



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

Three-month period ended November 30, 2015

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 Corporation's 2015 annual 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 Corporation's 2015 annual 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 which 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 condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2015, prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2015 Annual Report.

2. 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 generate 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

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.

2.1 KEY PERFORMANCE INDICATORS

ADJUSTED EBITDA

For the three-month period ended November 30, 2015, adjusted EBITDA increased by 9.0% to reach \$255.2 million compared to \$234.0 million for the same period of fiscal 2015 driven by the growth in the Cable and Enterprise data services segment mainly through the improvement in its American cable services operations combined with the favorable foreign exchange rates benefiting our foreign operations compared to the comparable period of last year and the improvement in the radio broadcasting and out-of-home advertising business activities.

Giving effect to the sale of the Corporation's subsidiary Métromédia CMR Plus Inc. ("Cogeco Métromédia") to Bell Média Inc. on January 5, 2016, the Corporation revised its fiscal 2016 financial guidelines as issued on October 28, 2015. Adjusted EBITDA is now expected to reach between \$1,020 million to \$1,050 million. For further details, please refer to the "Fiscal 2016 revised financial guidelines" section.

FREE CASH FLOW

For the three-month period ended November 30, 2015, free cash flow amounted to \$40.9 million, a decrease of \$29.8 million, or 42.1%, compared to \$70.7 million for the same period of the prior year as a result of a timing difference in the acquisitions of property, plant and equipment and an increase in current income taxes, partly offset by the improvement of adjusted EBITDA.

(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.

3. BUSINESS DEVELOPMENTS AND OTHER

Numeris' fall 2015 survey in the Montréal region, conducted with the *Portable People Meter* ("PPM"), reported that in the Montréal French market 98.5 FM is the leading radio station amongst all listeners two years old and over ("2+"), *Rythme FM* has maintained its leadership position in the women 25-54 segment and *CKOI* is the leading radio station for listeners in the 25-34 segment. In the Montréal English market, *The Beat* is the leading music radio station amongst all listeners two years old and over ("2+"). Finally, most of our other regional radio stations in Québec registered good ratings.

On January 5, 2016, the Corporation's subsidiary, Cogeco Diffusion, completed the sale of its subsidiary Cogeco Métromédia, an out-of-home advertising company, to Bell Média Inc., for a cash consideration of \$47.5 million, which is subject to a post-closing net working capital adjustment.

On December 8, 2015, the Corporation's subsidiary, Cogeco Cable Inc., amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by an additional year and consequently, will mature on January 22, 2021.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

Quarters ended November 30, (in thousands of dollars, except percentages)	2015 \$	2014 \$	Change %
Revenue	582,903	538,383	8.3
Operating expenses	327,749	304,400	7.7
Adjusted EBITDA	255,154	233,983	9.0

REVENUE

Fiscal 2016 first-quarter revenue amounted to \$582.9 million, an increase of \$44.5 million, or 8.3% compared to the same period of fiscal 2015 mainly as a result of the improvement in the Cable and Enterprise data services segment and in the radio broadcasting and out-of-home advertising business activities.

In the Cable and Enterprise data services segment, fiscal 2016 first-quarter revenue amounted to \$540.3 million, an increase of \$43.3 million, or 8.7% compared to the same period of fiscal 2015, driven by growth of 40.4% in the American cable services and 2.8% in the Enterprise data services operations, with essentially stable revenue in the Canadian cable services operations. For further details on revenue, please refer to the "Cable and Enterprise data services segment" section.

OPERATING EXPENSES

Fiscal 2016 first-quarter operating expenses amounted to \$327.7 million, an increase of \$23.3 million, or 7.7%, compared to the comparable period of fiscal 2015. 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 2016 first-quarter operating expenses amounted to \$291.6 million, an increase of \$23.3 million, or 8.7%, compared to the same period of fiscal 2015. Operating expenses increased for the American cable and Enterprise data services operations but have declined for the Canadian cable services operations. The appreciation of the US dollar and British Pound compared to the Canadian dollar have also contributed to the increase. For further details on operating expenses, please refer to the "Cable and Enterprise data services segment" section.

ADJUSTED EBITDA

Fiscal 2016 first-quarter adjusted EBITDA increased by \$21.2 million, or 9.0%, to reach \$255.2 million as a result of revenue growth exceeding operating expenses growth.

In the Cable and Enterprise data services segment, fiscal 2016 first-quarter adjusted EBITDA amounted to \$244.1 million, an increase of \$25.3 million, or 11.6%, compared to the same period of fiscal 2015 mainly as a result of the improvement in its American cable services operations combined with the favorable exchange rates compared to the same period of the prior year. For further details on adjusted EBITDA, please refer to the "Cable and Enterprise data services segment" section.

4.2 FIXED CHARGES

Quarters ended November 30, (in thousands of dollars, except percentages)	2015 \$	2014 \$	Change %
Depreciation and amortization	127,163	116,047	9.6
Financial expense	34,991	37,536	(6.8)

Fiscal 2016 first-quarter depreciation and amortization expense reached \$127.2 million compared to \$116.0 million for the same period of the prior year. The increase resulted mainly from the appreciation of the US dollar and the British Pound compared to Canadian dollar and from additional acquisitions of property, plant and equipment and the impact of the recent acquisition in the Cable and Enterprise data services segment of MetroCast Communications of Connecticut, LLC (the "Connecticut system").

Fiscal 2016 first-quarter financial expense decreased by \$2.5 million, or 6.8%, to reach \$35.0 million compared to \$37.5 million in the comparable period of the prior year mainly due to the repayment in October 2015 of the US\$190 million Senior Secured Notes Series A, partly offset by the appreciation of the US dollar and British Pound compared to the Canadian dollar and the cost of financing related to the recent acquisition in Connecticut.

4.3 INCOME TAXES

Fiscal 2016 first-quarter income taxes amounted to \$24.1 million, an increase of \$9.1 million, or 60.5%, compared to \$15.0 million for the same period of the prior year. The increase is mostly attributable to the improvement of adjusted EBITDA, the appreciation of the US dollar and British Pound compared to the Canadian dollar, 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, partly offset by an increase in depreciation and amortization.

In addition, on July 8, 2015, the United Kingdom government announced corporate tax rate reductions from 20% to 19% on April 1, 2017 and to 18% on April 1, 2020. These rate reductions were substantially enacted on October 26, 2015 and have reduced the deferred tax asset and increased the deferred income taxes by approximately \$1.7 million during the quarter.

4.4 PROFIT FOR THE PERIOD

Fiscal 2016 first-quarter profit for the period amounted to \$66.8 million of which \$25.2 million, or \$1.51 per share, was attributable to owners of the Corporation, compared to a profit of \$65.4 million of which \$26.8 million, or \$1.60 per share, was attributable to owners of the Corporation for the same period of fiscal 2015. Profit progression for the period is mostly attributable to the improvement of adjusted EBITDA, partly offset by the increases in depreciation and amortization and income taxes. The earnings per share for the quarter was negatively impacted as a result of lower management fees paid by Cogeco Cable Inc. to the Corporation resulting from the Amended and Restated Management Services Agreement. The management fees are now payable on a monthly basis with no maximum level or inflation-based adjustment. In the previous fiscal year, management fees were fully paid in the first quarter contributing to lower profit attributable to owners of the Corporation in the second, third and fourth quarters.

The non-controlling interest represents a participation of approximately 68.1% in Cogeco Cable's results. Profit for the period attributable to non-controlling interest amounted to \$41.6 million for the first-quarter of fiscal 2016 compared to \$38.6 million for the same period of the prior year.

5. 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 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 Management Services Agreement"). Since September 1, 2015, the management fee is now payable on a monthly basis, representing 0.85% of the consolidated revenue of Cogeco Cable, with no maximum level or inflation-based adjustment. COGECO previously 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. For more details on the Amended and Restated Management Services Agreement, refer to the "Related party transactions" section of the Corporation's 2015 annual MD&A.

No direct remuneration is payable to COGECO's executive officers by Cogeco Cable. However, during the first quarter of fiscal 2016, Cogeco Cable granted 69,750 (61,300 in 2015) stock options to these executive officers as executive officers of Cogeco Cable. During the first quarter of fiscal 2016, Cogeco Cable charged COGECO \$144,000 (\$113,000 in 2015) 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 the first quarter of fiscal 2016 and 2015. During the first quarter of fiscal 2016, Cogeco Cable charged COGECO \$113,000 (\$86,000 in 2015) with regard to the ISUs previously granted by Cogeco Cable to these executive officers.

During the first quarter of fiscal 2016, Cogeco Cable granted 11,150 (11,050 in 2015) Performance Share Units ("PSUs") to executive officers of COGECO as executive officers of Cogeco Cable and charged COGECO \$124,000 (\$17,000 in 2015) for the first quarter ended November 30, 2015 with regard to Cogeco Cable's PSUs granted to these executive officers.

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

6. CASH FLOW ANALYSIS

Quarters ended November 30, (in thousands of dollars)	2015 \$	2014 \$
Operating activities		
Cash flow from operations	188,168	174,252
Changes in non-cash operating activities	(63,842)	(138,125)
Amortization of deferred transaction costs and discounts on long-term debt	(2,299)	(2,130)
Income taxes paid	(44,329)	(22,232)
Current income taxes	26,413	19,045
Financial expense paid	(48,855)	(49,347)
Financial expense	34,991	37,536
Cash flow from operating activities	90,247	18,999
Investing activities	(146,923)	(103,391)
Financing activities	(66,705)	35,480
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	669	1,630
Net change in cash and cash equivalents	(122,712)	(47,282)
Cash and cash equivalents, beginning of the period	164,189	63,831
Cash and cash equivalents, end of the period	41,477	16,549

6.1 OPERATING ACTIVITIES

Fiscal 2016 first-quarter cash flow from operating activities reached \$90.2 million, an increase of \$71.2 million compared to \$19.0 million for the same period of fiscal 2015 mainly as a result of the following:

- the improvement of \$21.2 million in adjusted EBITDA;
- the decrease of \$74.3 million in change in non-cash operating activities primarily due to changes in working capital; partly offset by
- the increase of \$22.1 million in income taxes paid.

Fiscal 2016 first-quarter cash flow from operations reached \$188.2 million, an increase of \$13.9 million, or 8.0%, compared to \$174.3 million for the same period of fiscal 2015 mainly as a result of the following:

- the improvement of \$21.2 million in adjusted EBITDA;
- the decrease of \$2.5 million in financial expense; partly offset by
- the increase of \$7.4 million in current income taxes; and
- the increase of \$2.0 million in integration, restructuring and acquisition costs.

6.2 INVESTING ACTIVITIES

For fiscal 2016, investing activities amounted to \$146.9 million, an increase of \$43.5 million, or 42.1%, compared to \$103.4 million mainly due to additional acquisitions of property, plant and equipment, intangible and other assets as explained below.

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

Fiscal 2016 first-quarter acquisition of property, plant and equipment amounted to \$142.2 million compared to \$100.1 million for the same period of fiscal 2015. The increases are mainly due to the following factors in the Cable and Enterprise data services segment:

- the additional customer premise equipment acquisition in Canada and the United States as a result of a timing difference;
- the increase in scalable infrastructure and line extensions to extend and improve network capacity in some of the areas we serve;
- the appreciation of the US dollar over the Canadian dollar compared to the same period of the prior year;
- the recent acquisition of the Connecticut system; and
- PSU growth in the United States and Canada; partly offset by
- the completion in fiscal 2015 of the remaining pods at the Barrie, Ontario data centre and pod 1 at the Montréal, Québec data centre; and
- the timing of certain initiatives.

Fiscal 2016 first-quarter acquisitions of intangible and other assets amounted to \$5.0 million compared to \$3.5 million for the comparable period of fiscal 2015 as a result of higher reconnect activities and customer acquisition costs.

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Cable, completed the acquisition of substantially all of the net assets of the Connecticut system, which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US\$200 million, excluding post-closing net working capital adjustment of US\$1.3 million, 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.

During the first quarter of fiscal 2016, Cogeco Cable finalized the purchase price allocation of the Connecticut system. The final purchase price allocation is as follows:

	Preliminary August 31, 2015	Final November 30, 2015
(In thousands of Canadian dollars)	\$	\$
Consideration paid		
Purchase price	261,600	261,600
Working capital adjustments	1,640	1,640
	263,240	263,240
Net assets acquired		
Trade and other receivables	616	616
Prepaid expenses and other	1,696	1,696
Property, plant and equipment	51,368	51,368
Intangible assets	108,564	115,104
Goodwill	101,685	95,145
Trade and other payables assumed	(689)	(689)
	263,240	263,240

6.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2016 first-quarter free cash flow amounted to \$40.9 million, an increase of \$29.8 million, or 42.1%, compared to \$70.7 million for the first quarter of the prior year mainly as a result of the following:

- the increase of \$43.7 million in acquisitions of property, plant and equipment, intangible and other assets mainly as a result of a timing difference; and
- the increase of \$7.4 million in current income taxes; partly offset by
- the improvement of \$21.2 million in adjusted EBITDA.

FINANCING ACTIVITIES

During the first quarter of fiscal 2016, lower Indebtedness level provided for a cash decrease of \$42.9 million, as a result of the following:

- the repayments of \$224.9 million of long-term debt and the settlement of derivative financial instruments mainly related to the US\$190 million Senior Secured Notes Series A maturing in October 2015; partly offset by
- the increase of \$144.0 million of the revolving facilities; and
- the increase of \$38.0 million in bank indebtedness.

During the first quarter of fiscal 2015, a higher Indebtedness level provided for a cash increase of \$58.9 million, as a result of the following:

- the increase of \$59.1 million under the revolving facilities; and
- the increase of \$16.5 million in bank indebtedness; partly offset by
- the repayments of \$16.7 million in long-term debt.

DIVIDENDS

During the first quarter of fiscal 2016, a quarterly eligible dividend of \$0.295 per share was paid to the holders of subordinate and multiple voting shares, for a total of \$4.9 million compared to a quarterly eligible dividend of \$0.255 per share paid during the first quarter of fiscal 2015 to the holders of subordinate and multiple voting shares, for a total of \$4.3 million. In addition, dividends paid by a subsidiary to non-controlling interests during the first quarter of fiscal 2016 amounted to \$13.0 million compared to \$11.6 million for the first quarter of the prior year.

6.4 DIVIDEND DECLARATION

At its January 12, 2016 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 February 9, 2016 to shareholders of record on January 26, 2016. 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.

7. FINANCIAL POSITION

7.1 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:

	November 30, 2015	August 31, 2015	Change	Explanations
<i>(in thousands of dollars)</i>	\$	\$	\$	
Current assets				
Cash and cash equivalents	41,477	164,189	(122,712)	Repayment of the US\$190 million Senior Secured Notes Series A, partly offset by excess cash flow generated from operations combined with the appreciation of the US dollar and British Pound against the Canadian dollar compared to the same period of the prior year.
Trade and other receivables	142,823	149,355	(6,532)	Receipt of the amount receivable from the settlement of a claim with a supplier, partly offset by the appreciation of the US dollar and British Pound against the Canadian dollar compared to the same period of the prior year.
Income taxes receivable	13,557	10,753	2,804	Non significant.
Prepaid expenses and other	29,768	18,016	11,752	Increase in prepayment of maintenance agreements.
Derivative financial instruments	428	49,834	(49,406)	Settlement of the cross-currency swaps related to the US\$190 million Senior Secured Notes Series A.
	228,053	392,147	(164,094)	
Current liabilities				
Bank indebtedness	37,986	—	37,986	Timing of payments made to suppliers.
Trade and other payables	231,894	313,631	(81,737)	Timing of payments made to suppliers.
Provisions	25,259	24,445	814	Non significant.
Income tax liabilities	39,571	54,826	(15,255)	Payments of income taxes during the quarter, partly offset by the increase in current income taxes.
Deferred and prepaid revenue	64,837	63,499	1,338	Non significant.
Current portion of long-term debt	35,069	297,657	(262,588)	Repayment of the US\$190 million Senior Secured Notes Series A.
	434,616	754,058	(319,442)	
Working capital deficiency	(206,563)	(361,911)	155,348	

7.2 OTHER SIGNIFICANT CHANGES

	November 30, 2015	August 31, 2015	Change	Explanations
<i>(in thousands of dollars)</i>	\$	\$	\$	
Non-current assets				
Property, plant and equipment	2,045,180	2,005,461	39,719	Appreciation of the US dollar and British Pound against the Canadian dollar and higher capital expenditures, partly offset by the depreciation expense.
Intangible assets	2,224,167	2,221,577	2,590	Appreciation of the US dollar and British Pound against the Canadian dollar, partly offset by the amortization expense exceeding acquisition of intangible assets.
Goodwill	1,553,190	1,536,925	16,265	Appreciation of the US dollar and the British Pound currency against the Canadian dollar.
Non-current liabilities				
Long-term debt	3,247,138	3,081,092	166,046	Appreciation of the US dollar and British Pound against the Canadian dollar and increased drawings under Cogeco Cable's Canadian Revolving Facility, partly offset by repayments on the First Lien Credit Facilities.
Pension plan liabilities and accrued employee benefits	1,465	11,105	(9,640)	Payment of the pension plans' actuarial deficits.

7.3 OUTSTANDING SHARE DATA

A description of COGECO's share data at December 31, 2015 is presented in the table below. Additional details are provided in Note 10 of the consolidated financial statements.

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

7.4 FINANCING

In the normal course of business, COGECO has incurred financial obligations, primarily in the form of long-term debt, operating and finance leases and guarantees. COGECO's obligations, as reported in the 2015 Annual Report, have not materially changed since August 31, 2015, except as mentioned below.

On December 8, 2015, the Corporation's subsidiary, Cogeco Cable Inc., amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by an additional year and consequently, will mature on January 22, 2021.

On October 14, 2015, a US subsidiary of Cogeco Cable 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 Term Loan A and Term Loan A-2 Facilities until October 30, 2017 and July 31, 2019, respectively.

At November 30, 2015, an amount of \$389.4 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 \$460.6 million. In addition, two subsidiaries of Cogeco Cable, also benefit from a Revolving Facility of \$200.3 million (US\$150 million) of which \$150.2 million (US\$112.5 million) was used at November 30, 2015 for a remaining availability of \$50.1 million (US\$37.5 million).

7.5 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation and its subsidiary, Cogeco Cable, are 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 November 30, 2015, all of the Corporation's and Cogeco Cable's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facility and Cogeco Cable's Term Revolving Facility and First Lien Credit Facilities.

To mitigate such risk, the Corporation's subsidiary Cogeco Cable, enters into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2015:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US\$75 million	US Libor base rate	0.6120%	October 30, 2017	Term Loan A Facility
Cash flow	US\$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the unhedged portion of these facilities is approximately \$8.6 million based on the outstanding debt at November 30, 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. The Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rate applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. In order to mitigate this risk, 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. During the quarter ended November 30, 2015 Cogeco Cable settled these cross-currency swaps with a notional amount of US\$190 million, following the repayment of its Senior Secured Notes Series A on October 1st 2015.

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 approximately \$7.9 million based on the outstanding debt at November 30, 2015.

The Corporation faces exposure 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, enters into foreign currency forward contracts and designates them as cash-flow hedges for accounting purposes. The following table shows the forward contracts outstanding at November 30, 2015:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US\$10.5 million	December 2015 - February 2016	1.2945	Purchase commitments of property, plant and equipment

Furthermore, the Corporation's investments in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk 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 November 30, 2015:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US\$860.5 million	US\$1.1 billion	Net investments in foreign operations in US dollar
Net investment	£54.7 million	£57.7 million	Net investments 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 November 30, 2015 was \$1.3353 (\$1.3157 at August 31, 2015) per US dollar and \$2.0112 (\$2.0189 at August 31, 2015) per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately \$32.6 million.

For the first quarter ended November 30, 2015, the average rates prevailing used to convert the operating results of the Cable and Enterprise data services segment were as follows:

Quarters ended November 30,	2015	2014	Change
	\$	\$	%
US dollar vs Canadian dollar	1.3207	1.1184	18.1
British Pound vs Canadian dollar	2.0191	1.7939	12.6

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 first quarter ended November 30, 2015:

Quarters ended November 30, 2015 (in thousands of dollars)	Cable and Enterprise data services segment	
	As reported	Exchange rate impact
	\$	\$
Revenue	540,313	19,605
Operating expenses	291,583	12,289
Management fees - COGECO Inc.	4,588	167
Adjusted EBITDA	244,142	7,149
Acquisitions of property, plant and equipment, intangible and other assets	146,319	8,061

8. CABLE AND ENTERPRISE DATA SERVICES SEGMENT

8.1 CUSTOMER STATISTICS

	November 30, 2015			Net additions (losses) Quarters ended November 30,	
	Consolidated	Canada	United States	2015	2014
PSU ⁽¹⁾	2,510,979	1,933,527	577,452	13,277	11,088
Video service customers	1,009,098	761,209	247,889	(5,563)	(8,465)
Internet service customers	953,134	716,577	236,557	18,664	18,535
Telephony service customers	548,747	455,741	93,006	176	1,018

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

VIDEO

Fiscal 2016 first-quarter video service customers net losses stood at 5,563 compared to 8,465 for the first-quarter of fiscal 2015. The lower decrease is mainly due to the customer's ongoing interest in TiVo digital advanced video services in Canada and the United States, partly offset by service category maturity and competitive offers in the industry.

INTERNET

Fiscal 2016 first-quarter Internet service customers grew by 18,664 compared to 18,535 for the first quarter of fiscal 2015 as a result of the enhancement of the product offering, the positive impact of the bundle offers, customers' ongoing interest in TiVo's services which requires an Internet subscription and the growth in the business sector.

TELEPHONY

Fiscal 2016 first-quarter telephony service customers net additions stood at 176 compared to 1,018 for the first quarter of fiscal 2015. The lower increase is mainly attributable to the increasing mobile penetration rate in North America and various unlimited offers launched by mobile operators causing fewer customers to subscribe to landline telephony services.

8.2 OPERATING RESULTS

Quarters ended November 30, (in thousands of dollars, except percentages)	2015 \$	2014 \$	Change %
Revenue	540,313	497,001	8.7
Operating expenses	291,583	268,264	8.7
Management fees – COGECO Inc.	4,588	9,877	(53.5)
Adjusted EBITDA	244,142	218,860	11.6
Operating margin	45.2%	44.0%	

REVENUE

Fiscal 2016 first-quarter revenue amounted to \$540.3 million, an increase of \$43.3 million, or 8.7% compared to the same period of fiscal 2015, driven by growth of 40.4% in the American cable services and 2.8% in the Enterprise data services operations, with essentially stable revenue in the Canadian cable services operations. Revenue increased primarily as a result of organic growth and the recent acquisition of the Connecticut system in the American cable services operations combined with the favorable foreign exchange rates for our foreign operations compared to the comparable period of fiscal 2015.

OPERATING EXPENSES AND MANAGEMENT FEES

Fiscal 2016 first-quarter operating expenses amounted to \$291.6 million, an increase of \$23.3 million, or 8.7%, compared to the same period of fiscal 2015. Operating expenses increased for the American cable and Enterprise data services operations but have declined for the Canadian cable services operations. The appreciation of the US dollar and British Pound compared to the Canadian dollar have also contributed to the increase.

Fiscal 2016 first-quarter management fees paid to COGECO amounted to \$4.6 million compared to \$9.9 million for the same period of fiscal 2015 under the Amended and Restated Management Services Agreement which became effective on September 1, 2015. The annual fee is now payable on a monthly basis, representing 0.85% of the consolidated revenue of Cogeco Cable, with no maximum level or inflation-based adjustment. In the previous fiscal year, annual fee was equal to 2% of Cogeco Cable's gross revenue, subject to an inflation-adjusted maximum annual fee and was fully paid in the first quarter resulting in higher operating margins in the second, third and fourth quarters.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2016 first-quarter adjusted EBITDA increased by \$25.3 million, or 11.6%, to reach \$244.1 million mainly as a result of the improvement in the American cable services operations combined with the favorable exchange rates compared to the same period of the prior year.

Cogeco Cable's operating margin increased from 44.0% to 45.2% for the same period of the prior year mainly from lower management fees paid to COGECO during the first quarter of the year as a result of a timing difference combined with a higher margin in the Canadian cable services operations and a stable margin in the American cable services operations, partly offset by a slightly lower margin in the Enterprise data services operations.

9. FISCAL 2016 REVISED FINANCIAL GUIDELINES

9.1 CONSOLIDATED

Giving effect to the sale of Cogeco Métromédia to Bell Média Inc. on January 5, 2016, the Corporation revised its fiscal 2016 financial guidelines as issued on October 28, 2015.

Fiscal 2016 revised financial guidelines are as follows:

	Revised projections January 12, 2016	Projections October 28, 2015
	Fiscal 2016	Fiscal 2016
(in millions of dollars)	\$	\$
Financial guidelines		
Revenue	2,340 to 2,370	2,360 to 2,390
Adjusted EBITDA	1,020 to 1,050	1,025 to 1,055
Integration, restructuring and acquisition costs	3 to 5	3 to 5
Financial expense	145 to 155	145 to 155
Current income taxes	110 to 120	110 to 120
Profit for the year	285 to 310	285 to 310
Profit for the year attributable to owners of the Corporation	100 to 110	90 to 100
Acquisitions of property, plant and equipment, intangible and other assets	455 to 470	455 to 470
Free cash flow ⁽¹⁾	325 to 355	325 to 355

(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.

9.2 CABLE AND ENTERPRISE DATA SERVICES SEGMENT

Fiscal 2016 financial guidelines for the Cable and Enterprise data services segment issued on October 28, 2015 remained unchanged.

10. CONTROLS AND PROCEDURES

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

The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR at November 30, 2015, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three-month period ended November 30, 2015.

11. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by COGECO can be found in the 2015 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2015 Annual Report, which are hereby incorporated by reference.

On December 22, 2015, the Federal Court of Appeal granted Bell Canada and Bell Media leave to appeal Broadcasting Order CRTC 2015-439, Broadcasting Regulatory Policy CRTC 2015-438 and Broadcasting Information Bulletin CRTC 2015-440 relating to a revised Wholesale Code (the "Wholesale Code") to be implemented in 2016. The Wholesale Code would impose a number of requirements with respect to affiliation agreements between programming services and cable and satellite distributors in Canada. Bell Canada and Bell Media argue that the Wholesale Code wrongly interferes with their intellectual property rights in programs under the Copyright Act and that the Canadian Radio-television and Telecommunications Commission ("CRTC") lacks jurisdiction to issue the Wholesale Code under the Broadcasting Act. In prior regulatory proceedings before the CRTC, the Corporation's subsidiary, Cogeco Cable, and other independent distributors advocated the adoption of a Wholesale Code so as to ensure that vertically integrated entities such as Bell Canada and Bell Media cannot abuse their market power and impose anticompetitive terms for the distribution of their programming services. Cogeco Cable intends to challenge Bell Canada and Bell Media's appeal.

12. ACCOUNTING POLICIES

12.1 NEW ACCOUNTING STANDARDS

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") that are mandatory but not yet effective for the period ended November 30, 2015 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under the "Future accounting developments in Canada" section in the Corporation's 2015 Annual Report available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

12.2 CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in COGECO's accounting policies, estimates and future accounting pronouncements since August 31, 2015. A description of the Corporation's policies and estimates can be found in the 2015 Annual Report, available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

13. 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".

13.1 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:

Quarters ended November 30, (in thousands of dollars)	2015 \$	2014 \$
Cash flow from operating activities	90,247	18,999
Changes in non-cash operating activities	63,842	138,125
Amortization of deferred transaction costs and discounts on long-term debt	2,299	2,130
Income taxes paid	44,329	22,232
Current income taxes	(26,413)	(19,045)
Financial expense paid	48,855	49,347
Financial expense	(34,991)	(37,536)
Cash flow from operations	188,168	174,252

Free cash flow is calculated as follows:

Quarters ended November 30, (in thousands of dollars)	2015 \$	2014 \$
Cash flow from operations	188,168	174,252
Acquisition of property, plant and equipment	(142,183)	(100,057)
Acquisition of intangible and other assets	(5,047)	(3,467)
Free cash flow	40,938	70,728

13.2 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:

Quarters ended November 30, (in thousands of dollars)	2015 \$	2014 \$
Profit for the period	66,831	65,363
Income taxes	24,139	15,037
Financial expense	34,991	37,536
Depreciation and amortization	127,163	116,047
Integration, restructuring and acquisitions costs	2,030	—
Adjusted EBITDA	255,154	233,983

14. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	November 30,		August 31,		May 31,		February 28,	
<i>(in thousands of dollars, except per share data)</i>	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	582,903	538,383	554,089	524,523	557,787	536,067	536,904	518,477
Adjusted EBITDA	255,154	233,983	244,562	229,332	246,977	233,083	229,069	221,807
Integration, restructuring and acquisition costs	2,030	—	6,942	956	5,669	3,186	1,339	346
Settlement of a claim with a supplier	—	—	(27,431)	—	—	—	—	—
Impairment of property, plant and equipment	—	—	—	3,296	—	32,197	—	—
Profit for the period	66,831	65,363	78,529	59,229	66,285	35,635	55,038	58,467
Profit for the period attributable to owners of the Corporation	25,197	26,774	25,402	15,765	22,584	11,469	14,867	17,391
Cash flow from operating activities	90,247	18,999	275,690	332,216	200,686	184,706	198,925	187,611
Cash flow from operations	188,168	174,252	203,918	184,781	182,736	176,491	172,493	173,415
Acquisitions of property, plant and equipment, intangible and other assets	147,230	103,524	130,768	166,642	104,807	84,960	103,576	81,997
Free cash flow	40,938	70,728	73,150	18,139	77,929	91,531	68,917	91,418
Earnings per share attributable to the owners of the Corporation ⁽¹⁾								
Basic	1.51	1.60	1.52	0.94	1.35	0.69	0.89	1.04
Diluted	1.50	1.59	1.51	0.94	1.34	0.68	0.88	1.03

(1) Per multiple and subordinate voting share.

14.1 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.

15. ADDITIONAL INFORMATION

This MD&A was prepared on January 12, 2016. 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.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

COGECO Inc.
Montréal, Québec
January 12, 2016