



SHAREHOLDERS' REPORT

Three-month period ended November 30, 2012

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except PSU growth, percentages and per share data)	Quarters ended November 30,		
	2012	2011	Change
	\$	\$	%
Operations			
Revenue	327,911	315,424	4.0
Operating income before depreciation and amortization ⁽¹⁾	147,126	131,823	11.6
Operating margin ⁽¹⁾	44.9%	41.8%	–
Operating income	75,160	66,999	12.2
Profit for the period from continuing operations	42,160	39,567	6.6
Profit for the period from discontinued operations	–	3,399	–
Profit for the period	42,160	42,966	(1.9)
Cash Flow			
Cash flow from operating activities	(280)	13,807	–
Cash flow from operations ⁽¹⁾	99,845	97,043	2.9
Acquisitions of property, plant and equipment, intangible and other assets	82,833	77,283	7.2
Free cash flow ⁽¹⁾	17,012	19,760	(13.9)
Financial Condition⁽²⁾			
Property, plant and equipment	1,544,806	1,322,093	16.8
Total assets	4,331,597	2,908,079	49.0
Indebtedness ⁽³⁾	2,333,766	1,069,112	–
Shareholders' equity	1,215,831	1,188,431	2.3
Primary service units ("PSU") growth⁽⁴⁾	15,080	46,179	(67.3)
Per Share Data⁽⁵⁾			
Earnings per share			
From continuing and discontinued operations			
Basic	0.87	0.88	(1.1)
Diluted	0.86	0.88	(2.3)
From continuing operations			
Basic	0.87	0.81	7.4
Diluted	0.86	0.81	6.2
From discontinued operations			
Basic	–	0.07	–
Diluted	–	0.07	–

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

(2) At November 30, 2012 and August 31, 2012.

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

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

(5) Per multiple and subordinate voting share.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Three-month period ended November 30, 2012

FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Cable's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Cable believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the economic downturn experienced over the past few years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation's expectations. It is impossible for Cogeco Cable to predict with certainty the impact that the current economic uncertainties may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Corporation's 2012 annual MD&A) that could cause actual results to differ materially from what Cogeco Cable currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresee. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

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, prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2012 Annual Report.

CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Cable Inc.'s ("Cogeco Cable" or the "Corporation") objectives are to provide outstanding service to its customers, improve profitability and create shareholder value. To achieve these objectives, the Corporation has developed strategies that focus on expanding its service offering, enhancing its existing services and bundles. The Corporation measures its performance, with regard to these objectives by monitoring operating income before depreciation and amortization⁽¹⁾, operating margin⁽¹⁾, PSU⁽²⁾ growth and free cash flow⁽¹⁾.

KEY PERFORMANCE INDICATORS

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND OPERATING MARGIN

First-quarter operating income before depreciation and amortization increased by 11.6% when compared to the same period of fiscal 2012 to reach \$147.1 million and operating margin increased to 44.9% from 41.8%. As a result of the acquisition of Atlantic Broadband ("ABB"), management revised upwards its November 1, 2012 projections for fiscal 2013. Operating income before depreciation and amortization is now expected to reach \$735 million from \$614 million and operating margin should increase to 46.2% from 45.5%. For further details, please consult the fiscal 2013 revised projections in the "Fiscal 2013 financial guidelines" section.

FREE CASH FLOW

For the three-month period ended November 30, 2012, Cogeco Cable reports free cash flow of \$17 million, compared to \$19.8 million for the first three months of the previous fiscal year, representing a decrease of \$2.7 million. This variance is mostly attributable to the increase in current income tax expense, the acquisition costs related to Atlantic Broadband ("ABB") acquisition as well as the increase in acquisition of property, plant and equipment, partly offset by the improvement of operating income before depreciation and amortization. Giving effect to the acquisition of ABB, the revised guidelines of operating income before depreciation and amortization and the reduction in acquisition of property, plant and equipment in Canada, management also revised its free cash flow projections from \$105 million to \$170 million. For further details, please consult the fiscal 2013 revised projections in the "Fiscal 2013 financial guidelines" section.

PSU GROWTH AND PENETRATION OF SERVICE OFFERINGS

During the three-month period ended November 30, 2012, PSU reach 2,478,887 of which 494,674 comes from the recently completed acquisition of ABB. In the Cable Services segment in Canada, PSU increased at a lower pace to 15,080, mainly as a result of a more competitive environment and tightening of customer credit controls, thus containing collection and bad debt expenses. Cogeco Cable maintains targeted marketing initiatives to increase the penetration level of its services and still benefits from the continuing interest for high definition ("HD") television service. Consequently, and combined with the acquisition of ABB, Cogeco Cable revised downwards its guidelines from 50,000 PSU, as issued on November 1, 2012, to 35,000 PSU. PSU growth is expected to stem primarily from HSI and Telephony services, the continued strong interest in Digital Television services, enhanced service offerings, and through promotional activities. For further details, please consult the fiscal 2013 revised projections in the "Fiscal 2013 financial guidelines" section.

BUSINESS DEVELOPMENTS

On December 21, 2012, Cogeco Cable announced an agreement to acquire all of the issued and outstanding shares of PEER 1 Network Enterprises Inc. ("PEER 1") by way of takeover bid (the "offer") valued at approximately \$635 million. The offer is supported by a committed financing from the National Bank of Canada in the amount of \$650 million. PEER 1 is one of the world's leading internet infrastructure providers, specializing in managed hosting, dedicated servers, cloud services and co-location. This acquisition combined with Cogeco Cable's existing data centre facilities will increase the scale and scope by adding the capability to serve approximately 10,000 additional businesses worldwide through 19 data centres and 21 points-of-presence across North America and Europe. PEER 1's primary network centre and head office are located in Vancouver. The offer will be subject to usual closing conditions and the Corporation expects the transaction to be completed in the second quarter of fiscal 2013.

On November 30, 2012, the Corporation completed the acquisition of ABB, an independent cable system operator formed in 2003, serving about 495,000 PSU's and providing Analogue and Digital Television, as well as HSI and Telephony services. The acquisition is an attractive entry point into the US market, providing a significant increase in PSU base with further growth potential, a high quality network infrastructure and the ability for the Corporation's management to leverage its core knowledge and operational experience. The transaction, valued at US\$1.36 billion, was financed through a combination of cash on hand, a draw-down on the existing Term Revolving Facility of approximately US\$588 million and US\$660 million of borrowings under a new committed non-recourse debt financing at ABB. Ranked the 12th-largest cable television system operator in the United States ("USA"), ABB operates cable systems in Western Pennsylvania, Southern Florida, Maryland, Delaware and South Carolina.

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

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

Quarters ended November 30, (in thousands of dollars, except percentages)	2012 \$	2011 \$	Change %
Revenue	327,911	315,424	4.0
Operating expenses	174,204	176,459	(1.3)
Management fees – COGECO Inc.	6,581	7,142	(7.9)
Operating income before depreciation and amortization	147,126	131,823	11.6
Operating margin	44.9%	41.8%	

REVENUE

Fiscal 2013 first-quarter revenue increased by \$12.5 million, or 4%, to reach \$327.9 million, when compared to the same period last year, primarily by rate increases implemented in June and July 2012 and PSU growth. For further details on the Corporation's revenue, please refer to the "Cable services" and "Enterprise services" sections.

OPERATING EXPENSES AND MANAGEMENT FEES

For the first quarter of fiscal 2013, operating expenses decreased by \$2.3 million, to reach \$174.2 million, a decrease of 1.3% compared to the prior year. The decrease in operating expenses is mainly attributable to deployment and support costs incurred in fiscal 2012 related to the migration of Television service customers from analogue to digital, partly offset by PSU growth. For further details on the Corporation's operating expenses, please refer to the "Cable services" and "Enterprise services" sections.

Management fees paid to COGECO Inc. amounted to \$6.6 million, 7.9% lower when compared to \$7.1 million in fiscal 2012. Management fees have decreased due to the sale of the Portuguese subsidiary, Cabovisão – Televisão por Cabo, S.A. ("Cabovisão"), on February 29, 2012. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND OPERATING MARGIN

Fiscal 2013 first-quarter operating income before depreciation and amortization increased by \$15.3 million, or 11.6%, to reach \$147.1 million as a result of revenue growth and lower operating expenses. Cogeco Cable's first-quarter operating margin increased to 44.9% from 41.8% in the comparable period of the prior year. For further details on the Corporation's operating income before depreciation and amortization and operating margin, please refer to the "Cable services" and "Enterprise services" sections.

RELATED PARTY TRANSACTIONS

Cogeco Cable Inc. is a subsidiary of COGECO Inc., which holds 32.1% of the Corporation's equity shares, representing 82.6% of the Corporation's voting shares. On September 1, 1992, Cogeco Cable Inc. executed a management agreement with COGECO Inc. under which the parent company agreed to provide certain executive, administrative, legal, regulatory, strategic and financial planning services and additional services to the Corporation and its subsidiaries (the "Management Agreement"). These services are provided by COGECO Inc.'s senior executives, including the President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Vice President Corporate Affairs, the Vice President Chief Legal Officer and Secretary, the Vice President Corporate Development, the Vice President and Treasurer, the Vice President Public Affairs and Communications and the Vice President Internal Audit. No direct remuneration is payable to such senior executives by the Corporation. However, the Corporation granted 69,615 stock options (46,400 in 2012) to these senior executives as executives of Cogeco Cable during the first three months of fiscal year 2013. During the first quarter of fiscal 2013, the Corporation charged COGECO Inc. an amount of \$90,000 (\$74,000 in 2012) with regards to the Corporation's stock options to these employees.

During the first three months of fiscal 2013, the Corporation also granted 12,005 (10,700 in 2012) Incentive Share Units ("ISUs") to these senior executives as executives of Cogeco Cable. During the first quarter of fiscal 2013, the Corporation charged COGECO Inc. an amount of \$107,000 (\$76,000 in 2012) with regards to the Corporation's ISUs granted to these employees.

Under the Management Agreement, the Corporation pays monthly fees equal to 2% of its total revenue to COGECO Inc. for the above-mentioned services. In 1997, the management fee was capped at \$7 million per year, 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 COGECO Inc. For fiscal year 2013, management fees have been set at a maximum of \$9.6 million (\$9.5 million in 2012), which is expected to be paid within the first six months of the fiscal year. For fiscal year 2012, management fees were fully paid in the first half of the year. In addition, the Corporation reimburses COGECO Inc.'s out-of-pocket expenses incurred with respect to services provided to the Corporation under the Management Agreement.

Details regarding the management agreement and stock options and incentive share units granted to COGECO Inc.'s employees are provided in the Corporation's 2012 Annual Report.

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

FIXED CHARGES

Quarters ended November 30 (in thousands of dollars, except percentages)	2012 \$	2011 \$	Change %
Depreciation and amortization	64,666	64,824	(0.2)
Financial expense	15,600	16,829	(7.3)

For the first quarter of fiscal 2013, depreciation and amortization expense was essentially the same at \$64.7 million when compared to \$64.8 million for the same period of the prior year resulting, mainly from higher acquisition of property, plant and equipment offset by additional depreciation expense recorded in fiscal 2012 related to the reduction of useful lives for certain home terminal devices.

Fiscal 2013 first-quarter financial expense decreased by \$1.2 million, or 7.3%, at \$15.6 million, when compared to \$16.8 million in the prior year. Financial expense decrease is primarily attributable to the foreign exchange loss of \$1.5 million recorded in fiscal 2012.

INCOME TAXES

Fiscal 2013 first-quarter income tax expense amounted to \$17.4 million, compared to \$10.6 million in the prior year. The increase is mostly attributable to the improvement in operating income before depreciation and amortization and by a reduction in income taxes, in fiscal 2012, from the implementation of certain tax measures of the 2011 federal budget limiting the tax deferrals for corporations with a significant interest in a partnership.

PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

For the three-month period ended November 30, 2012, profit for the period from continuing operations amounted to \$42.2 million, or \$0.87 per share compared to \$39.6 million, or \$0.81 per share for the comparable period of fiscal 2012. The variance for the quarter is mostly attributable to the increase in operating income before depreciation and amortization, partly offset by the acquisition costs related to ABB acquisition and the increase in income taxes explained above.

PROFIT FOR THE PERIOD

For the period ended November 30, 2012, profit for the period amounted to \$42.2 million, or \$0.87 per share, compared to \$43 million, or \$0.88 per share, in fiscal 2012. This variation is mostly attributable to the acquisition costs related to ABB acquisition, the increase in income taxes explained above and the profit from the Portuguese subsidiary reported as discontinued operations in fiscal 2012, partly offset by the improvement in operating income before depreciation and amortization.

CASH FLOW ANALYSIS

Quarters ended November 30, (in thousands of dollars)	2012 \$	2011 \$
Operating activities		
Cash flow from operations	99,845	97,043
Changes in non-cash operating activities	(81,113)	(62,668)
Amortization of deferred transaction costs and discounts on long-term debt	(740)	(675)
Income taxes paid	(42,533)	(36,182)
Current income tax expense	25,091	19,490
Financial expense paid	(16,430)	(20,030)
Financial expense	15,600	16,829
	(280)	13,807
Investing activities	(1,436,894)	(77,078)
Financing activities	1,231,061	25,399
Net change in cash and cash equivalents from continuing operations	(206,113)	(37,872)
Net change in cash and cash equivalents from discontinued operations ⁽¹⁾	–	2,360
Cash and cash equivalents from continuing and discontinued operations, beginning of year	215,391	55,447
Cash and cash equivalents from continuing and discontinued operations, end of year	9,278	19,935

(1) For further details on the Corporation's cash flows attributable to discontinued operations, please refer to the "Disposal of subsidiary and discontinued operations" Note 14 of the condensed interim consolidated financial statements.

OPERATING ACTIVITIES

Fiscal 2013 first-quarter cash flow from operations reached \$99.8 million compared to \$97 million for the same period last year, an increase of \$2.8 million. This increase is primarily due to the improvement of operating income before depreciation and amortization, partly offset by the increase in current income tax expense and by the acquisition costs related to ABB acquisition. Changes in non-cash operating activities generated cash outflows of \$81.1 million compared to \$62.7 million for the same period in fiscal 2012, mainly as a result of a higher decrease in trade and other payables and by a decrease in provisions compared to an increase in prior year, partly offset by a decrease in trade and other receivables compared to an increase in prior year.

INVESTING ACTIVITIES

BUSINESS ACQUISITION IN FISCAL 2013

On November 30, 2012, Cogeco Cable completed the acquisition of ABB. The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price of the acquisition, pending the completion of the valuation of the net assets acquired, is as follows:

<i>(in thousands of dollars)</i>		\$
Consideration		
Paid		
Purchase of shares	337,779	
Repayment of secured debt	1,021,854	
	<u>1,359,633</u>	
Net assets acquired		
Cash and cash equivalents	5,480	
Trade and other receivables	9,569	
Prepaid expenses and other	1,370	
Property, plant and equipment	205,353	
Intangible assets	763,084	
Goodwill	602,690	
Deferred tax assets	33,835	
Trade and other payables assumed	(27,620)	
Provisions	(721)	
Deferred and prepaid revenue and other liabilities assumed	(5,254)	
Deferred tax liabilities	(228,153)	
	<u>1,359,633</u>	

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

Investing activities, including acquisition of property, plant and equipment segmented according to the *National Cable Television Association* ("NCTA") standard reporting categories, are as follows:

Quarters ended November 30, (in thousands of dollars)	2012 \$	2011 \$
Customer premise equipment ⁽¹⁾	19,700	32,626
Scalable infrastructure ⁽²⁾	32,614	16,326
Line extensions	2,929	3,602
Upgrade / Rebuild	3,511	6,184
Support capital	5,612	5,269
Acquisition of property, plant and equipment - Cable services	64,366	64,007
Acquisition of property, plant and equipment - Enterprise services	13,826	9,332
Acquisitions of property, plant and equipment	78,192	73,339
Acquisition of intangible and other assets - Cable services	3,901	3,296
Acquisition of intangible and other assets - Enterprise services	740	648
Acquisitions of intangible and other assets	4,641	3,944
	82,833	77,283

(1) Includes mainly home terminal devices as well as new and replacement drops.

(2) Includes mainly head-end equipment, digital video and telephony transport as well as HSI equipment.

Fiscal 2013 first-quarter acquisition of property, plant and equipment amounted to \$78.2 million, an increase of 6.6% when compared to \$73.3 million in the first quarter of the prior year. In the Cable services, acquisition of property, plant and equipment amounted to \$64.4 million, an increase of \$0.4 million when compared to \$64 million in the same period of the prior year. The increases in the Cable services segment included mainly the following factors:

- An increase in scalable infrastructure to extend and improve network capacity and to deploy advanced technologies such as DOCSIS 3.0 and Switched Digital Video in existing areas served;
- A decrease in customer premise equipment mainly due to the achievement in fiscal 2012 of the first phase in the conversion of Television service customers from analogue to digital, partly offset by PSU growth; and
- A decrease in network upgrades and rebuilds reflecting the timing of initiatives.

Fiscal 2013 first-quarter acquisition of property, plant and equipment in the Enterprise services segment amounted to \$13.8 million, an increase of 48.2% when compared to \$9.3 million in the comparable period of fiscal 2012. The increases included capital expenditures in data centre facilities and expansion of the fibre in the Toronto area in order to fulfill orders from new customers.

Acquisition of intangible and other assets are mainly attributable to reconnect and additional service activation costs as well as other customer acquisition costs. For the period ended November 30, 2012, the acquisition of intangible and other assets amounted to \$4.6 million compared to \$3.9 million for the same period last year.

FREE CASH FLOW AND FINANCING ACTIVITIES

In the first quarter, free cash flow amounted to \$17 million, \$2.7 million or 13.9% lower than in the comparable period of fiscal 2012. The decline in free cash over the prior year is mostly due to the increase of \$5.6 million in current income tax expense, the \$7.3 million acquisition costs related to ABB acquisition, the increase of \$5.6 million in acquisitions of property, plant and equipment, intangible and other assets, partly offset by the increase of \$15.3 million in operating income before depreciation and amortization in the current fiscal year.

In the first quarter of fiscal 2013, higher Indebtedness level provided for a cash increase of \$1.246 billion, mainly due to the draw-down on the existing Term Revolving Facility of \$584.2 million (US\$588 million) and the new Term Loan Facilities of \$637.4 million (US\$660 million for a net proceed of US\$641.5 million, net of transaction costs of US\$18.5 million) to finance the acquisition of ABB.

In the first quarter of fiscal 2012, higher Indebtedness level provided a cash increase of \$40.4 million mainly due to increases of \$21 million and \$20 million of bank indebtedness and Term Revolving Facilities, respectively.

During the first quarter of fiscal 2013, a quarterly dividend of \$0.26 per share was paid to the holders of subordinate and multiple voting shares, totalling \$12.7 million, compared to a quarterly dividend of \$0.25 per share, or \$12.2 million the year before.

As at November 30, 2012, the Corporation had a working capital deficiency of \$174.1 million compared to \$17.2 million at August 31, 2012. The increase of \$156.8 million in the deficiency is mainly due to the decrease of \$206.1 million in cash and cash equivalents, primarily used for the acquisition of ABB as well as the increase of \$24.9 million in bank indebtedness due to the timing of payments made to suppliers. The deficiency was also impacted by a decrease of \$60.2 million in trade and other payables and by a decrease of \$18 million in income tax liabilities. As part of the usual conduct of its business, Cogeco Cable maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the Corporation's customers pay before their services are rendered, unlike trade and other payables, which are paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

At November 30, 2012, the Corporation had used \$603.8 million of its \$750 million Term Revolving Facility for a remaining availability of \$146.2 million. The Corporation's subsidiary, ABB, also benefits from a Revolving Credit Facility of US\$50 million, which was unused at November 30, 2012.

FINANCIAL POSITION

As a result of the acquisition of ABB, the following balances have changed significantly since August 31, 2012: "cash and cash equivalents", "trade and other receivables", "property, plant and equipment", "intangible assets", "goodwill", "deferred tax assets", "trade and other payables", "deferred tax liabilities" and "long-term debt". For further details on the preliminary allocation of the purchase price of the acquisition, please refer to the investing activities under the "Cash flow analysis" section.

In addition to the acquisition of ABB, the balances of "bank indebtedness", "cash and cash equivalents", "property, plant and equipment", "trade and other payables" and "income tax liabilities" have also changed significantly since August 31, 2012. The remaining decrease in cash and cash equivalents and the increases in bank indebtedness and property, plant and equipment are due to factors previously discussed in the "Cash flow analysis" section. The remaining increase in trade and other payables is related to the timing of payments made to suppliers and the decrease of \$18 million in income tax liabilities due to the excess of income tax paid over current income tax expense.

OUTSTANDING SHARE DATA

A description of Cogeco Cable's share data at December 31, 2012 is presented in the table below. Additional details are provided in note 10 of the condensed interim consolidated financial statements.

	Number of shares/options	Amount (in thousands of dollars)
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	33,123,435	900,230
Options to purchase subordinate voting shares		
Outstanding options	722,974	
Exercisable options	464,594	

In the normal course of business, Cogeco Cable has incurred financial obligations, primarily in the form of long-term debt, operating and finance leases and guarantees. Cogeco Cable's obligations, as discussed in the 2012 Annual Report, have not materially changed since August 31, 2012, except as mentioned below.

In connection with the acquisition of ABB on November 30, 2012, the Corporation concluded, through two of its US subsidiaries, First Lien Credit Facilities totalling US\$710 million with a syndicate of banks and other institutional lenders in three tranches and draw down by an amount of US\$660 million of which US\$641.5 million was used to repay ABB's secured debt and \$US18.5 million to pay for some of the transaction costs. The first tranche, a Term Loan A Facility amounting to US\$240 million, which will mature on November 30, 2017, the second tranche, a Term Loan B Facility amounting to US\$420 million, which will mature on November 30, 2019 and the third tranche, a Revolving Credit Facility of US\$50 million unused at November 30, 2012, including a swingline of US\$15 million, which will mature 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. Starting on December 31, 2013, the Term Loan A Facility is subject to quarterly amortization of 1.25% in the first year, 2.5% in the second year and 3.0% in the third and fourth years. Starting on December 31, 2012, the Term Loan B Facility is subject to quarterly amortization of 0.25% until its maturity date. In addition to the fixed amortization schedule and commencing 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. The First Lien Credit Facilities are non-recourse to the Corporation and its Canadian 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 the Corporation's US subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of the Corporation's US subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness and investments, distributions and maintenance of certain financial ratios.

FINANCIAL MANAGEMENT

The Corporation has entered into cross-currency swap agreements to set the liability for interest and principal payments on its US\$190 million Senior Secured Notes Series A maturing on October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at \$1.0625 per US dollar. The Corporation elected to apply cash flow hedge accounting on these derivative financial instruments. During the first quarter of fiscal 2013, amounts due under the US\$190 million Senior Secured Notes Series A increased by \$1.5 million due to the US dollar's appreciation relative to the Canadian dollar. The fair value of cross-currency swaps liability decreased by a net amount of \$1.1 million, of which a decrease of \$1.5 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of \$0.4 million was recorded as a decrease of other comprehensive income. During the first quarter of fiscal 2012, amounts due under the US\$190 million Senior Secured Notes Series A increased by \$7.8 million due to the US dollar's appreciation over the Canadian dollar. The fair value of cross-currency swaps liability decreased by a net amount of \$7 million, of which \$7.8 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of \$0.7 million was recorded as a decrease of other comprehensive income.

Furthermore, the Corporation's net investment in foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar. This risk was mitigated since the major part of the purchase price for ABB was borrowed directly in US dollars. This debt was designated as a hedge of a net investment in foreign operations and accordingly, the Corporation did not record any foreign exchange gain or loss in the other comprehensive income since the transaction was completed at the reporting date. At November 30, 2012, the net investment amounted to US\$735.5 million, while long-term debt was at US\$588 million. The exchange rate used to convert the US dollar currency into Canadian dollars for the balance sheet accounts at November 30, 2012 was \$0.9936 per US dollar. The impact of a 10% change in the exchange rate of the US dollar into Canadian dollars would change other comprehensive income by approximately \$14.7 million.

The Corporation is also impacted by foreign currency exchange rates, primarily changes in the values of the US dollar relative to the Canadian dollar with regards to purchases of certain equipment, as the majority of customer premise equipment is purchased and subsequently paid in US dollars. Please consult the "Foreign Exchange Risk" section in Note 13 of the condensed interim consolidated financial statements for further details.

DIVIDEND DECLARATION

At its January 14, 2013 meeting, the Board of Directors of Cogeco Cable declared a quarterly eligible dividend of \$0.26 per share for multiple voting and subordinate voting shares, payable on February 11, 2013, to shareholders of record on January 28, 2013. 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.

SEGMENTED OPERATING RESULTS

The Corporation reports its operating results in two operating segments: Cable services and Enterprise services. The reporting structure reflects how the Corporation manages the business activities to make decisions about resources to be allocated to the segment and to assess its performance.

CABLE SERVICES

CUSTOMER STATISTICS

	Consolidated November 30, 2012	USA November 30, 2012	CANADA November 30, 2012	CANADA		% of penetration ⁽¹⁾	
				Net additions (losses) Quarters ended November 30,	Net additions (losses) Quarters ended November 30,	2012	2011
				2012	2011		
PSU	2,478,887	494,674	1,984,213	15,080	46,179		
Television service customers	1,105,443	244,404	861,039	(2,076)	4,452	52.1	54.2
HSI service customers	817,019	171,640	645,379	10,845	17,285	39.0	38.0
Telephony service customers	556,425	78,630	477,795	6,311	24,442	28.9	27.2

(1) As a percentage of homes passed.

Canada

Fiscal 2013 first-quarter PSU net additions were lower than in the comparable period of the prior year mainly as a result of service category maturity, competitive offers and tightening of our customer credit controls and processes. The net customer losses for Television service customers stood at 2,076 compared to 4,452 net additions for the same period of the prior year. Television service customer net losses are mainly due to the promotional offers of competitors for the video service combined with the tightening of our customer credit controls. Fiscal 2013 first-quarter HSI service customers grew by 10,845 compared to 17,285 in the first quarter of the prior year, and the number of net additions to the Telephony service stood at 6,311 customers compared to 24,442 customers for the same period of the prior year. HSI and Telephony net additions continue to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities.

OPERATING RESULTS

Quarters ended November 30, (in thousands of dollars, except percentages)	2012 \$	2011 \$	Change %
Revenue	304,815	293,679	3.8
Operating expenses	156,210	159,883	(2.3)
Operating income before depreciation and amortization	148,605	133,796	11.1
Operating margin	48.8%	45.6%	

Revenue

Fiscal 2013 first-quarter revenue increased by \$11.1 million, or 3.8%, to reach \$304.8 million, when compared to the same period last year, primarily due to the PSU growth and rate increases implemented in June and July 2012.

Operating expenses

For the period ended November 30, 2012, operating expenses decreased by \$3.7 million, or 2.3%, at \$156.2 million. This decrease is mainly attributable to the deployment and support costs incurred in fiscal 2012 related to the migration of Television service customers from analogue to digital, partly offset by PSU growth.

Operating income before depreciation and amortization and operating margin

As a result of revenue growth exceeding the operating expenses, fiscal 2013 first-quarter operating income before depreciation and amortization amounted to \$148.6 million, or 11.1% higher than in the same period of the prior year. Operating margin increased to 48.8% from 45.6% when compared to fiscal 2012 first-quarter.

ENTERPRISE SERVICES

OPERATING RESULTS

Quarters ended November 30, (in thousands of dollars, except percentages)	2012 \$	2011 \$	Change %
Revenue	23,500	21,745	8.1
Operating expenses	13,682	13,180	3.8
Operating income before depreciation and amortization	9,818	8,565	14.6
Operating margin	41.8%	39.4%	

Revenue

Fiscal 2013 first-quarter revenue increased by \$1.8 million, or 8.1%, to reach \$23.5 million, when compared to the same period last year, primarily due the organic growth from data centre, managed IT and connectivity services.

Operating expenses

For the first quarter of fiscal 2013, operating expenses increased by \$0.5 million, or 3.8%, to \$13.7 million. The increase in operating expenses is mainly attributable to servicing new customers.

Operating income before depreciation and amortization and operating margin

As a result of revenue growth exceeding the increase in operating expenses, fiscal 2013 first-quarter operating income before depreciation and amortization amounted to \$9.8 million, or 14.6%, higher than the same period of the prior year. Operating margin increased to 41.8% from 39.4% when compared to fiscal 2012 first-quarter.

FISCAL 2013 FINANCIAL GUIDELINES

Giving effect to the recent acquisition of ABB on November 30, 2012, the Corporation revised its financial guidelines for the 2013 fiscal year issued on November 1, 2012 to include a nine-month period of ABB's financial projections. Projections for the Enterprise services were maintained as initially projected. In the Cable services segment in Canada, guidelines remained essentially the same, except for revenue and acquisitions of property, plant and equipment which should be lower than originally expected due to lower PSU growth as a result of current uncertain economic environment, the service category maturity and competitive offers. Nonetheless, management expects revenue to reach \$1.590 billion, representing a growth of \$240 million, or 17.8%, when compared to those issued on November 1, 2012. PSU progression should reduce from 50,000 to 35,000, including ABB nine-month operations. Operating income before depreciation and amortization should increase by \$121 million to reach \$735 million reflecting the ABB acquisition and the cost reduction initiatives implemented in Canada during the current fiscal year and, consequently operating margin should increase from 45.5% to 46.2%. Depreciation and amortization of property, plant and equipment and intangible assets should increase from \$290 million to \$330 million and acquisition of property, plant and equipment, intangible and other assets should increase by \$20 million to take into consideration the ABB nine-month operations, partly offset by the reduction in the Cable services segment in Canada. Financial expense should amount to \$96 million, an increase of \$32 million, as a result of the cost of financing related to the ABB acquisition. Fiscal 2013 free cash flow is expected to amount to \$170 million, an increase of \$65 million, or 61.9%, when compared to the free cash flow projection issued on November 1, 2012, stemming primarily from the nine-month operations of ABB combined with the reduction in acquisitions of property, plant and equipment, intangible and other assets explained above. Profit for the year is expected to amount to \$225 million, \$35 million higher than the November 1, 2012 projections, mainly as a result of the ABB's expected financial results for the nine-month operations.

Fiscal 2013 revised financial guidelines are as follows:

	Revised projections January 14, 2013 Fiscal 2013	Original projections November 1, 2012 Fiscal 2013
<i>(in millions of dollars, except net customer additions and operating margin)</i>	\$	\$
Financial guidelines		
Revenue	1,590	1,350
Operating income before depreciation and amortization	735	614
Operating margin	46.2%	45.5%
Depreciation and amortization	330	290
Financial expense	96	64
Current income tax expense	92	95
Profit for the year	225	190
Acquisitions of property, plant and equipment, intangible and other assets	370	350
Free cash flow ⁽¹⁾	170	105
Net customer addition guidelines		
PSU growth	35,000	50,000

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

CONTROLS AND PROCEDURES

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

The CEO and CFO, supported by Management, evaluated the design of the Corporation's disclosure controls and procedures and internal controls over financial reporting as of November 30, 2012, and have concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended November 30, 2012.

UNCERTAINTIES AND MAIN RISK FACTORS

There has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2012, except as mentioned below. A detailed description of the uncertainties and main risk factors faced by Cogeco Cable can be found in the 2012 Annual Report.

On November 19, 2012, Astral Media Inc. ("Astral") and BCE Inc. ("Bell") have amended their Arrangement Agreement and submitted a new proposal to the Canadian Radio-television and Telecommunications Commission ("CRTC") for approval of Bell's acquisition of Montréal-based Astral. Bell also announced that it has formally withdrawn its request to the federal Cabinet for a policy direction to the CRTC. The details of the new application aren't public yet and a public hearing is expected to be scheduled in spring of 2013. The closing date of the transaction has been extended to June 1, 2013 of which Astral and Bell have a further right to postpone the closing date to July 31, 2013. Cogeco Cable considers that Bell already holds excessive market power in programming and distribution on the various electronic platforms across Canada and that it has the opportunity to abuse its dominant position — as well as an economic incentive to do so — despite the existing regulatory framework on vertical integration. Its current status as Canada's largest communications firm is reason enough to prevent it from further increasing its dominant position to the detriment of competition and of the best interests of Canadian consumers.

FUTURE ACCOUNTING DEVELOPMENTS IN CANADA

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are mandatory but not yet effective for the period ended November 30, 2012 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under "Future accounting developments in Canada" in the Corporation's 2012 annual MD&A, available at <www.sedar.com> and <www.cogeco.ca>.

CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Cogeco Cable's accounting policies, estimates and future accounting pronouncements since August 31, 2012. A description of the Corporation's policies and estimates can be found in the 2012 Annual Report, available at <www.sedar.com> and <www.cogeco.ca>.

NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco Cable 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", "operating income before depreciation and amortization" and "operating margin".

CASH FLOW FROM OPERATIONS AND FREE CASH FLOW

Cash flow from operations is used by Cogeco Cable's management and investors to evaluate cash flows generated by operating activities, excluding the impact of changes in non-cash operating activities, amortization of deferred transaction costs and discounts on long-term debt, income taxes paid, current income tax expense, financial expense paid and financial expense. This allows the Corporation to isolate the cash flows from operating activities from the impact of cash management decisions. Cash flow from operations is subsequently used in calculating the non-IFRS measure, "free cash flow". Free cash flow is used, by Cogeco Cable'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,	
	2012	2011
(in thousands of dollars)	\$	\$
Cash flow from operating activities	(280)	13,807
Changes in non-cash operating activities	81,113	62,668
Amortization of deferred transaction costs and discounts on long-term debt	740	675
Income taxes paid	42,533	36,182
Current income tax expense	(25,091)	(19,490)
Financial expense paid	16,430	20,030
Financial expense	(15,600)	(16,829)
Cash flow from operations	99,845	97,043

Free cash flow is calculated as follows:

	Quarters ended November 30,	
	2012	2011
<i>(in thousands of dollars)</i>	\$	\$
Cash flow from operations	99,845	97,043
Acquisition of property, plant and equipment	(78,192)	(73,339)
Acquisition of intangible and other assets	(4,641)	(3,944)
Free cash flow	17,012	19,760

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND OPERATING MARGIN

Operating income before depreciation and amortization is used by Cogeco Cable's management and investors to assess the Corporation's ability to seize growth opportunities in a cost effective manner, to finance its ongoing operations and to service its debt. Operating income before depreciation and amortization is a proxy for cash flows from operations excluding the impact of the capital structure chosen, and is one of the key metrics used by the financial community to value the business and its financial strength. Operating margin is a measure of the proportion of the Corporation's revenue which is available, before income taxes, to pay for its fixed costs, such as interest on Indebtedness. Operating margin is calculated by dividing operating income before depreciation and amortization by revenue.

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

	Quarters ended November 30,	
	2012	2011
<i>(in thousands of dollars, except percentages)</i>	\$	\$
Operating income	75,160	66,999
Depreciation and amortization	64,666	64,824
Integration, restructuring and acquisitions costs	7,300	—
Operating income before depreciation and amortization	147,126	131,823
Revenue	327,911	315,424
Operating margin	44.9%	41.8%

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended (in thousands of dollars, except percentages and per share data)	November 30,		August 31,		May 31,		February, 29	February, 28
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	327,911	315,424	324,768	305,811	319,771	298,211	317,735	293,457
Operating income before depreciation and amortization	147,126	131,823	160,825	151,579	152,661	138,147	143,743	130,399
Operating margin	44.9%	41.8%	49.5%	49.6%	47.7%	46.3%	45.2%	44.4%
Operating income	75,160	66,999	94,709	97,941	90,981	86,995	59,491	80,426
Income taxes	17,400	10,603	32,987	20,713	21,449	18,747	13,617	15,007
Profit for the period from continuing operations	42,160	39,567	45,705	62,745	53,159	52,352	31,086	41,319
Profit (loss) for the period from discontinued operations	—	3,399	—	6,219	—	(233,573)	52,047	(9,223)
Profit (loss) for the period	42,160	42,966	45,705	68,964	53,159	(181,221)	83,133	32,096
Cash flow from operating activities	(280)	13,807	203,343	211,847	112,275	142,009	120,961	88,420
Cash flow from operations	99,845	97,043	126,946	144,699	113,075	125,923	104,622	114,682
Acquisitions of property, plant and equipment, intangible and other assets	82,833	77,283	124,392	120,663	87,459	62,782	86,234	61,079
Free cash flow	17,012	19,760	2,554	24,036	25,616	63,141	18,388	53,603
Earnings (loss) per share ⁽¹⁾								
From continuing and discontinued operations								
Basic	0.87	0.88	0.94	1.42	1.09	(3.73)	1.71	0.66
Diluted	0.86	0.88	0.93	1.42	1.09	(3.73)	1.70	0.66
From continuing operations								
Basic	0.87	0.81	0.94	1.29	1.09	1.08	0.64	0.85
Diluted	0.86	0.81	0.93	1.29	1.09	1.08	0.63	0.85
From discontinued operations								
Basic	—	0.07	—	0.13	—	(4.80)	1.07	(0.19)
Diluted	—	0.07	—	0.13	—	(4.80)	1.06	(0.19)

(1) Per multiple and subordinate voting share.

SEASONAL VARIATIONS

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations except as follows. The customer growth in the Television service customers and HSI service are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada. Furthermore, the third and fourth quarter's operating margin is usually higher as no management fees are paid to COGECO Inc. Under the Management Agreement, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount. As the maximum amount is expected to be reached in the second quarter of fiscal 2013, Cogeco Cable does not expect to pay management fees in the second half of fiscal 2013. Similarly, as the maximum amount was paid in the first six months of fiscal 2012, Cogeco Cable paid no management fees in the second half of the previous fiscal year.

ADDITIONAL INFORMATION

This MD&A was prepared on January 14, 2013. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Cable Inc.
Montréal, Québec
January 14, 2013



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended November 30, 2012

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

	Three months ended November 30,	
	2012	2011
<i>(In thousands of Canadian dollars, except per share data)</i>	\$	\$
Revenue	327,911	315,424
Operating expenses (note 4)	174,204	176,459
Management fees – COGECO Inc.	6,581	7,142
Integration, restructuring and acquisition costs (note 2)	7,300	–
Depreciation and amortization (note 5)	64,666	64,824
Operating income	75,160	66,999
Financial expense (note 6)	15,600	16,829
Profit before income taxes	59,560	50,170
Income taxes (note 7)	17,400	10,603
Profit for the period from continuing operations	42,160	39,567
Profit for the period from discontinued operations (note 14)	–	3,399
Profit for the period	42,160	42,966
Earnings per share (note 8)		
Basic		
Profit for the period from continuing operations	0.87	0.81
Profit for the period from discontinued operations	–	0.07
Profit for the period	0.87	0.88
Diluted		
Profit for the period from continuing operations	0.86	0.81
Profit for the period from discontinued operations	–	0.07
Profit for the period	0.86	0.88

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

	Three months ended November 30,	
	2012	2011
<i>(In thousands of Canadian dollars)</i>	\$	\$
Profit for the period	42,160	42,966
Other comprehensive loss		
<i>Cash flow hedging adjustments</i>		
Net change in fair value of hedging derivative financial instruments	1,055	7,044
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	(1,501)	(7,771)
Income tax expense on cash flow hedging adjustments	(52)	(245)
	(498)	(972)
<i>Foreign currency translation adjustments</i>		
Net foreign currency translation differences on a net investment in foreign operations	–	(272)
<i>Defined benefit pension plans actuarial adjustments</i>		
Net change in defined benefit pension plans actuarial adjustments	(337)	–
Income tax recovery on defined benefit pension plans actuarial adjustments	91	–
	(246)	–
Other comprehensive loss for the period	(744)	(1,244)
Comprehensive income for the period	41,416	41,722

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

	Share capital	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$
	<i>(note10)</i>				
Balance at August 31, 2012	992,164	9,749	3,105	183,413	1,188,431
Profit for the period	–	–	–	42,160	42,160
Other comprehensive loss for the period	–	–	(498)	(246)	(744)
Comprehensive income for the period	–	–	(498)	41,914	41,416
Issuance of subordinate voting shares under the Stock Option Plan	173	–	–	–	173
Share-based compensation	–	696	–	–	696
Share-based compensation previously recorded in share-based compensation reserve for options exercised	60	(60)	–	–	–
Dividends on multiple voting shares	–	–	–	(4,080)	(4,080)
Dividends on subordinate voting shares	–	–	–	(8,583)	(8,583)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(2,222)	–	–	–	(2,222)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	1,348	(1,354)	–	6	–
Total contributions by and distributions to shareholders	(641)	(718)	–	(12,657)	(14,016)
Balance at November 30, 2012	991,523	9,031	2,607	212,670	1,215,831

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

	November 30, 2012	August 31, 2012
<i>(In thousands of Canadian dollars)</i>	\$	\$
Assets		
Current		
Cash and cash equivalents (note 11 b))	9,278	215,391
Trade and other receivables (note 13 a))	75,749	68,420
Income taxes receivable	11,837	12,407
Prepaid expenses and other	12,478	12,064
	109,342	308,282
Non-current		
Other assets	6,639	6,413
Property, plant and equipment	1,544,806	1,322,093
Intangible assets	1,802,295	1,039,982
Goodwill	813,132	210,442
Deferred tax assets	55,383	20,867
	4,331,597	2,908,079
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	24,914	–
Trade and other payables	160,197	220,386
Provisions	9,647	10,317
Income tax liabilities	23,117	41,129
Deferred and prepaid revenue	49,400	41,456
Balance due on a business acquisition, bank prime rate plus 1% and payable in February 2013	11,400	11,400
Current portion of long-term debt (note 9)	4,737	830
	283,412	325,518
Non-current		
Long-term debt (note 9)	2,255,521	1,036,202
Derivative financial instruments	10,613	11,668
Deferred and prepaid revenue and other liabilities	15,715	15,084
Pension plan liabilities and accrued employees benefits	10,679	12,454
Deferred tax liabilities	539,826	318,722
	3,115,766	1,719,648
Shareholders' equity		
Share capital (note 10)	991,523	992,164
Share-based compensation reserve	9,031	9,749
Accumulated other comprehensive income	2,607	3,105
Retained earnings	212,670	183,413
	1,215,831	1,188,431
	4,331,597	2,908,079

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

	Three months ended November 30,	
	2012	2011
<i>(In thousands of Canadian dollars)</i>	\$	\$
Cash flow from operating activities		
Profit for the period from continuing operations	42,160	39,567
Adjustments for:		
Depreciation and amortization (note 5)	64,666	64,824
Income taxes (note 7)	17,400	10,603
Financial expense (note 6)	15,600	16,829
Share-based compensation (note 10)	799	626
Loss on disposals and write-offs of property, plant and equipment	1,386	10
Defined benefit pension plans contributions, net of expense	(2,215)	228
	139,796	132,687
Changes in non-cash operating activities (note 11 a))	(81,113)	(62,668)
Income taxes paid	(42,533)	(36,182)
Financial expense paid	(16,430)	(20,030)
	(280)	13,807
Cash flow from investing activities		
Acquisition of property, plant and equipment	(78,192)	(73,339)
Acquisition of intangible and other assets	(4,641)	(3,944)
Business acquisition, net of cash and cash equivalents acquired (note 2)	(1,354,153)	–
Other	92	205
	(1,436,894)	(77,078)
Cash flow from financing activities		
Increase in bank indebtedness	24,914	21,012
Net increases under the Term Revolving Facility	584,237	20,000
Issuance of long-term debts, net of discounts and transaction costs	637,420	–
Repayments of long-term debt	(273)	(606)
Increase in deferred transaction costs	(525)	(1,280)
Issuance of subordinate voting shares (note 10)	173	1,295
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 10)	(2,222)	(2,855)
Dividends paid on multiple voting shares	(4,080)	(3,923)
Dividends paid on subordinate voting shares	(8,583)	(8,244)
	1,231,061	25,399
Net change in cash and cash equivalents from continuing operations	(206,113)	(37,872)
Net change in cash and cash equivalents from discontinued operations (note 14)	–	2,360
Cash and cash equivalents, beginning of the period	215,391	55,447
Cash and cash equivalents, end of the period	9,278	19,935

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012

(unaudited)

(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)

NATURE OF OPERATIONS

Cogeco Cable Inc. (the "Corporation" or the "Parent Corporation") is a Canadian public corporation whose shares are listed on the Toronto Stock Exchange ("TSX"). The Corporation's core business is providing Cable Television, High Speed Internet ("HSI"), Telephony, managed information technology and infrastructure, and other telecommunications services to its residential and commercial customers in Canada and in the United States ("USA").

The Corporation is a subsidiary of COGECO Inc., which holds 32.1% of the Corporation's equity shares, representing 82.6% of the votes attached to the Corporation's voting shares.

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

1. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all the information required for annual financial statements. Certain information and footnote disclosure included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2012 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2012 annual consolidated financial statements. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that the customer growth in the Cable Television and HSI service are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Furthermore, the third and fourth quarter's operating margin is usually higher as no management fees are paid to COGECO Inc. Under the Management Agreement, the Corporation pays a fee equal to 2% of its total revenue subject to a maximum amount. As the maximum amount is expected to be reached in the second quarter of fiscal 2013, the Corporation does not expect to pay management fees in the second half of fiscal 2013.

The condensed interim consolidated financial statements were approved by the Board of Directors of Cogeco Cable Inc. at its meeting held on January 14, 2013.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012

(unaudited)

(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)

2. BUSINESS ACQUISITION

On November 30, 2012, the Corporation completed the acquisition of all the outstanding shares of Atlantic Broadband ("ABB"), an independent cable system operator formed in 2003, serving about 495,000 primary service units and providing Analogue and Digital Television, as well as HSI and Telephony services. The acquisition is an attractive entry point into the US market, providing a significant increase in Primary Service Units base with further growth potential, a high quality network infrastructure and the ability for the Corporation's management to leverage its core knowledge and operational experience. The transaction, valued at US\$1.36 billion, was financed through a combination of cash on hand, a draw-down on the existing Term Revolving Facility of approximately US\$588 million and US\$660 million of borrowings under a new committed non-recourse debt financing at ABB. Ranked the 12th-largest cable television system operator in the United States, ABB operates cable systems in Western Pennsylvania, Southern Florida, Maryland, Delaware and South Carolina.

The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price of the acquisition, pending the completion of the valuation of the net assets acquired, is as follows:

	\$
Consideration	
Paid	
Purchase of shares	337,779
Repayment of secured debt	1,021,854
	1,359,633
Net assets acquired	
Cash and cash equivalents	5,480
Trade and other receivables	9,569
Prepaid expenses and other	1,370
Property, plant and equipment	205,353
Intangible assets	763,084
Goodwill	602,690
Deferred tax assets	33,835
Trade and other payables assumed	(27,620)
Provisions	(721)
Deferred and prepaid revenue and other liabilities assumed	(5,254)
Deferred tax liabilities	(228,153)
	1,359,633

The amount of goodwill, none of which is expected to be deductible for tax purposes, is mainly attributable to revenue and operating income before depreciation and amortization growth, future market development related to the entry of the Corporation in the United States market, expected benefit from the future utilization of tax losses carryforwards and to the strength of ABB assembled workforce.

In connection with this acquisition, the Corporation incurred acquisition-related costs of \$9 million of which \$7.3 million have been recognized in the current period as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statements of profit or loss.

Management is currently working on preparing the pro forma information required pursuant to IFRS 3 with regards to this acquisition. However, due to the very recent conclusion of the acquisition and complexities involved in the preparation of the information among other things, the conversion of the financial information from United States Generally Accepted Accounting Principles to IFRS, it is impractical to prepare the information at this time and accordingly, such information has not been presented in these financial statements. The required information will be presented in the condensed interim consolidated financial statements for the three and six-month periods ending on February 28, 2013.

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3. OPERATING SEGMENTS

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

The Cable services segment provides a wide range of Analogue and Digital Television, HSI and Telephony services primarily to residential customers. It also provides business solutions, including data networking, Ethernet, hosting, HSI access and Voice over Internet Protocol ("VoIP") services, to small and medium sized businesses.

The Enterprise services segment provides data centre, managed IT and connectivity services for medium and large enterprises and public sector customers. It also provides high-performance Ethernet broadband connectivity services to carriers. This segment's offerings includes the provision of physical space and power within its high security data centres and a new suite of managed IT and infrastructure services as well as a full suite of connectivity services provisioned over its wholly-owned optical networks.

The activities of the Cable services segment are carried out in Canada and in the USA and the activities of the Enterprise services segment are carried out in Canada.

The Corporation assesses the performance of each segment based on segment operating income. Financial expense and income taxes are managed on a total corporation basis and, accordingly, are not reflected in segmented results. The inter-segment eliminations and other eliminate any intercompany transactions included in each segment's results and include head office activities. Transactions between segments are measured at exchange amounts between the parties.

	Three months ended November 30, 2012			
	Cable services	Enterprise services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$
Revenue	304,815	23,500	(404)	327,911
Operating expenses	156,210	13,682	4,312	174,204
Management fees – COGECO Inc.	–	–	6,581	6,581
Integration, restructuring and acquisition costs	7,300	–	–	7,300
Depreciation and amortization	53,766	10,900	–	64,666
Operating income (loss)	87,539	(1,082)	(11,297)	75,160
Financial expense				15,600
Income taxes				17,400
Profit for the period				42,160
Property, plant and equipment ⁽¹⁾	1,371,671	173,135	–	1,544,806
Intangible assets ⁽¹⁾	1,755,149	47,146	–	1,802,295
Goodwill ⁽¹⁾	607,352	205,780	–	813,132
Acquisition of property, plant and equipment	64,366	13,826	–	78,192
Acquisition of intangible and other assets	3,901	740	–	4,641

(1) At November 30, 2012.

The following table sets out certain geographic market information based on clients' locations for the Cable services segment at November 30, 2012:

	Canada	USA	Total
	\$	\$	\$
Property, plant and equipment	1,166,318	205,353	1,371,671
Intangible assets	992,065	763,084	1,755,149
Goodwill	4,662	602,690	607,352

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	Cable services	Enterprise services	Three months ended November 30, 2011 Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$
Revenue	293,679	21,745	—	315,424
Operating expenses	159,883	13,180	3,396	176,459
Management fees – COGECO Inc.	—	—	7,142	7,142
Depreciation and amortization	56,404	8,420	—	64,824
Operating income (loss)	77,392	145	(10,538)	66,999
Financial expense				16,829
Income taxes				10,603
Profit for the period from continuing operations				39,567
Profit for the period from discontinued operations				3,399
Profit for the period				42,966
Property, plant and equipment ⁽¹⁾	1,154,266	167,827	—	1,322,093
Intangible assets ⁽¹⁾	991,094	48,888	—	1,039,982
Goodwill ⁽¹⁾	4,662	205,780	—	210,442
Acquisition of property, plant and equipment	64,007	9,332	—	73,339
Acquisition of intangible assets	3,296	648	—	3,944

(1) At August 31, 2012.

4. OPERATING EXPENSES

	Three months ended November 30, 2012	2011
	\$	\$
Salaries, employee benefits and outsourced services	51,261	52,184
Service delivery costs ⁽¹⁾	92,374	92,486
Customer related costs ⁽²⁾	12,078	14,299
Other external purchases ⁽³⁾	18,491	17,490
	174,204	176,459

(1) Include cost of equipment sold, content and programming costs, payment to other carriers and network costs.

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

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

5. DEPRECIATION AND AMORTIZATION

	Three months ended November 30, 2012	2011
	\$	\$
Property, plant and equipment	59,354	59,830
Intangible assets	5,312	4,994
	64,666	64,824

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6. FINANCIAL EXPENSE

	Three months ended November 30,	
	2012	2011
	\$	\$
Interest on long-term debt	16,038	14,246
Net foreign exchange losses	17	1,532
Amortization of deferred transaction costs	399	399
Capitalized borrowing costs	(841)	(372)
Other	(13)	1,024
	15,600	16,829

7. INCOME TAXES

	Three months ended November 30,	
	2012	2011
	\$	\$
Current	25,091	19,490
Deferred	(7,691)	(8,887)
	17,400	10,603

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

	Three months ended November 30,	
	2012	2011
	\$	\$
Profit before income taxes	59,560	50,170
Combined income tax rate	26.34%	27.05%
Income tax expense at combined income tax rate	15,688	13,571
Adjustment for losses or profit subject to lower or higher tax rates	(402)	267
Decrease in income taxes from changes in tax legislation on partnership income	–	(3,450)
Income taxes arising from non-deductible expenses	2,110	56
Other	4	159
Income tax expense at effective income tax rate	17,400	10,603

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8. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2012	2011
	\$	\$
Profit for the period from continuing operations attributable to shareholders	42,160	39,567
Profit for the period from discontinued operations attributable to shareholders	—	3,399
Profit for the period attributable to shareholders	42,160	42,966
Weighted average number of multiple and subordinate voting shares outstanding	48,660,896	48,656,315
Effect of dilutive stock options ⁽¹⁾	92,053	182,521
Effect of dilutive incentive share units	153,493	127,987
Weighted average number of diluted multiple and subordinate voting shares outstanding	48,906,442	48,966,823
Earnings per share		
Basic		
Profit for the period from continuing operations	0.87	0.81
Profit for the period from discontinued operations	—	0.07
Profit for the period	0.87	0.88
Diluted		
Profit for the period from continuing operations	0.86	0.81
Profit for the period from discontinued operations	—	0.07
Profit for the period	0.86	0.88

- (1) For the three-month period ended November 30, 2012, 344,435 stock options (154,126 in 2011) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

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9. LONG-TERM DEBT

	Maturity	Interest rate %	November 30, 2012 \$	August 31, 2012 \$
Parent Corporation				
Term Revolving Facility				
Revolving loan – US\$588 million	November 2017 ⁽¹⁾	1.66 ⁽²⁾	584,237	–
Senior Secured Notes				
Series A – US\$190 million	October 2015	7.00 ⁽³⁾	187,820	186,244
Series B	October 2018	7.60	54,631	54,619
Senior Secured Debentures Series 1	June 2014	5.95	298,863	298,694
Senior Secured Debentures Series 2	November 2020	5.15	198,573	198,539
Senior Secured Debentures Series 3	February 2022	4.93	198,295	198,249
Senior Unsecured Debenture	March 2018	5.94	99,855	99,850
Subsidiaries				
First Lien Credit Facilities ⁽⁴⁾				
Term Loan A Facility – US\$240 million	November 2017	3.21	231,789	–
Term Loan B Facility– US\$420 million	November 2019	4.50	405,631	–
Finance leases	October 2013	6.73 – 9.93	564	837
			2,260,258	1,037,032
Less current portion			4,737	830
			2,255,521	1,036,202

(1) On October 26, 2012, the Corporation amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by an additional year and consequently, the Term Revolving Facility will mature on November 22, 2017.

(2) Interest rate on debt as at November 30, 2012, including 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) In connection with the acquisition of ABB on November 30, 2012, the Corporation concluded, through two of its US subsidiaries, First Lien Credit Facilities totalling US\$710 million with a syndicate of banks and other institutional lenders in three tranches for a net proceed of US\$641.5 million net of transaction costs of \$US18.5 million. The first tranche, a Term Loan A Facility amounting to US\$240 million, which will mature on November 30, 2017, the second tranche, a Term Loan B Facility amounting to US\$420 million, which will mature on November 30, 2019 and the third tranche, a Revolving Credit Facility of US\$50 million unused at November 30, 2012, including a swingline of US\$15 million, which will mature 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. Starting on December 31, 2013, the Term Loan A Facility is subject to quarterly amortization of 1.25% in the first year, 2.5% in the second year and 3.0% in the third and fourth years. Starting on December 31, 2012, the Term Loan B Facility is subject to quarterly amortization of 0.25% until its maturity date. In addition to the fixed amortization schedule and commencing 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 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 the Corporation and its Canadian 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 the Corporation's US subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of the Corporation's US subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness and investments, distributions and maintenance of certain financial ratios.

10. SHARE CAPITAL

Authorized

Unlimited number of:

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of \$1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, could be issued in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

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Issued and paid

	November 30, 2012	August 31, 2012
	\$	\$
15,691,100 multiple voting shares	98,346	98,346
33,123,435 subordinate voting shares (33,117,508 at August 31, 2012)	900,230	899,997
	998,576	998,343
165,258 subordinate voting shares held in trust under the Incentive Share Unit Plan (149,802 at August 31, 2012)	(7,053)	(6,179)
	991,523	992,164

During the first three months of fiscal 2013, subordinate voting share transactions were as follows:

	Number of shares	Amount
		\$
Balance at August 31, 2012	33,117,508	899,997
Shares issued for cash under the Stock Option Plan	5,927	173
Compensation expense previously recorded in share-based compensation reserve for options exercised	—	60
Balance at November 30, 2012	33,123,435	900,230

During the first three months of fiscal 2013, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	Amount
		\$
Balance at August 31, 2012	149,802	6,179
Subordinate voting shares acquired	58,059	2,222
Subordinate voting shares distributed to employees	(42,603)	(1,348)
Balance at November 30, 2012	165,258	7,053

Dividends

For the three-month period ended November 30, 2012, a dividend of \$0.26 per share was paid to the holders of multiple and subordinate voting shares, totalling \$12.7 million, compared to a dividend of \$0.25 per share, or \$12.2 million for the three-month period ended November 30, 2011.

Share-based payment plans

The Corporation offers, for certain executives a Stock Option Plan, which is described in the Corporation's annual consolidated financial statements. For the three-month period ended November 30, 2012, the Corporation granted 119,215 stock options (87,400 in 2011) with an exercise price of \$38.16 (\$48.02 in 2011) of which 69,615 stock options (46,400 in 2011) were granted to COGECO Inc.'s employees. These options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. During the three-month period ended November 30, 2012, the Corporation charged COGECO Inc. an amount of \$90,000 (\$74,000 in 2011) with respect to the Corporation's options granted to COGECO Inc.'s employees. As a result, a compensation expense of \$82,000 (\$88,000 in 2011) was recorded for the three-month period ended November 30, 2012.

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The weighted average fair value of stock options granted for the three-month period ended November 30, 2012 was \$7.01 (\$11.34 in 2011) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining stock-based compensation expense using the Black-Scholes option pricing model based on the following assumptions:

	2012	2011
	%	%
Expected dividend yield	2.66	1.65
Expected volatility	26.72	26.84
Risk-free interest rate	1.32	1.76
Expected life in years	5.0	6.1

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at November 30, 2012:

	Options	Weighted average exercise price
		\$
Outstanding at August 31, 2012	609,686	34.80
Granted	119,215	38.16
Exercised ⁽¹⁾	(5,927)	29.23
Outstanding at November 30, 2012	722,974	35.40
Exercisable at November 30, 2012	464,594	32.59

(1) The weighted average share price for options exercised during the period was \$37.92.

The Corporation also offers a senior executive and designated employee Incentive Share Unit Plan ("ISU Plan"), which is described in the Corporation's annual consolidated financial statements. For the three-month period ended November 30, 2012, the Corporation granted 58,059 (57,943 in 2011) incentive share units ("ISUs") of which 12,005 (10,700 in 2011) ISUs were granted to COGECO Inc.'s employees. The Corporation establishes the value of the compensation related to the ISUs granted based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation. The Corporation instructed the trustee to purchase 58,059 (57,821 in 2011) subordinate voting shares of the Corporation on the stock market. These shares were purchased for cash consideration aggregating \$2,222,000 (\$2,855,000 in 2011) and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is 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. A compensation expense of \$417,000 (\$338,000 in 2011) was recorded for the three-month period ended November 30, 2012 related to this plan. During the three-month period ended November 30, 2012, the Corporation charged COGECO Inc. an amount of \$107,000 (\$76,000 in 2011) with respect to the Corporation's ISUs granted to COGECO Inc.'s employees.

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at November 30, 2012:

Outstanding at August 31, 2012	149,802
Granted	58,059
Distributed	(42,603)
Outstanding at November 30, 2012	165,258

The Corporation offers a Deferred Share Unit Plan ("DSU Plan") for members of the Board of directors which is described in the Corporation's annual consolidated financial statements. For the three-month periods ended November 30, 2012 and 2011, the Corporation did not issue any deferred share units ("DSUs") to the participants in connection with the DSU Plan. A compensation expense of \$103,000 (\$50,000 in 2011) was recorded for the three-month period ended November 30, 2012 for the increase in liability related to this plan.

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Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at November 30, 2012:

Outstanding at August 31, 2012	20,491
Dividend equivalents	144
Outstanding at November 30, 2012	20,635

11. STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating activities

	Three months ended November 30,	
	2012	2011
	\$	\$
Trade and other receivables	2,240	(6,350)
Prepaid expenses and other	956	104
Trade and other payables	(86,239)	(61,832)
Provisions	(1,391)	4,604
Deferred and prepaid revenue and other liabilities	3,321	806
	(81,113)	(62,668)

b) Cash and cash equivalents

	November 30, 2012	August 31, 2012
	\$	\$
Cash	9,278	65,442
Cash equivalents ⁽¹⁾	—	149,949
	9,278	215,391

(1) At August 31, 2012, Banker's acceptances for a total of \$149.9 million, bearing interest of 1.10% with maturity dates ranging from September 4, 2012 to September 17, 2012.

12. EMPLOYEE BENEFITS

The Corporation and its Canadian subsidiaries offer their employees contributory defined benefit pension plans, defined contribution pension plans or a collective registered retirement savings plan, which are described in the Corporation's annual consolidated financial statements. The total expense related to these plans is as follows:

	Three months ended November 30,	
	2012	2011
	\$	\$
Contributory defined benefit pension plans	577	449
Defined contribution pension plans and collective registered retirement savings plan	1,436	1,378
	2,013	1,827

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13. FINANCIAL INSTRUMENTS

a) Financial risk management

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

Credit risk

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

Credit risk from derivative financial instruments arises from the possibility that counterparties to the cross-currency swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At November 30, 2012, 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 "BBB+" by Standard & Poor's rating services ("S&P") and "A (high)" by Dominion Bond Rating Services ("DBRS").

Cash and cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. At November 30, 2012, management believes that the credit risk relating to its short-term investments is minimal, since the credit rating related to such investment is "AAA" by S&P.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At November 30, 2012 and August 31, 2012, 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 and in the USA, there is no significant concentration of credit risk.

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

	November 30, 2012	August 31, 2012
	\$	\$
Trade accounts receivable	71,727	65,570
Allowance for doubtful accounts	(3,000)	(2,866)
	68,727	62,704
Other accounts receivable	7,022	5,716
	75,749	68,420

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Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of the Corporation's customers are billed and pay before their services are rendered. The Corporation considers amount outstanding at the due date as trade accounts receivable past due. The following table provides further details on trade accounts receivable past due net of allowance for doubtful accounts at November 30, 2012 and August 31, 2012:

	November 30, 2012	August 31, 2012
	\$	\$
Less than 60 days overdue	12,914	9,530
60 to 90 days overdue	1,873	431
More than 90 days overdue	1,568	1,092
	16,355	11,053

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At November 30, 2012, the available amount of the Corporation's Term Revolving Facility was \$146.2 million. Management believes that the committed Term Revolving Facility will, until its maturity in November 2017, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. The Corporation also benefits from a Revolving Credit Facility of US\$50 million related to its acquisition of ABB, which was unused at November 30, 2012.

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

	Carrying amount	Contractual cash flows						
	\$	2013	2014	2015	2016	2017	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	24,914	24,914	—	—	—	—	—	24,914
Trade and other payables ⁽¹⁾	143,872	143,872	—	—	—	—	—	143,872
Long-term debt ⁽²⁾	2,259,694	3,130	313,116	25,039	220,380	32,789	1,689,343	2,283,797
Balance due on a business acquisition	11,400	11,400	—	—	—	—	—	11,400
Derivative financial instruments	10,613	—	—	—	13,091	—	—	13,091
Finance leases ⁽³⁾	564	573	7	—	—	—	—	580
	2,451,057	183,889	313,123	25,039	233,471	32,789	1,689,343	2,477,654

(1) Excluding accrued interest.

(2) Principal excluding finance leases.

(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on finance leases) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at November 30, 2012 and their respective maturities:

	2013	2014	2015	2016	2017	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Interest payments on long-term debt	70,439	97,687	79,214	71,644	63,236	140,601	522,821
Interest receipts on derivative financial instruments	(6,607)	(13,215)	(13,215)	(6,607)	—	—	(39,644)
Interest payments on derivative financial instruments	7,306	14,614	14,614	7,307	—	—	43,841
	71,138	99,086	80,613	72,344	63,236	140,601	527,018

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Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At November 30, 2012, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facility and Term Loan Facilities. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facility and Term Loan Facilities is approximately \$9.1 million based on the current debt at November 30, 2012.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars. In order to mitigate this risk, the Corporation has established guidelines whereby 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 entered into cross-currency swap agreements to set the liability for interest and principal payments on its US\$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at \$1.0625. The Corporation elected to apply cash flow hedge accounting on these derivative financial instruments.

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

	November 30, 2012		August 31, 2012	
	US \$	Euro \$	US \$	Euro \$
Financial assets (liabilities)				
Cash and cash equivalents	–	1,417	3,630	1,243
Bank Indebtedness	(153)	–	–	–
Trade and other payables and provisions	(9,267)	(6,213)	(21,569)	(7,068)
	(9,420)	(4,796)	(17,939)	(5,825)

Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% fluctuation in the foreign exchange rates (US dollar and Euro) would change financial expense by approximately \$1.4 million.

Furthermore, the Corporation's net investment in foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar. This risk was mitigated since the major part of the purchase price for ABB was borrowed directly in US dollars. This debt was designated as a hedge of a net investment in foreign operations. At November 30, 2012, the net investment amounted to US\$735.5 million while long-term debt was of US\$588 million. The exchange rate used to convert the US dollar currency into Canadian dollars for the statement of financial position accounts at November 30, 2012 was \$0.9936 per US dollar. The impact of a 10% change in the exchange rate of the US dollar into Canadian dollars would change other comprehensive income by approximately \$14.7 million.

b) Fair value of financial instruments

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

- The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables and balance due on a business acquisition approximates fair value because of the short-term nature of these instruments.
- Interest rates under the terms of the Corporation's Term Revolving Facility are based on Bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus applicable margin. Therefore, the carrying value approximates fair value for the Term Revolving Facility, since the Term Revolving Facility has conditions similar to those currently available to the Corporation.
- The fair value of the Senior Secured Debentures Series 1, 2 and 3, Senior Secured Notes Series A and B and Senior Unsecured Debenture are based upon current trading values for similar financial instruments.
- The fair values of finance leases are not significantly different from their carrying amounts.

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

	November 30, 2012		August 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt	2,260,258	2,372,874	1,037,032	1,118,634

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

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

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

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 debts using cash generated by operations and the level of distribution to shareholders.

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

The provisions of the Term Revolving Facility and First Lien Credit Facilities provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense and total indebtedness. At November 30, 2012 and August 31, 2012 the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

	November 30, 2012	August 31, 2012
Net senior indebtedness ⁽¹⁾⁽²⁾ / operating income before depreciation and amortization ⁽³⁾	2.6	1.3
Net indebtedness ⁽²⁾⁽⁴⁾ / operating income before depreciation and amortization ⁽³⁾	2.8	1.4
Operating income before depreciation and amortization ⁽³⁾ / financial expense ⁽³⁾	9.6	9.2

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

(2) Excluding ABB's cash and cash equivalents and non-recourse First Lien Credit Facilities at November 30, 2012.

(3) Calculation based on operating income before depreciation and amortization and financial expense for the twelve-month period ended November 30, 2012 and August 31, 2012.

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

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14. DISPOSAL OF SUBSIDIARY AND DISCONTINUED OPERATIONS

On February 29, 2012, the Corporation completed the sale of its Portuguese subsidiary, Cabovisão – Televisão por Cabo, S.A. ("Cabovisão"). As a result of the sale and in accordance with *IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the prior year results and cash flows of the European operations, up to the date of disposal, as discontinued operations.

The profit or loss of the discontinued operations for the three-month period ended November 30, 2011 were as follows:

	\$
Revenue	41,515
Operating expenses	36,767
Depreciation and amortization	1,288
Operating income	3,460
Financial income	111
Profit before income taxes	3,571
Income taxes	172
Profit for the period	3,399

The cash flows of the discontinued operations for the three-month period ended November 30, 2011 were as follows:

	\$
Net cash flows from operating activities	6,132
Net cash flows from investing activities	(3,434)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(338)
Net increase in cash and cash equivalents	2,360

15. SUBSEQUENT EVENT

On December 21, 2012, the Corporation announced an agreement to acquire all of the issued and outstanding shares of PEER 1 Network Enterprises Inc. ("PEER 1") by way of takeover bid (the "offer") valued at approximately \$635 million supported by a committed financing from the National Bank of Canada in the amount of \$650 million. PEER 1 is one of the world's leading internet infrastructure providers, specializing in managed hosting, dedicated servers, cloud services and collocation. This acquisition combined with the Corporation's existing data centre facilities will increase the scale and scope by adding the capability to serve approximately 10,000 additional businesses worldwide through 19 data centres and 21 points-of-presence across North America and Europe. PEER 1's primary network centre and head office are located in Vancouver. The offer will be subject to usual closing conditions and Cogeco Cable expects the transaction to be completed in the second quarter of fiscal 2013.

CUSTOMER STATISTICS

	November 30, 2012	August 31, 2012	May 31, 2012	February 29, 2012	November 30, 2011
Primary service units⁽¹⁾	2,478,887	1,969,133	1,962,174	1,955,928	1,943,648
CANADA	1,984,213	1,969,133	1,962,174	1,955,928	1,943,648
USA	494,674	—	—	—	—
Television service customers	1,105,443	863,115	868,873	873,326	882,437
CANADA	861,039	863,115	868,873	873,326	882,437
Penetration as a percentage of homes passed	52.1%	52.4%	52.9%	53.5%	54.2%
USA	244,404	—	—	—	—
Penetration as a percentage of homes passed	47.4%	—	—	—	—
Digital Television service customers	922,623	771,503	765,585	752,642	727,219
CANADA	780,724	771,503	765,585	752,642	727,219
Penetration as a percentage of homes passed	47.2%	46.8%	46.6%	46.1%	44.7%
USA	141,899	—	—	—	—
Penetration as a percentage of homes passed	27.5%	—	—	—	—
Analogue Television service customers	182,820	91,612	103,288	120,684	155,218
CANADA	80,315	91,612	103,288	120,684	155,218
Penetration as a percentage of homes passed	4.9%	5.6%	6.3%	7.4%	9.5%
USA	102,505	—	—	—	—
Penetration as a percentage of homes passed	19.9%	—	—	—	—
High Speed Internet service customers	817,019	634,534	628,852	626,017	618,499
CANADA	645,379	634,534	628,852	626,017	618,499
Penetration as a percentage of homes passed	39.0%	38.5%	38.3%	38.3%	38.0%
USA	171,640	—	—	—	—
Penetration as a percentage of homes passed	33.3%	—	—	—	—
Telephony service customers	556,425	471,484	464,449	456,585	442,712
CANADA	477,795	471,484	464,449	456,585	442,712
Penetration as a percentage of homes passed	28.9%	28.6%	28.3%	27.9%	27.2%
USA	78,630	—	—	—	—
Penetration as a percentage of homes passed	15.2%	—	—	—	—

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