unreasonably interfere with competitive entry and several states have enacted legislation to ease the franchising obligations of new entrants. Further, DBS providers are not required to obtain franchise agreements, pay franchise fees, provide public, educational and governmental access channel capacity and support payments or provide other free services to franchising authorities. These varying regulatory requirements will benefit our competitors. Atlantic Broadband could be materially disadvantaged if the rules continue to set different, less burdensome requirements for some of its competitors than for the company. Congress has from time to time considered telecommunications reform legislation which would significantly reduce the franchising burdens of competitors, but we cannot predict whether such legislation might be enacted or what effect it might have on Atlantic Broadband.

As a result of the FCC's recent net neutrality order, Internet services are now subject to regulation at the federal level, and certain states and local governments are attempting to regulate Internet services. The regulations could impact our network management practices. Additionally, such regulations could impact our broadband service rates, terms and conditions. Such regulations also impose significant monetary penalties for non-compliance.

The larger cable systems we operate in Canada are subject to licence renewals and licensed cable service areas in Canada are not exclusive.

The larger cable systems we operate in Canada are subject to periodic licence renewals by the CRTC. The maximum licence term is seven years. While CRTC licences are usually renewed in the normal course upon application by the licensee, except in case of substantial and repeated breach of conditions or regulations by the licensee, there can be no assurance that the maximum renewal term will be granted or that new or modified conditions of licence or expectations will not apply to the renewal term. Cable service areas in Canada are non-exclusive. The overwiring by one or more cable systems in the same network service area could adversely affect our growth, financial condition and results of operations by increasing competition or creating new competition from terrestrial facilities-based and non-facilities based service providers.

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

Atlantic Broadband's cable systems operate under non-exclusive franchises granted by local or state franchising authorities. Most franchise agreements require Atlantic Broadband to pay up to five percent of its gross revenues to the franchising authority. Many of the franchise agreements also establish comprehensive facilities and service requirements, including the provision of public, educational and governmental access channels and support, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, the franchise may be terminated if the franchisee fails to comply with significant provisions set forth in the franchise agreement governing the system operations. Franchises are generally granted for fixed terms and must be periodically renewed. Local franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal fails to meet the community's cable-related needs and interests. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, franchises have not been renewed at expiration and Atlantic Broadband has operated under either temporary operating agreements or de facto extensions of the expired agreements while negotiating renewal terms with the local franchising authorities. Additionally, although historically Atlantic Broadband has renewed its franchises without incurring significant costs, Atlantic Broadband may be unable to renew, or to renew as favorably, its franchises in the future. A termination of and/or a sustained failure to renew a franchise, especially those in the areas where Atlantic Broadband has the most customers, could have a material adverse effect on Atlantic Broadband business, results of operations and financial condition.

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

Our Cogeco Peer 1 business may be subject to new regulatory requirements from the European Commission ("EC") respecting the protection of personal information data.

The European Parliament and the EC are presently working on the issuance of the General Data Protection Regulation ("GDPR"), a new regulation intended to replace the existing European Data Protection Directive by the year 2017. The GDPR, which is intended to significantly enhance the protection of personal information data of the citizens of the European Union, will likely include substantial personal data security obligations for data processors such as Cogeco Peer 1 whenever and wherever such data is processed by them. Non-compliance with the GDPR will likely be subject to very stiff monetary penalties. As a result, Cogeco Peer 1 could be required to set up new or enhanced systems, procedures, practices, audits and reports in order to comply with the GDPR. The final outcome of this new regulatory initiative and its ensuing impact on Cogeco Peer 1 systems, operations, operating expenses and other costs cannot be determined at this time.

Our data centres are mostly located in leased facilities.

Most of the data centres operated by Cogeco Peer 1 are located in leased premises, and there can be no assurance that we will remain in compliance with our leases and that they will not be terminated or can be renewed at commercially reasonable terms. Termination of a lease could have a material impact on our businesses, results of operations and financial condition.

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

In Canada and the United States, we depend on a long-term agreement with TELUS and Integrated DNA Technologies, Inc. ("IDT"), respectively, for the provision of our telephony services to our residential and business customers.

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

As we expand video services with TiVo in our American and Canadian footprint, we will rely increasingly on TiVo. TiVo provides a customer premise equipment ("CPE"), as well as a software user interface ("UI") with an enhanced programming guide ("EPG") to seamlessly access programming content. Currently, TiVo is our sole provider for this hardware and software. While other CPE vendors are building TiVo compatible platforms, we have not tested nor integrated them at this time. A failure by TiVo to continue delivering CPEs, could result in a meaningful impact until an alternate provider is certified. If no other suppliers could provide similar equipment and/or services or comply with technology evolution on a timely basis and at an acceptable cost, current financial conditions and operation performance could be adversely affected.

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

We depend on power utility suppliers in the geographical areas in which our data centres are located. Prolonged power outages could prevent us from delivering some of our services throughout our network until our power utility suppliers have resolved the failure, which may result in significant customer dissatisfaction, loss of revenue and potential civil litigation.

In addition, Cogeco Peer 1 depends on third-party Internet providers with regards to the purchase of bandwidth. There can be no assurance however that these Internet service providers ("ISPs") will continue to provide service to Cogeco Peer 1 on competitive terms, if at all, or that Cogeco Peer 1 will be able to acquire additional network capacity to adequately meet future customer demand. A failure by the Internet providers in their ability to provide the service or the inability from Cogeco Peer 1 to acquire additional network capacity and maintain direct connections to multiple IP backbone networks in order to meet future customer demand, could materially adversely affect our financial condition and operating results.

Our digital video, Internet and telephony services network may be vulnerable to widespread disruption.

In Canada, we provide our digital video, Internet and telephony services through a network of four major headends and several minor headends in our cable network. Although we have a backup system for retransmission through another headend or a mobile headend if one of our headends fails, there may be a delay in transferring to another headend, which could potentially be significant.

In the United States, we provide our digital video, Internet and telephony services through seven major headends and several minor ones. Despite several available emergency backup or replacement sites, including several interconnects with adjacent cable operators to be able to use their signals as a backup, a failure in our headends could prevent us from delivering some of our services through a portion of our network until we have implemented backup solutions or resolved the failure, which may result in significant customer dissatisfaction, loss of revenue and potential civil litigation, depending on the severity of the outage condition. This risk is being slowly mitigated as we complete our fibre rings and headend interconnects, providing for a more robust redundant architecture.

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

The day-to-day operation of our businesses is highly dependent on information technology systems, including those provided by certain third party suppliers. Our business is dependent on our payroll, transaction, financial, accounting and other data processing systems. We rely on these systems to process, on a daily basis, a large number of transactions. An inability to maintain and enhance our existing information technology systems or obtain new systems to accommodate additional customer growth or to support new products and services could also have an adverse impact on our ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, or comply with regulatory requirements, all of which could adversely impact our financial results and position. We are presently working on the replacement of our legacy ordering and billing software platforms in Ontario and Québec for both our residential and our business customers. Implementation or transitioning issues, delays or cost overruns could have a material effect on our operations, financial performance and future business prospects.

We increasingly rely on advanced security technology, terminal devices, control systems and software to ensure conditional access, appropriate billing and service integrity. Security and business systems technology is provided worldwide by a small pool of global suppliers on a proprietary basis. We depend on the effectiveness of such technology for many of our services. To the extent these providers are unable to offer technological solutions in a cost-effective and timely manner, we may be unable to effectively prevent or respond to security breaches. Although we have disaster recovery and businesses continuity plans, any security breach in our business processes and/or systems, intrusion, computer hacking or other data corruption could have the potential to impact our customer information, which could result in the potential loss of business. If any of these systems fail to operate properly or become disabled, we could potentially lose control of customer data and we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or damage to our reputation.

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

Any issue of data privacy as it relates to unauthorized access to, or loss of, customer and/or employee information could result in the potential loss of business, damage to our market reputation, litigation and regulatory investigation and penalties. We are presently in the process of implementing an enhanced cybersecurity program. Our continued investment in the security of our IT systems, continued efforts to improve the controls within our IT systems, business processes improvements, and the enhancements to our culture of information security may not however successfully prevent attempts to breach our security or unauthorized access to confidential, sensitive or proprietary information.

Malicious and abusive Internet practices could impair our Internet services.

Our Internet customers utilize our network to access the Internet and, as a consequence, we or they may become victim of illegal, malicious and abusive Internet activities, such as unsolicited mass advertising (or spam), denial of service attacks (attacks designed to cause a network to be unavailable to its intended users) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including deterioration of service, excessive call volume to call centres and damage to our customers' equipment and data or ours. Further, as IP based traffic continues to grow very rapidly over our networks and new technology, systems, software and equipment are deployed more quickly in order to manage this increased traffic, there is an increased risk of unexpected technical problems, service interruptions and mean time to restoration and increased risks from malware, hacking or other intrusions as a result. Significant incidents could lead to customer dissatisfaction and, ultimately, to loss of customers or revenue, in addition to increased costs to service our customers and protect our network. Any significant loss of cable data, customers or revenue or a significant increase in costs of serving those customers could adversely affect our reputation, business, profitability, financial condition and results of operations.

Our business activities could be significantly impacted by natural disasters or other catastrophic occurences

In the event of natural disasters, terrorist acts or other catastrophic occurrence, either natural or man-made, our ability to protect our infrastructure, including client data, and to maintain ongoing operations could be significantly impaired. Our business continuity and disaster recovery plans and strategies may not be successful in mitigating the effects of a catastrophic occurrence. If we experience a natural disaster or other catastrophic occurrence, our business, prospects, financial condition and results of operations could be adversely affected. Moreover, we have limited insurance coverage against the losses resulting from natural disasters affecting the cable and fibre networks.

We may be adversely affected by adverse economic conditions

We are affected by general economic conditions, consumer confidence spending, and the demand for and prices of our products and services. Adverse general economic conditions, such as economic downturns or recessions could have a negative impact on the demand for our products and services. More specifically, adverse general economic conditions could result in customers delaying or reducing purchases of our products and services or discontinuing using them, and a decline in the creditworthiness of our customers, which could increase our bad debt expense.

We may be adversely affected by fluctuations in foreign exchange rates, interest rates, capital markets as well as changes in tax policy.

Our financial results are reported in Canadian dollars and a significant portion of our revenue and operating expenses are realized in currencies other than Canadian dollars, most often US dollars and British Pounds. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar or the British Pound during a given financial reporting period would result in variations on our operating results and financial condition and consequently, our reported earnings and indebtedness could fluctuate materially as a result of foreign exchange rate fluctuations. Significant fluctuations in relative currency values against the Canadian dollar could therefore have a significant impact on our future profitability.

Interest rate volatility can also have a material impact on our financial performance due to the size and composition of our corporate debt portfolio.

Cogeco Cable relies on its cash flow generated by operations to fund its capital expenditure program and on capital markets to refinance its indebtedness and further grow its business through acquisitions. Capital markets are volatile and Cogeco Cable may not be able to access them at reasonable conditions if its credit profile and general economic conditions deteriorate. Such conditions could lead to higher cost of funding, deteriorating financial position and liquidity, more restrictions on the Company's operations.

Changes to Canadian and foreign tax policy in the tax jurisdictions were we are present may have a material impact on our current financial structure and the level of our future tax liabilities.

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

As of August 31, 2015, approximately 23% of our employees were represented by several unions under collective bargaining agreements. The Corporation has been successful in negotiating satisfactory collective agreements with unions without significant labour disruption. While the Corporation's labour relations have been satisfactory in the past, we can neither predict the outcome of current or future negotiations relating to labor disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labor protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labor protest could have a material adverse effect on our businesses, operations and reputation. Even if we do not experience strikes or other forms of labor protests, the outcome of labor negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

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

Our success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. The loss of the services of any of these officers could adversely affect our growth, financial condition and results of operations. In addition, to implement and manage our businesses and operating strategies effectively, we must maintain a high level of efficiency, performance and content quality, continue to enhance our operational and

management systems, and continue to effectively attract, train, motivate and manage our employees. If we are not successful in these efforts, it may have a material adverse effect on our businesses, prospects, results of operations and financial condition.

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

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

12. CORPORATE SOCIAL RESPONSIBILITY PROGRAM

12.1 OVERVIEW

The COGECO group of companies has designed a Corporate Social Responsibility ("CSR") program aimed at operating responsibly and sustainably and being a good corporate citizen. Concretely, this means we seek to integrate practices which improve the environmental and social impacts of our operations while ensuring the Corporation's continued growth. The COGECO group of companies' Code of Ethics and the Corporate Social Responsibility Policy together form the framework of our CSR Program. The CSR Program is under the responsibility of the Vice-President Internal Audit and Risk Management.

The CSR program integrates our corporate social responsibility objectives articulated around six pillars:

- managing its environmental footprint;
- taking part in developing communities;
- taking part in developing our employees;
- integrating the best CSR practices;
- being transparent in communicating our CSR activities; and
- ensuring the Corporation's growth is sustained by sound corporate governance practices.

Supported by a corporate management structure, overseen by a CSR Steering Committee composed of executives from all business units, and a sound corporate governance framework, we strive to improve our performance in line with the expectations of our stakeholders, our corporate values and our business objectives. To achieve its CSR goals of reducing its environmental footprint and having a positive impact on society, we have developed key performance indicators for social, economic and environmental objectives. These objectives are tracked and reported on a biannual basis to the Corporate Governance Committee.

12.2 FISCAL 2015 ACTIVITIES AND ACHIEVEMENTS

During fiscal 2015, the key initiatives of the CSR Program were rolled-out to our business units in the Cable and Enterprise data services segment, namely Atlantic Broadband, Cogeco Cable Canada and Cogeco Peer 1.

Some examples of the CSR initiatives that were conducted in fiscal 2015 include:

- we integrated Atlantic Broadband and Cogeco Peer 1 into our soon to be released CSR Report. The report follows version 4 of the Global Reporting Initiative's Guidelines;
- each operating unit developed a three-year action plan to integrate the CSR principles into their activities and operations. Together, the action plans shape our corporate CSR commitments;
- we measured our Greenhouse gas emissions ("GHG") and integrated Atlantic Broadband and Cogeco Peer 1 into our calculations;
- we published our fourth Carbon Disclosure Project ("CDP") report and completed the Information and Communications Technology additional module;
- we developed a Suppliers Code of Conduct, which aims at defining the social, environmental and ethical expectations for suppliers doing business with Cogeco Cable. The Code will be available on the CSR section of our Corporate website this Fall;
- approximately 20% of Cogeco Cable's facilities underwent environmental assessments conducted by a third party. No significant adverse impact on the environment was identified during that exercise;
- we conducted an internal and external stakeholder engagement survey to identify what are the most relevant sustainability issues for our business;
- Cogeco Cable Canada voluntarily purchased carbon offsets to cover the Greenhouse gas emissions from its business travel in fiscal 2015 (326 tons of CO_2e). The offsets purchased are Gold Standard and Gold Standard Transition, and will fund emissions reduction projects located in Québec and in developing countries;
- we donated approximately $2.7 million to donations and sponsorships and offered air time for fund raising purposes. Our principal focus areas are the health, culture and education sectors;
- we participated in the development of the Canadian Energy Efficiency Voluntary Agreement ("CEEVA"). This agreement, developed by Canadian telecommunications companies together with Natural Resources Canada, intends to limit the energy consumption of set top-boxes provided to our customers. As of August 31, 2015, the CEEVA has not been finalized;

- we developed CSR internal communication tools, including a corporate Newsletter and a web-based training session on our CSR policy and program.

For more information on our initiatives and our performance, please refer to the CSR Report, which will be published in January 2016 and will cover fiscal years 2014 and 2015.

RECOGNITIONS

COGECO's CSR program and related initiatives were recognized during fiscal 2015:

- Cogeco Cable was named to Corporate Knights' *The Future 40 Responsible Corporate Leaders in Canada* for a second year in a row. In 2014, the company held the 24th spot in the highly regarded magazine's ranking. This year, it rose to 9th place, a significant advancement for the Corporation in terms of corporate social responsibility; and
- For a second year in a row, Cogeco Cable was part of the *Jantzi Social Index*, consisting of 60 Canadian companies that passed a set of broadly based environmental, social, and governance rating criteria. The analysis highlights Cogeco Cable's implementation of sound policies and management systems to ensure customer data security and privacy. It also underlines Cogeco Cable's engagement with key suppliers regarding its social and environmental performance.

12.3 FISCAL 2016 CORPORATE SOCIAL RESPONSIBILITY FOCUS

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

In 2016, our focus will also continue to be the implementation of our CSR program in our business units. We will monitor and report on our CSR performance to the CSR Steering Committee and to the Corporate Governance Committee. We will also monitor the progress made on our CSR commitments.

13. 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 and effectiveness of the Corporation's DC&P and ICFR at August 31, 2015, and concluded that they are effective. Furthermore, no significant changes to the internal controls over financial reporting occurred during the year ended August 31, 2015.

14. ACCOUNTING POLICIES

14.1 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

REVENUE RECOGNITION

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

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with the ownership nor effective control over the goods;
- The recovery of the consideration is probable; and
- Revenue generated from the sale of advertising airtime and advertising display are recognized when the advertisement has been aired or displayed.

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

BUSINESS COMBINATIONS

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

CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

CAPITALIZATION OF INTANGIBLE ASSETS

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

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION OF INTANGIBLE ASSETS

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

PROVISIONS

Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate.

FAIR VALUE MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

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

MEASUREMENT OF DEFINED BENEFIT OBLIGATION

The net defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

MEASUREMENT OF NON-FINANCIAL ASSETS

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

DEFERRED TAXES

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

FINANCIAL INSTRUMENTS

Classification and measurement

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

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

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

Derivative financial instruments and hedge accounting

The Cable and Enterprise data services segment uses cross-currency swaps and foreign currency forward contracts as derivative financial instruments to manage foreign exchange risk related to its foreign denominated Senior Secured Notes Series A and forecasted purchase commitments of property, plant and equipment. In addition, the Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes.

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

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

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss. At August 31, 2015 and 2014, embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated statements of financial position were not significant.

CONTINGENCIES AND COMMITMENTS

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

14.2 ADOPTION OF NEW ACCOUNTING STANDARDS

The following standards issued by the *International Accounting Standard Board* ("IASB") were adopted by the Corporation on September 1, 2014 and had no effect on the financial performance of the Corporation:

- Amendments to IAS 19 *Defined Benefits Plans: Employee Contributions* which applies to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- IFRIC 21 *Levies* which sets out the accounting for an obligation to pay a levy that is not income taxes. The interpretation addresses what an obligating event is that gives rise to pay a levy and when should a liability be recognized.

14.3 FUTURE ACCOUNTING DEVELOPMENTS IN CANADA

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory but not yet effective for the period ended August 31, 2015, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after	
IFRS 9 Financial Instruments	January 1, 2018	Early adoption permitted
IFRS 15 Revenue from Contracts with Customers	January 1, 2018 [(1)]	Early adoption permitted

(1) The effective date of IFRS 15 has been modified from January 1, 2017 to January 1, 2018 at the September 2015 IASB meeting.

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

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

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

15. 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".

15.1 CASH FLOW FROM OPERATIONS AND FREE CASH FLOW

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

(in thousands of dollars)	Quarters ended **August 31, 2015** **$**	 August 31, 2014 $	Years ended **August 31, 2015** **$**	 August 31, 2014 $
Cash flow from operating activities	**275,690**	332,218	**694,300**	764,770
Changes in non-cash operating activities	**(47,130)**	(130,360)	**63,402**	(47,981)
Amortization of deferred transaction costs and discounts on long-term debt	**2,226**	2,049	**8,702**	7,905
Income taxes paid	**20,100**	10,380	**76,179**	66,268
Current income taxes	**(30,126)**	(13,792)	**(96,879)**	(86,170)
Financial expense paid	**19,558**	19,256	**136,587**	126,572
Financial expense	**(36,400)**	(34,970)	**(148,892)**	(137,455)
Cash flow from operations	**203,918**	184,781	**733,399**	693,909

Free cash flow is calculated as follows:

(in thousands of dollars)	Quarters ended **August 31, 2015** **$**	 August 31, 2014 $	Years ended **August 31, 2015** **$**	 August 31, 2014 $
Cash flow from operations	**203,918**	184,781	**733,399**	693,909
Acquisition of property, plant and equipment	**(125,969)**	(165,688)	**(426,405)**	(405,553)
Acquisition of intangible and other assets	**(4,799)**	(954)	**(16,270)**	(14,626)
Free cash flow	**73,150**	18,139	**290,724**	273,730

15.2 ADJUSTED EBITDA

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

The most comparable IFRS financial measure is profit for the period. Adjusted EBITDA is calculated as follows:

(in thousands of dollars)	Quarters ended **August 31, 2015** **$**	 August 31, 2014 $	Years ended **August 31, 2015** **$**	 August 31, 2014 $
Profit for the period	**78,529**	59,229	**265,215**	210,170
Income taxes	**29,651**	15,708	**81,350**	54,760
Financial expense	**36,400**	34,970	**148,892**	137,455
Impairment of property, plant and equipment	**—**	3,296	**—**	35,493
Depreciation and amortization	**120,471**	115,173	**472,615**	465,648
Settlement of a claim with a supplier	**(27,431)**	—	**(27,431)**	—
Integration, restructuring and acquisitions costs	**6,942**	956	**13,950**	4,736
Adjusted EBITDA	**244,562**	229,332	**954,591**	908,262

16. ADDITIONAL INFORMATION

This MD&A was prepared on October 28, 2015. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Management's responsibility	45	Consolidated statements of changes in shareholders' equity	49
Independent auditor's report	46	Consolidated statements of financial position	50
Consolidated statements of profit or loss	47	Consolidated statements of cash flows	51
Consolidated statements of comprehensive income	48	Notes to the consolidated financial statements	52

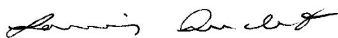
MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



Louis Audet
President and Chief Executive Officer

Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, October 28, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of COGECO Inc.

We have audited the accompanying consolidated financial statements of COGECO Inc., which comprise the consolidated statements of financial position as at August 31, 2015 and August 31, 2014, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2015 and August 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COGECO Inc. as at August 31, 2015 and August 31, 2014, and its financial performance and its cash flows for the years ended August 31, 2015 and August 31, 2014 in accordance with International Financial Reporting Standards.

October 28, 2015
Montréal, Québec

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	Notes	2015	2014
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue		**2,187,163**	2,096,038
Operating expenses	*7*	**1,232,572**	1,187,776
Integration, restructuring and acquisition costs	*5*	**13,950**	4,736
Settlement of a claim with a supplier	*5*	**(27,431)**	—
Depreciation and amortization	*8*	**472,615**	465,648
Impairment of property, plant and equipment	*13*	**—**	35,493
Financial expense	*9*	**148,892**	137,455
Income taxes	*10*	**81,350**	54,760
Profit for the year		**265,215**	210,170
Profit for the year attributable to:			
Owners of the Corporation		**89,627**	67,680
Non-controlling interest		**175,588**	142,490
		265,215	210,170
Earnings per share			
Basic	*11*	**5.35**	4.05
Diluted	*11*	**5.32**	4.02

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31,	Note	**2015**	2014
(In thousands of Canadian dollars)		**$**	$
Profit for the year		**265,215**	210,170
Other comprehensive income			
Items to be subsequently reclassified to profit or loss			
Cash flow hedging adjustments			
Net change in fair value of hedging derivative financial instruments		**43,702**	5,299
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		**(43,396)**	(6,517)
Related income taxes		**(272)**	(94)
		34	(1,312)
Foreign currency translation adjustments			
Net foreign currency translation differences on net investments in foreign operations		**150,274**	24,803
Net changes in unrealized adjustments on translation of long-term debt designated as hedges of net investments in foreign operations		**(94,813)**	(14,268)
		55,461	10,535
		55,495	9,223
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability	*20*	**(1,085)**	1,394
Related income taxes		**291**	(373)
		(794)	1,021
Other comprehensive income for the year		**54,701**	10,244
Comprehensive income for the year		**319,916**	220,414
Comprehensive income for the year attributable to:			
Owners of the Corporation		**106,450**	71,504
Non-controlling interest		**213,466**	148,910
		319,916	220,414

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2015 and 2014	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 17)		*(Note 18)*			
Balance at September 1, 2013	117,769	6,007	6,177	326,952	911,311	1,368,216
Profit for the year	—	—	—	67,680	142,490	210,170
Other comprehensive income for the year	—	—	2,954	870	6,420	10,244
Comprehensive income for the year	—	—	2,954	68,550	148,910	220,414
Share-based payment	—	3,715	—	—	3,940	7,655
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(585)	—	—	6,657	6,072
Dividends on multiple voting shares (Note 17 C))	—	—	—	(1,622)	—	(1,622)
Dividends on subordinate voting shares (Note 17 C))	—	—	—	(13,100)	(39,672)	(52,772)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	215	(215)	—
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(1,941)	—	—	—	—	(1,941)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	2,135	(2,136)	—	1	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	—	—	—	(6,934)	(6,934)
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	(1,143)	—	17	1,126	—
Total contributions by (distributions to) shareholders	194	(149)	—	(14,489)	(35,098)	(49,542)
Balance at August 31, 2014	**117,963**	**5,858**	**9,131**	**381,013**	**1,025,123**	**1,539,088**
Profit for the year	**—**	**—**	**—**	**89,627**	**175,588**	**265,215**
Other comprehensive income (loss) for the year	**—**	**—**	**17,708**	**(885)**	**37,878**	**54,701**
Comprehensive income for the year	**—**	**—**	**17,708**	**88,742**	**213,466**	**319,916**
Share-based payment	**—**	**3,584**	**—**	**—**	**4,505**	**8,089**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(446)**	**—**	**—**	**6,042**	**5,596**
Dividends on multiple voting shares (Note 17 C))	**—**	**—**	**—**	**(1,880)**	**—**	**(1,880)**
Dividends on subordinate voting shares (Note 17 C))	**—**	**—**	**—**	**(15,190)**	**(46,478)**	**(61,668)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**356**	**(356)**	**—**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(1,998)**	**—**	**—**	**—**	**—**	**(1,998)**
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	**1,207**	**(1,265)**	**—**	**58**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**—**	**—**	**—**	**(6,425)**	**(6,425)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,263)**	**—**	**20**	**1,243**	**—**
Total contributions by (distributions to) shareholders	**(791)**	**610**	**—**	**(16,636)**	**(41,469)**	**(58,286)**
Balance at August 31, 2015	**117,172**	**6,468**	**26,839**	**453,119**	**1,197,120**	**1,800,718**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31,	Notes	2015	2014
(In thousands of Canadian dollars)		**$**	$
Assets			
Current			
Cash and cash equivalents		**164,189**	63,831
Trade and other receivables	*21 A)*	**149,355**	123,094
Income taxes receivable		**10,753**	22,254
Prepaid expenses and other		**18,016**	18,090
Derivative financial instruments		**49,834**	—
		392,147	227,269
Non-current			
Other assets	*12*	**24,084**	11,637
Property, plant and equipment	*13*	**2,005,461**	1,852,270
Intangible assets	*14 A)*	**2,214,998**	1,986,187
Goodwill	*14 B)*	**1,543,504**	1,259,654
Derivative financial instruments		**—**	6,132
Deferred tax assets	*10*	**25,601**	24,581
		6,205,795	5,367,730
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**—**	3,228
Trade and other payables		**313,631**	345,910
Provisions	*15*	**24,445**	16,749
Income tax liabilities		**54,826**	47,561
Deferred and prepaid revenue		**63,499**	57,012
Balance due on a business combination, bank prime rate plus 1%		**—**	2,000
Current portion of long-term debt	*16*	**297,657**	32,349
		754,058	504,809
Non-current			
Long-term debt	*16*	**3,081,092**	2,782,712
Deferred and prepaid revenue and other liabilities		**30,611**	25,086
Pension plan liabilities and accrued employee benefits	*20*	**11,105**	17,169
Deferred tax liabilities	*10*	**528,211**	498,866
		4,405,077	3,828,642
Shareholders' equity			
Equity attributable to owners Corporation			
Share capital	*17 B)*	**117,172**	117,963
Share-based payment reserve		**6,468**	5,858
Accumulated other comprehensive income	*18*	**26,839**	9,131
Retained earnings		**453,119**	381,013
		603,598	513,965
Non-controlling interest		**1,197,120**	1,025,123
		1,800,718	1,539,088
		6,205,795	5,367,730

Commitments, contingencies and guarantees (Note 23)

On behalf of the Board of Directors,

Jan Peeters
Director

Pierre L. Comtois
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,	Notes	2015	2014
(In thousands of Canadian dollars)		**$**	$
Cash flow from operating activities			
Profit for the year		**265,215**	210,170
Adjustments for:			
Depreciation and amortization	*8*	**472,615**	465,648
Impairment of property, plant and equipment	*13*	**—**	35,493
Financial expense	*9*	**148,892**	137,455
Income taxes	*10*	**81,350**	54,760
Share-based payment	*17 D)*	**8,402**	9,422
Loss on disposals and write-offs of property, plant and equipment		**1,848**	2,129
Defined benefit plans contributions, net of expense		**(7,854)**	(5,448)
		970,468	909,629
Changes in non-cash operating activities	*19*	**(63,402)**	47,981
Financial expense paid		**(136,587)**	(126,572)
Income taxes paid		**(76,179)**	(66,268)
		694,300	764,770
Cash flow from investing activities			
Acquisition of property, plant and equipment	*13*	**(426,405)**	(405,553)
Acquisition of intangible and other assets		**(16,270)**	(14,626)
Business combination, net of cash and cash equivalents acquired	*6*	**(263,240)**	—
Other		**793**	1,758
		(705,122)	(418,421)
Cash flow from financing activities			
Decrease in bank indebtedness		**(3,228)**	(9,938)
Net increases (repayments) under the revolving facilities		**85,071**	(428,305)
Issuance of long-term debt, net of discounts and transaction costs		**128,634**	238,214
Repayments of long-term debt		**(35,711)**	(68,918)
Increase in deferred transaction costs		**(550)**	(1,669)
Repayment of balance due on a business combination		**(2,000)**	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*17 B)*	**(1,998)**	(1,941)
Dividends paid on multiple voting shares	*17 C)*	**(1,880)**	(1,622)
Dividends paid on subordinate voting shares	*17 C)*	**(15,190)**	(13,100)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**5,596**	6,072
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		**(6,425)**	(6,934)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(46,478)**	(39,672)
		105,841	(327,813)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**5,339**	1,502
Net change in cash and cash equivalents		**100,358**	20,038
Cash and cash equivalents, beginning of the year		**63,831**	43,793
Cash and cash equivalents, end of the year		**164,189**	63,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 2015 and 2014

NATURE OF OPERATIONS

COGECO Inc. ("COGECO", the "Corporation" or the "Parent Corporation") is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CGO". COGECO is a diversified holding corporation which operates in the communications and media sectors.

Through its Cogeco Cable Inc. ("Cogeco Cable") subsidiary, the Corporation provides its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Cable operates in Canada under the Cogeco Cable Canada GP Inc. ("Cogeco Cable Canada") name in Québec and Ontario, and in the United States under the Atlantic Broadband LLC ("Atlantic Broadband") name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1 Inc. ("Cogeco Peer 1"), Cogeco Cable provides its business customers with a suite of information technology services (colocation, network connectivity, managed hosting, cloud services and managed IT services), through data centres, extensive FastFiber Network^{TM} and points-of-presence in North America and Europe.

Through its subsidiary, Cogeco Diffusion Acquisitions Inc. ("Cogeco Diffusion"), the Corporation owns and operates radio stations across most of Québec with complementary radio formats serving a wide range of audiences as well as Cogeco News, its news agency. The Corporation also operates Métromédia CMR Plus Inc. ("Métromédia"), an out-of-home advertising company specialized in the public transit sector.

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

1. BASIS OF PRESENTATION

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

The consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments and derivative financial instruments (see Note 2 N)), cash-settled share-based payment arrangements (see Note 2 K)) and pension plan assets (see Note 2 L)), which are measured at fair value, and for the defined benefit obligation (see Note 2 L)) and provisions (see Note 2 J)), which are measured at present value.

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

The consolidated financial statements were approved by the Board of Directors of COGECO at its meeting held on October 28, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A) BASIS OF CONSOLIDATION

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

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year-end and accounting policies are aligned with those adopted by the Corporation. Operating segments and percentage of interest in the principal subsidiaries at August 31, 2015 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Cable and Enterprise data services	Cogeco Cable Inc.	31.9	82.4
Other	Cogeco Diffusion Acquisitions Inc.	100	100
Other	Métromédia CMR Plus Inc.	100	100

The Corporation and its subsidiary, Cogeco Cable, have each established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with their Incentive and Performance Share Unit Plans. SPEs are consolidated if, based on an evaluation of the substance of their relationship with the Corporation and the SPEs' risks and rewards,

the Corporation concludes that it controls the SPEs. SPEs controlled by the Corporation and Cogeco Cable were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Corporation receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

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

B) BUSINESS COMBINATIONS

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

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

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

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

C) REVENUE RECOGNITION

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

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

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

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

Multiple-element arrangements

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

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

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

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

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

D) BARTER TRANSACTIONS

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

E) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Building and leasehold improvements[(1)]	10 to 40 years
Networks and infrastructure[(2)]	5 to 20 years
Home terminal devices	3 to 5 years
Data centre equipment[(3)]	3 to 7 years
Rolling stock and equipment[(4)]	3 to 10 years

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

(2) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

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

(4) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

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

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

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

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

F) INTANGIBLE ASSETS

Intangible assets acquired separately

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

Identifiable intangible assets acquired in a business combination

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

Intangible assets with finite useful lives

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

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

Intangible assets with indefinite useful lives

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

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

G) IMPAIRMENT OF NON FINANCIAL ASSETS

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

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if there is an indication of impairment.

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

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

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

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

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

H) LEASES

Lessee

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

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

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

Lessor

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

I) INCOME TAXES

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

Current tax

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

Deferred tax

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

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

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

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

J) PROVISIONS

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

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

K) SHARE-BASED PAYMENT

Equity-settled awards

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

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

Cash-settled awards

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

L) EMPLOYEE BENEFITS

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

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

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

The service cost recognized in profit or loss comprises:

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

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

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

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

M) FOREIGN CURRENCY TRANSLATION

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

Foreign currency transactions

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

Foreign operations

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

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

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

N) FINANCIAL INSTRUMENTS

Classification and measurement

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

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

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents and trade and other receivables are classified as loans and receivables. They are measured at amortized cost using the effective interest method, less any impairment loss;
- Transaction costs that are directly attributable to the acquisition or related to the issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as required, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss; and

- Bank indebtedness, trade and other payables and long-term debt are classified as other liabilities. They are measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred with respect to the revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

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

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

Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedge accounting

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

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

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

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss. At August 31, 2015 and 2014, embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated statements of financial position were not significant.

Impairment of financial assets

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

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

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

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

O) CASH AND CASH EQUIVALENTS

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

P) EARNINGS PER SHARE

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

Q) SEGMENT REPORTING

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

R) ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

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

Significant areas requiring the use of management's judgments and estimates relate to the following items:

- **Allowance for doubtful accounts**

  Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expenses (see Note 21 A));

- **Business combinations**

  Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts (see Note 6);

- **Depreciation of property, plant and equipment and amortization of intangible assets**

  Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used (see Note 8);

- **Provisions**

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

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

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

- **Measurement of defined benefit obligation**

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

- **Measurement of non-financial assets**

  The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets (see Note 14); and

- **Deferred taxes**

  Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences. Judgment is also required in determining the tax basis of indefinite life intangible assets and the resulting tax rate used to measure deferred taxes (see Note 10).

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

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The following standards issued by the IASB were adopted by the Corporation on September 1, 2014 and had no effect on the financial performance of the Corporation:

- Amendments to IAS 19 *Defined Benefits Plans: Employee Contributions* which applies to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- IFRIC 21 *Levies* which sets out the accounting for an obligation to pay a levy that is not income taxes. The interpretation addresses what an obligating event is that gives rise to pay a levy and when should a liability be recognized.

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

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory but not yet effective for the year ended August 31, 2015, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after		
IFRS 9 Financial Instruments	January 1, 2018		Early adoption permitted
IFRS 15 Revenue from Contracts with Customers	January 1, 2018	(1)	Early adoption permitted

(1) The effective date of IFRS 15 has been modified from January 1, 2017 to January 1, 2018 at the September 2015 IASB meeting.

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty*

Programmes, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

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

5. OPERATING SEGMENTS

The Corporation's segment profit (loss) for the year are reported in two operating segments: Cable and Enterprise data services and Other. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance.

The Cable and Enterprise data services segment provides through its Cogeco Cable subsidiary, its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Cable operates in Canada under the Cogeco Cable Canada name in Québec and Ontario, and in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1, Cogeco Cable provides its business a suite of information technology services (colocation, network connectivity, managed hosting, cloud services and a rich portfolio of managed IT services), through data centres, extensive FastFiber Network^{TM} and points-of-presence in North America and Europe.

The Other segment is comprised of radio, out of home advertising, head office activities as well as inter-segment eliminations.Through its subsidiary, Cogeco Diffusion, the Corporation owns and operates radio stations across most of Québec with complementary radio formats serving a wide range of audiences. Cogeco Diffusion also operates Cogeco News, one of Québec's largest news agencies, feeding affiliates, independent and community radio stations. Through its subsidiary, Métromédia, COGECO operates an out-of-home advertising company specialized in the public transit sector.

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

	Cable and Enterprise data services		**Other**		**Consolidated**	
Years ended August 31,	**2015**	2014	**2015**	2014	**2015**	2014
(in thousands of Canadian dollars)	**$**	$	**$**	$	**$**	$
Revenue	**2,043,316**	1,947,591	**143,847**	148,447	**2,187,163**	2,096,038
Operating expenses	**1,102,960**	1,044,560	**129,612**	143,216	**1,232,572**	1,187,776
Management fees – COGECO Inc.	**9,877**	9,674	**(9,877)**	(9,674)	**—**	—
Integration, restructuring and acquisition costs [(1)]	**13,950**	4,736	**—**	—	**13,950**	4,736
Settlement of a claim with a supplier[(2)]	**(27,431)**	—	**—**	—	**(27,431)**	—
Depreciation and amortization	**466,715**	460,282	**5,900**	5,366	**472,615**	465,648
Impairment of property, plant and equipment (Note 13)	**—**	35,493	**—**	—	**—**	35,493
Financial expense	**142,062**	130,221	**6,830**	7,234	**148,892**	137,455
Income taxes	**77,433**	53,184	**3,917**	1,576	**81,350**	54,760
Profit for the year	**257,750**	209,441	**7,465**	729	**265,215**	210,170
Total assets	**6,014,038**	5,173,741	**191,757**	193,989	**6,205,795**	5,367,730
Property, plant and equipment	**1,985,421**	1,830,971	**20,040**	21,299	**2,005,461**	1,852,270
Intangible assets	**2,124,904**	1,894,846	**90,094**	91,341	**2,214,998**	1,986,187
Goodwill	**1,504,379**	1,220,529	**39,125**	39,125	**1,543,504**	1,259,654
Acquisition of property, plant and equipment	**422,950**	400,846	**3,455**	4,707	**426,405**	405,553
Acquisition of intangible and other assets	**16,270**	14,626	**—**	—	**16,270**	14,626

(1) In 2015, the integration, restructuring and acquisition costs are comprised of acquisition costs with regards to a business combination (see Note 6) and restructuring costs (severance costs and professional fees) associated to the combination of Cogeco Data Services and Peer 1 Hosting into one business unit, Cogeco Peer 1, in the Cable and Enterprise data services segment. In 2014, the integration, restructuring and acquisition costs were primarily related to severance costs associated to the restructuring of employee base in the Cable and Enterprise data services segment.

(2) On August 20, 2015, the Corporation's subsidiary, Cogeco Cable, concluded an agreement with a supplier to settle a claim that was initiated in a previous year. The settlement amounted to $27.4 million, which will be paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment (see Notes 12 and 21 A)).

The following table sets out certain geographic market information:

Year ended August 31, 2015	**Canada**	**United States**	**Europe**	**Total**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Revenue	**1,563,431**	**583,350**	**40,382**	**2,187,163**
Property, plant and equipment	**1,449,557**	**504,073**	**51,831**	**2,005,461**
Intangible assets	**1,152,048**	**1,052,949**	**10,001**	**2,214,998**
Goodwill	**372,835**	**1,113,073**	**57,596**	**1,543,504**

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

6. BUSINESS COMBINATION

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Cable, completed the acquisition of substantially all of the net assets of MetroCast Communications of Connecticut, LLC ("MetroCast Connecticut"), which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US$200 million, subject to a post-closing net working capital adjustment, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US$90 million and US $100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Cable's footprint in the American cable market and provides for further growth potential.

The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price of MetroCast Connecticut is as follows, pending the finalization of the determination of the fair value of the net assets acquired:

(In thousands of Canadian dollars)	$
Consideration	
Paid	
Purchase price	**261,600**
Working capital adjustments	**1,640**
	263,240
Net assets acquired	
Trade and other receivables	**616**
Prepaid expenses and other	**1,696**
Property, plant and equipment	**51,368**
Intangible assets	**108,564**
Goodwill	**101,685**
Trade and other payables assumed	**(689)**
	263,240

The amount of goodwill which is expected to be deductible for tax purposes, is mainly attributable to revenue and adjusted EBITDA growth considering sizeable residential and business growth opportunities, to the tax benefit of amortizing goodwill and intangible assets in an asset purchase, to the expected benefits from the corporate tax structure and to the strength of MetroCast Connecticut's assembled workforce.

In connection with this acquisition, the Corporation incurred acquisition-related costs of $1.6 million which have been recognized in the current year as “Integration, restructuring and acquisition costs” in the Corporation’s consolidated statements of profit or loss.

Impact of the acquisition on the results of COGECO

Revenue and profit for the year include revenue of $1.7 million and profit for the year of $0.2 million attributable to the additional operations generated by the acquisition of MetroCast Connecticut.

Had the business combination been effective at September 1, 2014, the consolidated revenue of the Corporation would have been $2.2 billion, and the profit for the year would have been $270.0 million for the year ended August 31, 2015. Management considers these “pro-forma” numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined on a preliminary basis, that arose on the acquisition date would have been the same, in all material respects, if the acquisition had occurred on September 1, 2014.

7. OPERATING EXPENSES

Years ended August 31,	**2015**	2014
(in thousands of Canadian dollars)	**$**	$
Salaries, employee benefits and outsourced services	**422,374**	408,548
Service delivery costs[1]	**619,897**	589,841
Customer related costs[2]	**72,417**	80,331
Other external purchases[3]	**117,884**	109,056
	1,232,572	1,187,776

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, data centre expenses, franchise fees and network costs.

(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees and other administrative expenses.

8. DEPRECIATION AND AMORTIZATION

Years ended August 31,	**2015**	2014
(in thousands of Canadian dollars)	**$**	$
Depreciation of property, plant and equipment	**407,676**	406,584
Amortization of intangible assets	**64,939**	59,064
	472,615	465,648

9. FINANCIAL EXPENSE

Years ended August 31,	**2015**	2014
(in thousands of Canadian dollars)	**$**	$
Interest on long-term debt	**137,879**	131,638
Net foreign exchange losses (gains)	**528**	(380)
Amortization of deferred transaction costs	**2,407**	2,027
Capitalized borrowing costs [1]	**(468)**	(1,683)
Other	**8,546**	5,853
	148,892	137,455

(1) For the years ended August 31, 2015 and 2014 the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

10. INCOME TAXES

Years ended August 31,	**2015**	2014
(in thousands of Canadian dollars)	**$**	$
Current	**96,879**	86,170
Deferred	**(15,529)**	(31,410)
	81,350	54,760

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

Years ended August 31,	**2015**	2014
(in thousands of Canadian dollars)	**$**	$
Profit before income taxes	**346,565**	264,930
Combined Canadian income tax rate	**26.59%**	26.66%
Income taxes at combined Canadian income tax rate	**92,152**	70,630
Adjustment for losses or profit subject to lower or higher tax rates	**5,677**	531
Income taxes arising from non-deductible expenses	**3,241**	1,980
Tax impacts related to foreign operations	**(18,287)**	(17,929)
Other	**(1,433)**	(452)
Income taxes at effective income tax rate	**81,350**	54,760

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

At August 31,	**2015**	2014
(In thousands of Canadian dollars)	**$**	$
Property, plant and equipment	**(170,051)**	(152,130)
Intangible assets	**(471,700)**	(414,918)
Deferred and prepaid revenue	**9,683**	6,482
Partnerships income	**(20,710)**	(37,077)
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**150,557**	121,234
Other	**(389)**	2,124
Net deferred tax liabilities	**(502,610)**	(474,285)
Financial statement presentation:		
Deferred tax assets	**25,601**	24,581
Deferred tax liabilities	**(528,211)**	(498,866)
Net deferred tax liabilities	**(502,610)**	(474,285)

The movements in deferred tax asset and liability balances during fiscal 2015 and 2014 were as follows:

Year ended August 31, 2015	**Balance beginning of the year**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	$	$	$	$	$
Property, plant and equipment	**(152,130)**	**(1,881)**	**—**	**(16,040)**	**(170,051)**
Intangible assets	**(414,918)**	**(5,705)**	**—**	**(51,077)**	**(471,700)**
Deferred and prepaid revenue	**6,482**	**2,553**	**—**	**648**	**9,683**
Partnerships income	**(37,077)**	**16,367**	**—**	**—**	**(20,710)**
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**121,234**	**7,402**	**—**	**21,921**	**150,557**
Other	**2,124**	**(3,207)**	**19**	**675**	**(389)**
	(474,285)	**15,529**	**19**	**(43,873)**	**(502,610)**

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

At August 31, 2015, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these financial statements. These losses expire as follows:

	2024	2025	2026	Thereafter	Total
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**
Canada	**—**	**—**	**—**	**66,533**	**66,533**
United States	**28,484**	**53,507**	**72,607**	**170,834**	**325,432**
United Kingdom[(1)]	**—**	**—**	**—**	**33,512**	**33,512**
	28,484	**53,507**	**72,607**	**270,879**	**425,477**

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

The Corporation and its subsidiaries had also accumulated capital losses amounting to $678.3 million, the benefits of which have not been recognized in these consolidated financial statements. These losses can be carried forward indefinitely against capital gain.

11. EARNINGS PER SHARE

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

Years ended August 31	**2015**	2014
(In thousands of Canadian dollars, except number of shares and per share data)	**$**	$
Profit for the year attributable to owners of the Corporation	**89,627**	67,680
Weighted average number of multiple and subordinate voting shares outstanding	**16,737,173**	16,731,069
Effect of dilutive incentive share units	**79,893**	101,769
Effect of dilutive performance share units	**15,763**	—
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,832,829**	16,832,838
Earnings per share		
Basic	**5.35**	4.05
Diluted	**5.32**	4.02

12. OTHER ASSETS

At August 31,	**2015**	2014
(In thousands of Canadian dollars)	$	$
Transaction costs	**7,520**	8,689
Amount receivable related to a claim with a supplier[(1)]	**9,000**	—
Prepayment to a supplier	**4,049**	—
Other	**3,515**	2,948
	24,084	11,637

(1) In the form of credit notes applicable to future purchases of property, plant and equipment.

13. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2015 and 2014, property, plant and equipment variations were as follows:

Years ended August 31, 2015 and 2014	Land, buildings and leasehold improvements	Networks and infrastructure (1)	Data centre equipment (2)	Home terminal devices	Rolling stock and equipment (3)	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at September 1, 2013	193,523	2,340,754	144,241	430,768	257,624	3,366,910
Other additions	7,275	203,881	70,338	62,502	61,557	405,553
Disposals and write-offs	(121)	(9,022)	(4,620)	(10,231)	(33,725)	(57,719)
Foreign currency translation adjustments	3,918	10,370	4,075	1,460	1,877	21,700
Balance at August 31, 2014	**204,595**	**2,545,983**	**214,034**	**484,499**	**287,333**	**3,736,444**
Acquisition through a business combination	**1,334**	**47,419**	**—**	**1,422**	**1,193**	**51,368**
Other additions	**36,029**	**202,160**	**48,503**	**93,893**	**45,820**	**426,405**
Disposals and write-offs	**(143)**	**(1,687)**	**(8,026)**	**(38,098)**	**(5,694)**	**(53,648)**
Foreign currency translation adjustments	**8,561**	**80,463**	**18,009**	**14,128**	**12,946**	**134,107**
Balance at August 31, 2015	**250,376**	**2,874,338**	**272,520**	**555,844**	**341,598**	**4,294,676**
Accumulated depreciation and impairment losses						
Balance at September 1, 2013	33,928	988,587	31,089	314,949	123,491	1,492,044
Depreciation expense	13,841	230,381	44,654	69,198	48,510	406,584
Disposals and write-offs	(11)	(7,782)	(4,622)	(7,816)	(33,502)	(53,733)
Impairment	—	—	—	3,042	32,451	35,493
Foreign currency translation adjustments	210	1,777	1,000	441	358	3,786
Balance at August 31, 2014	**47,968**	**1,212,963**	**72,121**	**379,814**	**171,308**	**1,884,174**
Depreciation expense	**15,140**	**234,662**	**44,313**	**64,375**	**49,186**	**407,676**
Disposals and write-offs	**(12)**	**(859)**	**(7,381)**	**(36,688)**	**(5,566)**	**(50,506)**
Foreign currency translation adjustments	**1,646**	**25,782**	**9,363**	**6,099**	**4,981**	**47,871**
Balance at August 31, 2015	**64,742**	**1,472,548**	**118,416**	**413,600**	**219,909**	**2,289,215**
Carrying amounts						
At August 31, 2014	156,627	1,333,020	141,913	104,685	116,025	1,852,270
At August 31, 2015	**185,634**	**1,401,790**	**154,104**	**142,244**	**121,689**	**2,005,461**

(1) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

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

(3) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

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 related to an Internet Protocol Television ("IPTV") solution and related projects on which its Canadian operations had worked. As a result of the unexpected performance issues encountered with the platform, it had to be abandoned by Cogeco Cable Canada. These costs were not yet depreciated.

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

14. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2015 and 2014, intangible assets variations were as follows:

	Finite useful life		Indefinite useful life			
Years ended August 31, 2015 and 2014	Customer relationships [(1)]	Other [(2)]	Cable Distribution Licenses	Broadcasting licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at September 1, 2013	362,568	55,739	1,567,210	79,918	25,934	2,091,369
Other additions	—	15,378	—	—	—	15,378
Fully amortized	—	(11,195)	—	—	—	(11,195)
Foreign currency translation adjustments	8,706	172	19,550	—	—	28,428
Balance at August 31, 2014	**371,274**	**60,094**	**1,586,760**	**79,918**	**25,934**	**2,123,980**
Acquisition through a business combination	**17,004**	**—**	**91,560**	**—**	**—**	**108,564**
Other additions	**—**	**16,498**	**—**	**—**	—	**16,498**
Fully amortized	**—**	**(9,991)**	**—**	**—**	—	**(9,991)**
Foreign currency translation adjustments	**50,495**	**1,752**	**130,727**	**—**	—	**182,974**
Balance at August 31, 2015	**438,773**	**68,353**	**1,809,047**	**79,918**	**25,934**	**2,422,025**
Accumulated amortization and impairment losses						
Balance at September 1, 2013	65,020	23,672	—	—	—	88,692
Amortization expense	43,648	15,416	—	—	—	59,064
Fully amortized	—	(11,195)	—	—	—	(11,195)
Foreign currency translation adjustments	1,213	19	—	—	—	1,232
Balance at August 31, 2014	**109,881**	**27,912**	**—**	**—**	**—**	**137,793**
Amortization expense	**48,866**	**16,073**	**—**	**—**	—	**64,939**
Fully amortized	**—**	**(9,991)**	**—**	**—**	—	**(9,991)**
Foreign currency translation adjustments	**13,788**	**498**	**—**	**—**	—	**14,286**
Balance at August 31, 2015	**172,535**	**34,492**	**—**	**—**	**—**	**207,027**
Carrying amounts						
At August 31, 2014	261,393	32,182	1,586,760	79,918	25,934	1,986,187
At August 31, 2015	**266,238**	**33,861**	**1,809,047**	**79,918**	**25,934**	**2,214,998**

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

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

B) GOODWILL

During fiscal 2015 and 2014, goodwill variations were as follows:

Years ended August 31, 2015 and 2014	
(In thousands of Canadian dollars)	$
Cost	
Balance at September 1, 2013	1,228,356
Foreign currency translation adjustments	31,298
Balance at August 31, 2014	**1,259,654**
Acquisition through a business combination	**101,685**
Foreign currency translation adjustments	**182,165**
Balance at August 31, 2015	**1,543,504**

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

The Corporation performs impairment tests annually, or more frequently when there is an indication that assets may be impaired, based on CGUs. During the year ended August 31, 2015, the Corporation's subsidiary, Cogeco Cable, reassessed its CGUs and determined that goodwill for Canadian cable services and American cable services should be tested at its operating segment level since it represents the lowest level at which the goodwill is monitored for management purposes. Also, as a result of the combination of the two business units to form Cogeco Peer 1 in May 2015, the goodwill of Cogeco Data Services and Peer 1 Hosting is now tested at the Enterprise data services level.

During the year ended August 31, 2015, the Corporation also reassessed its CGUs for Radio Broadcasting and Advertising display and determined that goodwill should be tested on a combined basis since it represents the lowest level at which the goodwill is monitored for management purposes.

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows, taking in consideration the above changes:

At August 31,				**2015**				2014
Operating segment / CGU	**Goodwill**	**Cable Distribution Licenses**	**Trade name** (1)	**Broadcasting Licenses**	Goodwill	Cable Distribution Licenses	Trade name	Broadcasting Licenses
(In thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Cable and Enterprise data services								
Canadian cable services	**4,662**			**—**	4,662			
Ontario		**857,696**	**—**			857,696	—	—
Québec		**109,304**	**—**			109,304	—	—
American cable services	**793,712**				571,398			
Southern Florida		**246,036**	**—**	**—**		203,325	—	—
South Carolina		**40,787**	**—**	**—**		33,706	—	—
Western Pennsylvania		**409,182**	**—**	**—**		338,150	—	—
Maryland/Delaware		**53,943**	**—**	**—**		44,579	—	—
Eastern Connecticut		**92,099**	**—**	**—**		—	—	—
Enterprise data services	**706,005**	**—**	**25,934**	**—**				
Cogeco Data Services					205,780	—	—	—
Peer 1 Hosting					438,689	—	25,934	—
Other(2)	**39,125**							
Radio Broadcasting		**—**	**—**	**79,918**	18,585	—	—	79,918
Advertising display		**—**	**—**	**—**	20,540	—	—	—
Total	**1,543,504**	**1,809,047**	**25,934**	**79,918**	1,259,654	1,586,760	25,934	79,918

(1) The trade name belongs to Peer 1 Hosting and it is now tested for impairment at the Enterprise data services level.

(2) For the purpose of impairment testing, goodwill for Radio Broadcasting and Advertising display is tested on a combined basis.

At August 31, 2015 and 2014, the Corporation tested the carrying value of goodwill and intangible assets with indefinite useful lives for impairment. The recoverable amount of each CGU is calculated based on the higher of value in use and fair value less cost to sale. The value in use was determined using cash flow projections derived from financial projections covering a five-year period. They reflect management's expectations of revenue growth, expenses and margin for each CGU based on past experience and expected growth for the segment. Cash flows beyond the five-year period have been extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profile of the individual CGUs. The recoverable amount of each CGU was determined to be higher than its carrying amount and no impairment loss has been recognized at August 31, 2015 and 2014.

The 2014 calculation of the recoverable amount of Cogeco Cable's Canadian cable services, which represents the most recent detailed calculation made in a preceding year, was used in the impairment test of that unit as of August 31, 2015 given that all of the following criteria were met:

- the assets and liabilities making up the CGU have not changed significantly since the most recent recoverable amount calculation;
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the CGU is remote.

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

At August 31,		**2015**		2014
	Pre-tax discount rate	**Perpetual growth rate**	Pre-tax discount rate	Perpetual growth rate
Operating segment	**%**	**%**	%	%
Cable and Enterprise data services	**10.5 to 13.0**	**2.0 to 3.2**	10.5 to 13.0	2.0 to 3.8
Other	**12.3**	**1.2**	12.3 to 13.0	2.0 to 2.5

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU at August 31, 2015 :

	Increase in pre-tax discount rate	**Decrease in perpetual growth rate**
Operating segment	**%**	**%**
Cable and Enterprise data services	**0.3 to 5.5**	**0.1 to 7.5**
Other	**5.8**	**6.4**

15. PROVISIONS

During fiscal 2015, provisions variations were as follows:

Year ended August 31, 2015	Withholding and stamp taxes	Programming and content costs	Restructuring costs	Other	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Balance, beginning of the year	**7,144**	**3,983**	**238**	**5,384**	**16,749**
Provisions made during the year	**—**	**1,850**	**4,776**	**6,459**	**13,085**
Provisions used during the year	**(339)**	**(1,404)**	**(3,654)**	**(584)**	**(5,981)**
Provisions reversed during the year	**—**	**—**	**(79)**	**—**	**(79)**
Foreign currency translation adjustments	**235**	**218**	**96**	**122**	**671**
Balance, end of the year	**7,040**	**4,647**	**1,377**	**11,381**	**24,445**

The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a Portuguese subsidiary by Cogeco Cable. Pursuant to the completion of the sale of the Portuguese subsidiary in 2012, Cogeco Cable remains responsible for these contingent liabilities up to a maximum amount of €5 million under the terms of the sale agreement.

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

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

16. LONG-TERM DEBT

At August 31,	Maturity		Interest rate		2015	2014
(In thousands of Canadian dollars, except percentages)			%		$	$
Parent Corporation						
Term Revolving Facility [a)]						
Revolving loan	February 2020	(1)	2.32	(2)	**14,977**	12,975
Unsecured Debentures [b)]	November 2021		6.50		**34,752**	34,743
Senior Unsecured Notes [c)]	March 2020		6.00		**48,956**	48,763
Finance lease	January 2017		3.23		**40**	66
Subsidiaries						
Term Revolving Facility [d)]						
Canadian Revolving Facility						
Revolving loan – US$70.5 million	January 2020		1.65	(2)	**92,757**	76,654
Revolving loan – £54.0 million (£55.6 million in 2014)	January 2020		1.96	(2)	**109,021**	100,369
Senior Secured Notes [e)]						
Series A – US$25 million	September 2024		4.14		**32,755**	27,033
Series B - US$150 million	September 2026		4.29		**196,515**	162,196
Senior Secured Notes [f)]						
Series A – US$190 million	October 2015		7.00	(3)	**249,953**	206,201
Series B	October 2018		7.60		**54,789**	54,729
Senior Secured Notes - US$215 million [g)]	June 2025		4.30		**281,559**	232,347
Senior Secured Debentures Series 2 [h)]	November 2020		5.15		**199,002**	198,839
Senior Secured Debentures Series 3 [i)]	February 2022		4.93		**198,703**	198,537
Senior Secured Debentures Series 4 [j)]	May 2023		4.18		**297,510**	297,244
Senior Unsecured Debenture [k)]	March 2018		5.94		**99,901**	99,864
Senior Unsecured Notes – US$400 million [l)]	May 2020		4.88		**520,759**	428,370
First Lien Credit Facilities [m)]						
Term Loan A Facility – US$145 million (US$166 million in 2014)	November 2017		2.14	(2)(4)	**188,224**	177,150
Term Loan A-2 Facility – US$100 million	September 2019		2.08	(2)(4)	**129,391**	—
Term Loan B Facility – US$369.4 million (US$377.7 million in 2014)	November 2019		3.25	(2)	**473,653**	398,211
Revolving Facility – US$111 million (US$50 million in 2014)	November 2017		2.08	(2)	**146,043**	54,365
Term Revolving Facility [d)]						
UK Revolving Facility – £4.7 million (£3.1 million in 2014)	January 2020		1.95	(2)	**9,489**	5,596
Finance leases					**—**	809
					3,378,749	2,815,061
Less current portion					**297,657**	32,349
					3,081,092	2,782,712

(1) On October 27, 2015, the Corporation amended its Term Revolving Facility. Under the terms of the amendment, the maturity was extended by an additional year until February 1, 2021.

(2) Interest rate on debt includes applicable margin.

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

(4) On October 14, 2015, Cogeco Cable has entered into two interest rate swap agreements to fix interest rate on a notional amount of US$150 million (US $75 million each agreement) of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate at a fixed rate of 0.6120% and 0.9870%, under Term Loan A and Term Loan A-2 Facilities, until October 30, 2017 and July 31, 2019, respectively.

a) The Corporation benefits from a Term Revolving Facility of $50 million, including a swingline limit of $7.5 million. The Term Revolving Facility was supposed to originally mature on February 1, 2016, but was subsequently amended and extended until February 1, 2020 (subsequently extended by an additional year until February 1, 2021) and can be further extended annually. The Term Revolving Facility can be repaid at any time without penalty and is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable, and guaranteed by its subsidiaries, excluding Cogeco Cable and its subsidiaries. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the EBITDA, financial expense, and total indebtedness. The Term Revolving Facility bears interest, at the Corporation's option, on bankers' acceptance, LIBOR US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion.

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

c) On March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes for net proceeds of $48.7 million, net of transaction costs of approximately $1.3 million. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries.

d) 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. On December 12, 2014, the facility was re-amended and the maturity was extended until January 22, 2020 and can be further extended annually. The amendments reduced the margin for the calculation of the interest rate and reduced restrictions on certain covenants. 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 a 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 the Corporation 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 the Corporation. 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 EBITDA adjusted for integration, restructuring and acquisition costs and settlement of a claim with a supplier ("adjusted EBITDA"), financial expense and total indebtedness.

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

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

g) On June 27, 2013, the Corporation's subsidiary, Cogeco Cable, completed, pursuant to a private placement, the issuance of US$215 million Senior Secured Notes. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2025. The Senior Secured Notes are redeemable at the Coporation’s option at any time, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries.

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

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

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

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

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

m) In connection with the acquisition of Atlantic Broadband on November 30, 2012, the Corporation's subsidiary, Cogeco Cable, concluded, through two of its US subsidiaries, First Lien Credit Facilities totaling US$710 million in three tranches. The first tranche, a Term Loan A Facility matures on November 30, 2017, the second tranche, a Term Loan B Facility matures on November 30, 2019 and the third tranche, a Revolving Credit Facility matures on November 30, 2017. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor of 1.00% for the Term Loan B Facility. Term Loan A and B Facilities are subject to quarterly fixed amortization schedule. In addition to the fixed amortization schedule and starting in the first quarter of fiscal 2015, loans under the Term Loan Facilities shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year which may reduce the quarterly fixed amortization schedule. The calculation of the excess cash flow prepayment is defined as follows:

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

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

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

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

   In connection with the acquisition of MetroCast Connecticut by Cogeco Cable's subsidiary, Atlantic Broadband, on August 20, 2015, the First Lien Credit Facilities were amended on July 17, 2015 and such amendments became effective on the closing date of the acquisition. Pursuant to the amendment, an incremental Term Loan A-2 Facility in an amount of US$100 million was issued for net proceeds of US$98.3 million ($128.6 million) net of transaction costs of US$1.7 million ($2.2 million). The Term Loan A-2 Facility matures on September 3, 2019 and is subject to a quarterly fixed amortization schedule. In addition to the fixed amortization schedule, the Term Loan A-2 Facility is subject to a prepayment percentage of excess cash flow generated during the prior fiscal year which may reduce the quarterly fixed amortization schedule, consistent with that of the Term Loan A. Other terms and conditions related to financial covenants and interest rates remained the same.

17. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

At August 31,	**2015**	2014
(In thousands of Canadian dollars, except number of shares)	**$**	$
1,842,860 multiple voting shares	**12**	12
14,989,338 subordinate voting shares	**121,976**	121,976
	121,988	121,988
78,482 subordinate voting shares held in trust under the Incentive Share Unit Plan (89,146 in 2014)	**(3,730)**	(4,025)
19,152 subordinate voting shares held in trust under the Performance Share Unit Plan	**(1,086)**	—
	117,172	117,963

During fiscal 2015 and 2014, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		**2015**		2014
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**89,146**	**4,025**	107,124	4,219
Subordinate voting shares acquired	**16,078**	**912**	40,074	1,941
Subordinate voting shares distributed to employees	**(26,742)**	**(1,207)**	(58,052)	(2,135)
Balance, end of the year	**78,482**	**3,730**	89,146	4,025

During fiscal 2015, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Year ended August 31, 2015	**Number of shares**	**Amount**
(In thousands of Canadian dollars, except number of shares)		**$**
Balance, beginning of the year	**—**	**—**
Subordinate voting shares acquired	**19,152**	**1,086**
Balance, end of the year	**19,152**	**1,086**

C) DIVIDENDS

For the year August 31, 2015, quarterly dividends of $0.255 per share, for a total of $1.02 per share were paid to the shareholders of multiple and subordinate voting shares, totalling $17.1 million , compared to quarterly dividends of $0.22 per share, for a total of $0.88 per share, or $14.7 million for the year ended August 31, 2014.

At its October 28, 2015 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.295 per share for multiple voting and subordinate voting shares, payable on November 25, 2015, to shareholders of record on November 11, 2015.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Cable, offer for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans and Stock Option Plans for their executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation and its subsidiary, Cogeco Cable, offer Incentive Share Unit Plans ("ISU Plans") for their executive officers and designated employees, Performance Share Unit Plans ("PSU Plans") for their executive officers and Deferred Share Unit Plans ("DSU Plans") for members of the Board of Directors ("Board").

Stock purchase plans

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

Stock option plans

The Corporation and its subsidiary, Cogeco Cable, offer for the benefit of their executive officers and designated employees Stock Options Plans. Under the plans' conditions, the minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options granted vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

A total of 1,545,700 subordinate voting shares are reserved, for the purpose of COGECO's Stock Option Plan. During fiscal years 2015 and 2014, no stock options were granted to employees by COGECO and no stock options were outstanding at August 31, 2015 and 2014.

A total of 3,432,500 subordinate voting shares of Cogeco Cable are reserved for the purpose of its Stock Option Plan.

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

Years ended August 31,		**2015**		2014
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the year	**730,702**	**42.66**	725,093	37.14
Granted[1]	**185,600**	**61.83**	311,650	50.12
Exercised[2]	**(138,711)**	**40.34**	(189,008)	32.12
Cancelled	**(55,618)**	**52.93**	(117,033)	45.47
Outstanding, end of the year	**721,973**	**47.24**	730,702	42.66
Exercisable, end of the year	**247,142**	**38.23**	270,454	36.54

(1) For the year ended August 31, 2015, Cogeco Cable granted 61,300 (84,250 in 2014) stock options to COGECO executive officers as executive officers of Cogeco Cable.

(2) The weighted average share price for options exercised during the year was $72.31 ($53.23 in 2014).

At August 31, 2015, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

At August 31, 2015		**Options outstanding**			**Options exercisable**
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
$		**(years)**	**$**		**$**
26.63 to 34.46	**105,372**	**2.18**	**29.12**	**105,372**	**29.12**
38.08 to 40.45	**147,725**	**6.83**	**39.02**	**55,959**	**38.83**
44.00 to 49.82	**80,336**	**5.04**	**48.15**	**55,691**	**48.43**
50.10 to 58.12	**223,040**	**8.14**	**50.12**	**30,120**	**50.13**
61.22 to 73.50	**165,500**	**9.19**	**61.78**	**—**	**—**
	721,973	**6.90**	**47.24**	**247,142**	**38.23**

The weighted average fair value of stock options granted for the period ended August 31, 2015 was $11.77 ($10.56 in 2014) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

Years ended August 31,	**2015**	2014
	%	%
Expected dividend yield	**1.97**	2.05
Expected volatility[1]	**22.85**	24.87
Risk-free interest rate	**1.60**	1.87
Expected life (in years)	**6.2**	6.3

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

A compensation expense of $1,314,000 ($1,089,000 in 2014) was recorded for the year ended August 31, 2015 related to this plan.

ISU plans

The Corporation and its subsidiary, Cogeco Cable, offer executive officers and designated employees ISU Plans. According to the plans, executive officers and designated employees periodically receive a given number of Incentive Share Units ("ISUs") which entitle the participants to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. For the grants made after April 7, 2015 the holder of ISUs is entitled to payment of the ISUs in proportion that the time of employment between the date of the grant and the date of termination bears to the three-year vesting period.Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustees to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trusts for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's financial statements with the value of the acquired shares presented as subordinate voting shares held in trust under the ISU Plan in reduction of share capital or non-controlling interest.

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

Years ended August 31,	**2015**	2014
Outstanding, beginning of the year	**89,146**	107,124
Granted	**16,078**	40,074
Distributed	**(26,742)**	(58,052)
Outstanding, end of the year	**78,482**	89,146

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

Years ended August 31,	**2015**	2014
Outstanding, beginning of the year	**247,279**	209,608
Granted(1)	**56,656**	137,071
Distributed	**(81,217)**	(84,700)
Cancelled	**(4,939)**	(14,700)
Outstanding, end of the year	**217,779**	247,279

(1) For the year ended August 31, 2015, Cogeco Cable did not grant (12,550 in 2014) ISUs to COGECO's executive officers as executive officers of Cogeco Cable.

A compensation expense of $5,649,000 ($6,566,000 in 2014) was recorded for the year ended August 31, 2015 related to these plans.

PSU plans

In October 2014, the Corporation and its subsidiary, Cogeco Cable introduced PSU Plans for executive officers. The objectives of the PSU Plan are to retain executive officers, to align their interests with those of the shareholders and to sustain positive corporate performance, as measured by the Economic Value Creation formula, a performance measure used by management. The number of Performance Share Units ("PSUs") is based on the dollar value of the award and the average closing stock price of the Corporation and its subsidiary for the previous twelve month period ending August 31. The PSUs vest over a three-year less one day period, based on the level of increase in the Economic Value of the Corporation or the relevant subsidiary or controlled entity for the preceding three-year period ending August 31, meaning that no vesting will occur if there is no increase in the Economic Value. The participants are entitled to receive dividend equivalents in the form of additional PSUs but only with respect to vested PSUs. PSUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause, in which cases, the holder of PSUs is entitled to payment of the PSUs in proportion that the time of employment between the date of the grant and the date of termination bears to the three-year vesting period. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased 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 PSU Plan in reduction of share capital or non-controlling interest.

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

Year ended August 31, 2015	
Outstanding, beginning of the year	**—**
Granted	**18,812**
Dividend equivalents	**327**
Outstanding, end of the year	**19,139**

Under the PSU Plan of Cogeco Cable, the following PSUs were granted and are outstanding at August 31:

Year ended August 31, 2015	
Outstanding, beginning of the year	**—**
Granted[1]	**56,000**
Distributed	**(617)**
Cancelled	**(6,574)**
Dividend equivalents	**1,053**
Outstanding, end of the year	**49,862**

(1) For the year ended August 31, 2015, Cogeco Cable granted 11,050 PSUs to COGECO's executive officers as executive officers of Cogeco Cable.

A compensation expense of $1,126,000 was recorded for the year ended August 31, 2015 related to these plans.

DSU plans

The Corporation and its subsidiary, Cogeco Cable, also offer DSU Plans for members of the Board to assist in the attraction and retention of qualified individuals to serve on the Board of the Corporation and its subsidiary. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("DSUs") with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the TSX for the twenty consecutive trading days immediately preceding the date preceding by one day the date of grant. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of the member.

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

Years ended August 31,	**2015**	2014
Outstanding, beginning of the year	**40,608**	30,854
Issued	**6,394**	9,120
Dividend equivalents	**812**	634
Outstanding, end of the year	**47,814**	40,608

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

Years ended August 31,	**2015**	2014
Outstanding, beginning of the year	**31,609**	23,745
Issued	**3,412**	7,228
Redeemed	**(9,002)**	—
Dividend equivalents	**560**	636
Outstanding, end of the year	**26,579**	31,609

A compensation expense of $951,000 ($1,767,000 in 2014) was recorded for the year ended August 31, 2015 related to these plans.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2015 and 2014, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2015 and 2014	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
Balance at September 1, 2013	846	5,331	6,177
Other comprehensive income (loss) for the year	(419)	3,373	2,954
Balance at August 31, 2014	**427**	**8,704**	**9,131**
Other comprehensive income for the year	**11**	**17,697**	**17,708**
Balance at August 31, 2015	**438**	**26,401**	**26,839**

19. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	**2015**	2014
(in thousands of Canadian dollars)	**$**	$
Trade and other receivables	**(23,697)**	(4,221)
Prepaid expenses and other	**(10,300)**	(3,847)
Trade and other payables	**(39,057)**	51,622
Provisions	**2,640**	1,234
Deferred and prepaid revenue and other liabilities	**7,012**	3,193
	(63,402)	47,981

B) CASH AND CASH EQUIVALENTS

At August 31,	**2015**	2014
(In thousands of Canadian dollars)	**$**	$
Cash	**96,793**	63,831
Cash equivalents(1)	**67,396**	—
	164,189	63,831

(1) At August 31, 2015, Banker's acceptances for a total of $67.4 million, bearing interest within a range of 0.53 % to 0.60 % and with maturity dates ranging from September 1, 2015 to September 8, 2015.

20. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to their employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounts to $10,099,000 ($9,608,000 in 2014) for the year ended August 31, 2015 and are included in the Corporation's consolidated statement of profit and loss under "salaries, employee benefits and outsourced services".

B) DEFINED BENEFIT PLANS

The Corporation and its subsidiaries sponsor defined benefit plans for the benefit of their employees and separate defined benefit plans for the benefit of their executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers supplementary pension plans. The Corporation and its subsidiaries measure plan assets at fair value and the defined benefit obligation at August 31 of each year for all plans. The most recent actuarial valuation of the pension plan for the benefit of the employees was at August 31, 2014 and the next required valuation is at August 31, 2015. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2014 and the next required valuation is at August 31, 2017.

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

Years ended August 31,	2015	2014
(In thousands of Canadian dollars)	**$**	$
Defined benefit obligation[1]		
Defined benefit obligation, beginning of the year	**80,093**	70,093
Current service cost	**3,009**	3,786
Past service cost	**—**	571
Interest cost	**3,305**	3,329
Contributions by plan participants	**381**	417
Benefits paid	**(2,078)**	(2,661)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	**(491)**	(572)
Changes in demographic assumptions	**39**	208
Changes in financial assumptions	**—**	4,922
Defined benefit obligation, end of the year	**84,258**	80,093
Plan assets at fair value		
Plan assets at fair value, beginning of the year	**67,250**	50,987
Interest income	**2,894**	2,515
Return on plan assets, except amounts included in interest income	**(1,537)**	5,952
Administrative expense	**(265)**	(239)
Contributions by plan participants	**381**	417
Employer contributions	**11,278**	10,279
Benefits paid	**(2,078)**	(2,661)
Plan assets at fair value, end of the year	**77,923**	67,250
Funded status		
Plan assets at fair value	**77,923**	67,250
Defined benefit obligation	**84,258**	80,093
Net defined benefit liability	**6,335**	12,843

(1) The weighted average duration of the defined benefit obligation at August 31, 2015 is 13 years (14 years in 2014).

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

Defined benefit costs recognized in profit or loss

Years ended August 31,	2015	2014
(In thousands of Canadian dollars)	**$**	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**3,009**	3,786
Past service cost	**—**	571
Administrative expense	**265**	239
Recognized in financial expense (other)		
Net interest	**411**	814
	3,685	5,410

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2015	2014
(In thousands of Canadian dollars)	**$**	$
Actuarial losses (gains) arising from:		
Experience adjustments	**(491)**	(572)
Change in demographic assumptions	**39**	208
Change in financial assumptions	**—**	4,922
Return on plan assets, except amounts included in interest income	**1,537**	(5,952)
	1,085	(1,394)

The expected employer contributions to the Corporation's defined benefit plans will be $10,856,000 in 2016.

Plan assets consist of:

At August 31,	**2015**	2014
	%	%
Equity securities	**53**	57
Debt securities	**17**	18
Deposits in trust[1]	**23**	21
Other	**7**	4
Total	**100**	100

(1) Deposits in trust prescribed by the Canada Revenue Agency for funded supplemental employee retirement plans are non-interest-bearing.

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

At August 31,	**2015**	2014
	%	%
Defined benefit obligation		
Discount rate	**4.00**	4.00
Rate of compensation increase	**3.00**	3.00
Mortality table	**CPM-2014**	CPM-2014
Defined benefit costs		
Discount rate	**4.00**	4.50
Rate of compensation increase	**3.00**	3.00
Mortality table	**CPM-2014**	UP 94 (AA)

C) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

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

Interest rate risk

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

Salary risk

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

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

D) SENSITIVITY ANALYSIS

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

At August 31, 2015	Change in assumption %	Impact of change in assumption $
Discount rate	0.10	1,112
Expected rate of compensation increase	0.25	172

21. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Credit risk

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

Credit risk from derivative financial instruments arises from the possibility that counterparties to the cross-currency swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2015, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor's rating services ("S&P") and "AA (low)" by Dominion Bond Rating Services ("DBRS").

Cash and cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. At August 31, 2015, management believes that the credit risk relating to its short-term investments is minimal, since the credit rating related to such investments is at least "A-1" by S&P.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At August 31, 2015 and August 31, 2014, no customer balance represented a significant portion of the Corporation's consolidated trade accounts receivable. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada, in United States and in Europe, there is no significant concentration of credit risk.

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

At August 31, *(In thousands of Canadian dollars)*	**2015** **$**	2014 $
Trade accounts receivable	**119,062**	118,011
Allowance for doubtful accounts	**(6,707)**	(7,243)
	112,355	110,768
Other accounts receivable [(1)]	**37,000**	12,326
	149,355	123,094

(1) Include amounts receivable related to a claim with a supplier, which will be paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment.

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 the services are rendered. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. The following table provides further details on trade accounts receivable past due net of allowance for doubtful accounts at August 31, 2015 and 2014:

At August 31,	**2015**	2014
(In thousands of Canadian dollars)	**$**	$
Less than 60 days past due	**33,499**	43,193
60 to 90 days past due	**3,311**	3,355
More than 90 days past due	**592**	2,252
	37,402	48,800

The following table shows changes in the allowance for doubtful accounts for the year ended August 31, 2015 and 2014:

Years ended August 31,	**2015**	2014
(In thousands of Canadian dollars)	**$**	$
Balance, beginning of the year	**7,243**	4,687
Provision for impaired receivables	**22,010**	25,122
Net use	**(23,128)**	(22,604)
Foreign currency translation adjustments	**582**	38
Balance, end of the year	**6,707**	7,243

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2015, an amount of $226.5 million was used from the Corporation's Term Revolving Facility and Cogeco Cable's Term Revolving Facility of $850.0 million, for a remaining availability of $623.5 million. Management believes that the committed revolving credit facilities will, until their maturities in February 2020 and January 2020, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries of Cogeco Cable, also benefit from a Revolving Facility of $197.4 million (US$150 million) of which $148.3 million (US$112.7 million) was used at August 31, 2015 for a remaining availability of $49.0 million (US$37.3 million) .

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2015:

		Contractual cash flows						
(In thousands of Canadian dollars)	Carrying amount $	2016 $	2017 $	2018 $	2019 $	2020 $	Thereafter $	Total $
Trade and other payables[1]	**276,974**	**276,974**	**—**	**—**	**—**	**—**	**—**	**276,974**
Long-term debt[2]	**3,378,709**	**297,659**	**46,878**	**381,134**	**76,135**	**1,360,087**	**1,248,123**	**3,410,016**
Other liabilities	**957**	**—**	**1,281**	**—**	**—**	**—**	**—**	**1,281**
Derivative financial instruments	**(49,834)**	**(48,108)**	**—**	**—**	**—**	**—**	**—**	**(48,108)**
Finance lease[3]	**40**	**29**	**12**	**—**	**—**	**—**	**—**	**41**
	3,606,846	**526,554**	**48,171**	**381,134**	**76,135**	**1,360,087**	**1,248,123**	**3,640,204**

(1) Excluding accrued interest on long-term debt.
(2) Principal excluding finance lease.
(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on finance lease) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at August 31, 2015 and their respective maturities:

	2016	2017	2018	2019	2020	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on long-term debt	**133,717**	**123,894**	**118,966**	**109,114**	**91,093**	**182,891**	**759,675**
Interest receipts on derivative financial instruments	**(8,749)**	**—**	**—**	**—**	**—**	**—**	**(8,749)**
Interest payments on derivative financial instruments	**7,307**	**—**	**—**	**—**	**—**	**—**	**7,307**
	132,275	**123,894**	**118,966**	**109,114**	**91,093**	**182,891**	**758,233**

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed and floating interest rate instruments. Interest rates fluctuations will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2015, 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. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to these facilities is approximately $9.1 million based on the outstanding debt at August 31, 2015.

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, entered into cross-currency swap agreements to set the liability for interest and principal payments on its Senior Secured Notes Series A.

The following table shows the cross-currency swaps outstanding at August 31, 2015:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Exchange rate	Hedged item
Cash flow	US$190 million	7.00% USD	7.24% CAD	October 1, 2015	1.0625	US$190 million Senior Secured Notes Series A

The Corporation is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds.The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximatively $7.7 million based on the outstanding debt at August 31, 2015.

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

At August 31,			**2015**			2014
	US	**Euros**	**British Pounds**	US	Euros	British Pounds
(In thousands of Canadian dollars)	**$**	**$**	**$**	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**28,763**	**887**	**295**	5,817	681	185
Trade and other receivables	**4,405**	**198**	**—**	534	—	—
Trade and other payables and provisions	**(25,986)**	**(7,074)**	**—**	(18,109)	(7,144)	—
	7,182	**(5,989)**	**295**	(11,758)	(6,463)	185

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

The Corporation is also exposed to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation's subsidiary, Cogeco Cable, has entered into foreign currency forward contracts during the third quarter of fiscal 2015 and designated them as cash-flow hedges for accounting purposes.

The following table shows the forward contracts outstanding at August 31, 2015:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$2.4 million	September 2015	1.22204	Purchase commitments of property, plant and equipment

Furthermore, Cogeco Cable's net investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk is 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.

The following table shows the investments in foreign operations outstanding at August 31, 2015:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$860.5 million	US$1.1 billion	Net investment in foreign operations in US dollar
Net investment	£54 million	£58.1 million	Net investment in foreign operations in British pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at August 31, 2015 was $1.3157 ($1.0873 in 2014) per US dollar and $2.0189 ($1.8052 in 2014) per British Pound. The impact of a 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $30.9 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables and balance due on a business combination approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Corporation's Term Revolving Facilities and First Lien Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds loans plus applicable margin. Therefore, the carrying value approximates fair value for these facilities, since they have conditions similar to those currently available to the Corporation;
- The fair value of the Senior Secured Debentures Series 2, 3 and 4, Senior Secured Notes Series A and B, Senior Secured Notes, Senior Unsecured Notes, Senior Unsecured Debenture and Unsecured Debentures are based upon current trading values for similar financial instruments; and
- The fair values of finance leases are not significantly different from their carrying amounts.

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

At August 31,		**2015**		2014
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Long-term debt	**3,378,749**	**3,483,581**	2,815,061	2,943,371

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

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

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

C) CAPITAL MANAGEMENT

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

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

The provisions of financing agreements of the Corporation and its subsidiary, Cogeco Cable provide for restrictions on their activities. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2015 and 2014 the Corporation and its subsidiary were in compliance with all of their debt covenants and were not subject to any other externally imposed capital requirements.

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

Years ended August 31,	2015	2014
Net senior indebtedness(1) / adjusted EBITDA(2)	**2.6**	2.4
Net indebtedness(3) / adjusted EBITDA(2)	**3.4**	3.1
Adjusted EBITDA(2) / financial expense(2)	**6.4**	6.6

(1) Net senior indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Unsecured Debentures, Senior Unsecured Debenture and Senior Unsecured Notes.
(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended August 31, 2015 and 2014.
(3) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, obligations under derivative financial instruments and balance due on a business combination, less cash and cash equivalents.

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

Years ended August 31,	2015	2014
Net senior indebtedness(1)(2) / adjusted EBITDA(3)	**2.1**	2.1
Net indebtedness(2)(4) / adjusted EBITDA(3)	**3.0**	2.9
Adjusted EBITDA(3) / financial expense(3)	**6.3**	6.8

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

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

(3) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended August 31, 2015 and 2014 excluding Atlantic Broadband and other non-significant unrestricted subsidiaries.

(4) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2015	2014
(In thousands of Canadian dollars)	**$**	$
Financial assets		
Loans and receivables	**322,544**	186,925
Derivative financial instruments in designated hedge accounting relationships	**49,834**	6,132
	372,378	193,057
Financial liabilities		
Other liabilities	**3,692,380**	3,166,199
	3,692,380	3,166,199

22. RELATED PARTY TRANSACTIONS

A) PARENT COMPANY

COGECO is the Parent company of Cogeco Cable, which holds 31.9% of Cogeco Cable's equity shares, representing 82.4% of Cogeco Cable's voting shares. On September 1, 1992, COGECO executed a Management Agreement with Cogeco Cable under which the Corporation agreed to provide executive, administrative, financial and strategic planning services and other services (the "Services") to Cogeco Cable and its subsidiaries (the "Management Agreement").

Under the Management Agreement, the Corporation receive monthly fees equal to 2% of Cogeco Cable's total revenue for the Services subject to a maximum amount which was set at $9.9 million in fiscal 2015 and fully paid in the first quarter. For fiscal 2014, management fees were set at a maximum of $9.7 million and were fully paid within the first half of the fiscal year. The management fees were subject to annual upward adjustment based on increases in the Consumer Price Index in Canada. This limit can be increased under certain circumstances upon request to that effect by the Corporation. In addition, Cogeco Cable reimburses the Corporation's out-of-pocket expenses incurred with respect to services provided to Cogeco Cable under the Management Agreement.

On July 14, 2015, the Management Agreement was amended and restated (the "Amended and Restated Agreement") in order to align the annual fees with the costs, time and resources committed by the Corporation to provide the Services under the Management Agreement. At the end of June 2015, the independent Directors of the Board of the Corporation resolved that the management fees should be increased, for the fiscal year beginning on September 1, 2015, to an annual fee, payable monthly, equal to 0.85% of the consolidated revenue of Cogeco

Cable, with no maximum level or inflation-based adjustment. Accordingly, the Corporation submitted to Cogeco Cable a request for an adjustment of the fees and amendments to the Management Agreement.

The matter was then considered by Cogeco Cable's Board at its July 2015 meeting, and the increased level of management fees and the Amended and Restated Agreement were ratified and approved by the independent Directors of the Board. In the Amended and Restated Agreement, provision is made for future adjustment upon the request of either the Corporation or Cogeco Cable should the level of management fees no longer align with the costs, time and resources committed by the Corporation.

In fiscal 2016, under the Amended and Restated Agreement, management fees will no longer be subject to a maximum amount and will be paid on a monthly basis. Accordingly, management fees will be recognized and paid throughout the year resulting in more comparable operating margins from quarter to quarter.

No direct remuneration is payable to COGECO's executive officers by Cogeco Cable. However, Cogeco Cable granted 61,300 stock options (84,250 in 2014), did not grant any ISUs (12,550 in 2014) and granted 11,050 PSUs to these executive officers as executive officers of Cogeco Cable during fiscal 2015. During fiscal 2015, Cogeco Cable charged the Corporation amounts of $502,000 ($293,000 in 2014), $303,000 ($681,000 in 2014) and $188,000 with regards to Cogeco Cable's stock options, ISUs and PSUs granted to these executive officers.

There were no other material related party transactions during the periods covered.

B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

Years ended August 31,	**2015**	2014
(In thousands of Canadian dollars)	**$**	$
Salaries and other short-term employee benefits	**5,107**	4,786
Termination benefits	**—**	2,180
Post-employment benefits	**578**	768
Share-based payments	**2,997**	2,768
	8,682	10,502

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2015, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2016	2017	2018	2019	2020	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Operating lease agreements(1)	**37,911**	**33,538**	**31,107**	**27,698**	**26,742**	**68,494**
Acquisition of property, plant and equipment and intangible assets(2)	**16,375**	**13,865**	**—**	**21,314**	**—**	**—**
Other long-term contracts(3)	**47,085**	**37,346**	**31,140**	**17,141**	**14,406**	**47,709**
	101,371	**84,749**	**62,247**	**66,153**	**41,148**	**116,203**

(1) Include operating lease agreements for rent of premises and support structures.

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

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

B) CONTINGENCIES

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

C) GUARANTEES

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

Business combinations and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Corporation and its subsidiaries have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will in certain circumstances be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Corporation has purchased directors' and officers' liability insurance with a deductible per loss. At August 31, 2015 and 2014, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 15.

Long-term debt

Under the terms of Cogeco Cable's Senior Secured Notes and Senior Unsecured Notes, the cable subsidiary has agreed to indemnify the other parties against changes in regulations relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents Cogeco Cable from estimating the maximum potential liability it could be required to pay. At August 31, 2015 and 2014, no liability has been recorded with respect to these indemnifications.

Employees and contractuals indemnification agreements

The Corporation's subsidiary, Cogeco Diffusion, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss. At August 31, 2015 and 2014, no liability has been recorded with respect to these indemnifications.

24. NON-MONETARY TRANSACTIONS

During fiscal 2015, the Corporation's subsidiaries, Cogeco Diffusion and Métromédia, have entered into non-monetary transactions. An amount of $5.1 million ($7.1 million in 2014) of revenue and $5.3 million ($7.3 million in 2014) of operating expenses were recorded.

25. GOVERNMENT ASSISTANCE

In 2015, the Corporation's subsidiary, Cogeco Cable, received $6.8 million in diverse forms of governmental grants, of which $0.6 million was recorded as revenue, $1.6 million was recorded as a reduction of the property, plant and equipment and $4.6 million was recorded as deferred and prepaid revenue and other liabilities.

INVESTOR INFORMATION

CONSOLIDATED CAPITALIZATION

At August 31,	**2015**	2014	2013
(in thousands of dollars)	**$**	$	$
Indebtedness	**3,361,948**	2,848,040	3,054,275
Equity attributable to owners of the Corporation	**603,598**	513,965	456,905
Total	**3,965,546**	3,362,005	3,511,180

CREDIT RATINGS

COGECO CABLE CREDIT RATINGS

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

At August 31, 2015	**Moody's**	**DBRS**	**Fitch**	**S&P**
Cogeco Cable				
Senior Secured Notes and Debentures	**NR**	**BBB (low)**	**BBB-**	**BBB**
Senior Unsecured Notes	**NR**	**BB**	**BB+**	**BB-**
Atlantic Broadband				
First Liens Credit Facilities	**Ba3**	**NR**	**NR**	**BB**

NR : Not rated

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

On July 29, 2014, Dominion Bond Rating Service ("DBRS") confirmed their ratings of "BBB (low)" on the Senior Secured Debentures and Notes, of "BB" on the Senior Unsecured Notes and confirmed the "BB (high)" Issuer Rating. The "BBB (low)" rating is one notch above the Issuer rating of "BB (high)" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as of adequate credit quality. Obligations rated in the "BB" category are speculative, non-investment grade credit quality.

On April 28, 2014, Standard & Poor's Ratings Services ("S&P") confirmed their ratings of "BBB" on the Senior Secured Debentures and Notes, of "BB-" on the Senior Unsecured Notes and confirmed the "BB+" corporate credit rating. The "BBB" rating is two notches above the corporate credit ratings of "BB+" and reflects very high recovery prospects of first lien secured issues. Obligations rated in the "BBB" category are in the fourth highest category and are regarded as investment-grade. Such obligations show adequate protection parameters. The ratings may be modified by the addition of a plus "(+)" or minus "(-)" sign to show relative standing within the major rating categories. Obligations rated in the "BB" category are speculative, non-investment grade credit quality.

On April 13, 2015, Fitch Ratings ("Fitch") has confirmed the "BB+" Issuer Default Rating ("IDR") and has also confirmed the rating of "BBB-" on the Senior Secured Notes and of "BB+" on the Senior Unsecured Notes. Obligations rated in the "BBB" category are regarded as of good credit quality. Obligations rated in the "BB" category are regarded as speculative.

Atlantic Broadband

On June 20, 2015, following the announcement of an agreement to acquire MetroCast Connecticut, Moody's Investors Service ("Moody's") affirmed their ratings on Atlantic Broadband's credit facilities at "Ba3", one notch above the "B1" corporate family rating. Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

On June 17, 2015, following the announcement of an agreement to acquire MetroCast Connecticut, S&P confirmed their ratings on Atlantic Broadband's credit facilities to "BB", one notch above the "BB-" Issuer Rating.

SHARE INFORMATION

At August 31, 2015		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	**1,842,860**	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1-800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	**14,989,338**	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

DIVIDENDS

DIVIDEND DECLARATION

At its October 28, 2015 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.295 per share for multiple voting and subordinate voting shares, payable on November 25, 2015, to shareholders of record on November 11, 2015. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

TRADING STATISTICS

					2015
Quarters ended	**Nov. 30**	**Feb. 28**	**May 31**	**Aug. 31**	**Total**
(in dollars, except subordinate voting share volumes)	**$**	**$**	**$**	**$**	
The Toronto Stock Exchange					
High	**60.79**	**63.76**	**61.77**	**58.81**	
Low	**50.60**	**57.25**	**50.00**	**52.00**	
Close	**60.79**	**62.05**	**52.12**	**55.30**	
Volume (subordinate voting shares)	**477,681**	**1,921,631**	**499,534**	**545,550**	**3,444,396**

					2014
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	49.15	51.50	58.88	58.26	
Low	44.99	47.50	50.66	53.75	
Close	49.15	51.12	58.15	57.20	
Volume (subordinate voting shares)	723,715	1,239,107	467,457	1,162,383	3,592,662

CABLE AND ENTERPRISE DATA SERVICES SEGMENT CUSTOMER STATISTICS

	August 31, 2015	May 31, 2015	February 28, 2015	November 30, 2014	August 31, 2014	August 31, 2013
CONSOLIDATED						
Primary service units	**2,497,702**	**2,448,755**	**2,451,156**	**2,453,272**	2,442,184	2,467,657
Video service customers	**1,014,661**	**998,043**	**1,004,481**	**1,014,629**	1,023,094	1,066,952
Internet service customers	**934,470**	**905,057**	**898,807**	**887,988**	869,453	838,445
Telephony service customers	**548,571**	**545,655**	**547,868**	**550,655**	549,637	562,260
CANADA						
Primary service units	**1,926,542**	**1,936,923**	**1,943,658**	**1,951,317**	1,946,022	1,980,122
Video service customers	**765,358**	**774,977**	**780,477**	**789,686**	797,165	834,771
Penetration as a percentage of homes passed	**45.4%**	**46.7%**	**46.4%**	**46.8%**	47.3%	49.9%
Internet service customers	**704,555**	**700,090**	**698,247**	**692,911**	679,584	661,337
Penetration as a percentage of homes passed	**41.8%**	**42.2%**	**41.5%**	**41.1%**	40.3%	39.5%
Telephony service customers	**456,629**	**461,856**	**464,934**	**468,720**	469,273	484,014
Penetration as a percentage of homes passed	**27.1%**	**27.8%**	**27.6%**	**27.8%**	27.8%	28.9%
UNITED STATES						
Primary service units	**571,160**	**511,832**	**507,498**	**501,955**	496,162	487,535
Video service customers	**249,303**	**223,066**	**224,004**	**224,943**	225,929	232,181
Penetration as a percentage of homes passed	**42.2%**	**42.9%**	**43.1%**	**43.5%**	43.7%	44.9%
Internet service customers	**229,915**	**204,967**	**200,560**	**195,077**	189,869	177,108
Penetration as a percentage of homes passed	**38.9%**	**39.4%**	**38.6%**	**37.7%**	36.7%	34.3%
Telephony service customers	**91,942**	**83,799**	**82,934**	**81,935**	80,364	78,246
Penetration as a percentage of homes passed	**15.5%**	**16.1%**	**16.0%**	**15.8%**	15.5%	15.1%

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

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

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

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

●♦ **PIERRE L. COMTOIS**, B. Sc., Com., Adm. A.
Montréal (Québec)
Vice-Chairman of the Board and Director
Optimum Asset Management Inc. (Canadian Private International Financial Group)

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

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

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

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

Legend :

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

CORPORATE HEAD OFFICE

5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
corpo.cogeco.com

CORPORATE MANAGEMENT

LOUIS AUDET
President and Chief Executive Officer

ELIZABETH ALVES
Vice President, Internal Audit and Risk Management

NICOLA ANGELINI
Vice President, Strategic Planning

NATHALIE DORVAL
Vice President, Regulatory Affairs and Copyright

RENÉ GUIMOND
Vice President, Public Affairs and Communications

PHILIPPE JETTÉ
Senior Vice President, Chief Technology and Strategy Officer

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

FABRICE LEBEGUE
Vice President, Technology

PIERRE MAHEUX
Vice President, Corporate Controller

DIANE NYISZTOR
Vice President, Corporate Human Resources

PATRICE OUIMET
Senior Vice President and Chief Financial Officer

ANDRÉE PINARD
Vice President and Treasurer

ALEX TESSIER
Vice President, Corporate Development

CORPORATE INFORMATION

ANNUAL MEETING
The Annual Meeting of Shareholders will be held at 11:30 a.m. on Wednesday, January 13, 2016, at the Centre Mont-Royal, Mont-Royal room 1, 4th Floor, Montréal (Québec).

AUDITORS
Deloitte LLP
1190 Avenue des Canadiens-de-Montréal
Suite 500
Montréal (Québec)
H3B 0M7

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

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

TRANSFER AGENT SENIOR UNSECURED NOTES
Computershare Trust Company, N.A

QUARTER ENDS
November, February, May

YEAR END
August 31

INQUIRIES

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

Des versions françaises du rapport annuel, de la notice annuelle, des rapports trimestriels et de la circulaire d'information sont disponibles sous la section « Investisseurs » du site Internet de la société (corpo.cogeco.com) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

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

SHAREHOLDERS

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

DUPLICATE COMMUNICATIONS

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

ETHICS LINE

COGECO Inc., makes available an anonymous and confidential Ethics Line for its employees and the employees of all its business units and other interested individuals to report any perceived or actual instances of violations of the COGECO Group Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is operated by a specialized external provider that is independent of COGECO Inc. Reports can be made through secured confidential toll-free telephone lines or web site described below. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and Risk Management and/or the Vice President, Corporate Affairs, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting truthfully and in good faith.

By telephone:

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

Web site of ClearView Connects: www.clearviewconnects.com

SUBSIDIARIES AND OPERATING SEGMENT

CABLE AND ENTERPRISE DATA SERVICES SEGMENT

COGECO CABLE INC.

LOUIS AUDET
President and Chief Executive Officer

5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
corpo.cogeco.com

COGECO CABLE CANADA

LOUISE ST-PIERRE
President and Chief Executive Officer

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

ATLANTIC BROADBAND

RICHARD SHEA
President and Chief Executive Officer

2 Batterymarch Park
Suite 205
Quincy, MA 02169
www.atlanticbb.com

COGECO PEER 1

ANTONIO CICIRETTO
President and Chief Executive Officer

413 Horner Avenue
Toronto (Ontario)
M8W 4W3
www.cogecopeer1.com

OTHER

COGECO DIFFUSION / MÉTROMÉDIA

RICHARD LACHANCE
President and Chief Executive Officer, Cogeco Diffusion

800, rue de la Gauchetière Ouest
Montréal (Québec)
H5A 1K6
www.cogecodiffusion.com

CLAUDE LAMOUREUX
Vice President and General Manager, Métromédia

1253, avenue McGill College
Montréal (Québec)
H3B 2Y5
www.cogecometromedia.com

CORPO.COGECO.COM