



SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2013

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except PSU growth, percentages and per share data)	Quarters ended			Nine months ended		
	May 31, 2013	May 31, 2012	Change	May 31, 2013	May 31, 2012	Change
	\$	\$	%	\$	\$	%
Operations						
Revenue	464,497	319,771	45.3	1,222,080	952,930	28.2
Operating income before depreciation and amortization ⁽¹⁾	215,132	152,661	40.9	558,034	428,227	30.3
Operating margin ⁽¹⁾	46.3%	47.7%	—	45.7%	44.9%	—
Operating income	109,648	90,981	20.5	288,529	217,471	32.7
Profit for the period from continuing operations	53,258	53,159	0.2	153,876	123,812	24.3
Profit for the period from discontinued operations	—	—	—	—	55,446	—
Profit for the period	53,258	53,159	0.2	153,876	179,258	(14.2)
Profit for the period attributable to owners of the Corporation	53,056	53,159	(0.2)	153,876	179,258	(14.2)
Cash Flow						
Cash flow from operating activities	166,976	112,275	48.7	316,780	247,043	28.2
Cash flow from operations ⁽¹⁾	155,982	113,075	37.9	396,342	314,740	25.9
Acquisitions of property, plant and equipment, intangible and other assets	112,841	87,459	29.0	300,107	250,976	19.6
Free cash flow ⁽¹⁾	43,141	25,616	68.4	96,235	63,764	50.9
Financial Condition⁽²⁾						
Property, plant and equipment	—	—	—	1,751,785	1,322,093	32.5
Total assets	—	—	—	5,233,590	2,908,079	80.0
Indebtedness ⁽³⁾	—	—	—	3,026,408	1,069,112	—
Equity attributable to owners of the Corporation	—	—	—	1,316,500	1,188,431	10.8
Primary service units ("PSU") growth⁽⁴⁾	(3,331)	6,246	—	15,851	64,705	(75.5)
Per Share Data⁽⁵⁾						
Earnings per share attributable to owners of the Corporation						
From continuing and discontinued operations						
Basic	1.09	1.09	—	3.16	3.68	(14.1)
Diluted	1.08	1.09	(0.9)	3.14	3.66	(14.2)
From continuing operations						
Basic	1.09	1.09	—	3.16	2.54	24.4
Diluted	1.08	1.09	(0.9)	3.14	2.53	24.1
From discontinued operations						
Basic	—	—	—	—	1.14	—
Diluted	—	—	—	—	1.13	—

- (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 May 31, 2013 and August 31, 2012.
- (3) Indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business combination 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 and nine-month periods ended May 31, 2013

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, the Corporation's MD&A for the period ended February 28, 2013 as well as in the present MD&A) that could cause actual results to differ materially from what Cogeco Cable currently expects. These factors include risks pertaining to markets and competition, technology, regulatory developments, operating costs, information systems, disasters or other contingencies, financial risks related to capital requirements, human resources, controlling shareholder and holding structure, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation and does not undertake to update or alter this information at any particular time, except as may be required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto, 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, improving customer experience and business processes as well as keeping a sound capital management and a strict control over spending. 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

For the nine-month period ended May 31, 2013, operating income before depreciation and amortization increased by 30.3% when compared to the same period of fiscal 2012 to reach \$558.0 million and operating margin increased to 45.7% from 44.9%. As a result of the improvement of operating income before depreciation and amortization in the Canadian Cable services segment resulting essentially from cost reduction initiatives, management revised its April 10, 2013 projections for fiscal 2013. Operating income before depreciation and amortization is now expected to reach \$780 million from \$767 million and operating margin should increase to 46.0% from 45.2%. For further details, please consult the fiscal 2013 revised projections in the "Fiscal 2013 financial guidelines" section.

FREE CASH FLOW

For the nine-month period ended May 31, 2013, Cogeco Cable reports free cash flow of \$96.2 million, compared to \$63.8 million for the same period of the previous fiscal year, an increase of \$32.5 million. This variance is mostly attributable to the improvement of operating income before depreciation and amortization from the Canadian cable services segment and Atlantic Broadband ("ABB") and Peer 1 Network Enterprises, Inc. ("PEER 1") acquisitions (the "recent acquisitions"), partly offset by the increase in financial expense, the recent acquisition costs as well as the increase in acquisition of property, plant and equipment.

PSU GROWTH AND PENETRATION OF SERVICE OFFERINGS

During the nine-month period ended May 31, 2013, PSU reached 2,470,164 of which 1,981,290 come from the Canadian cable services segment and 488,874 from the American cable services segment. PSU for the American cable services segment increased by 3,694 stemming primarily from additional HSI services, partly offset by losses in Television services. PSU for the Canadian cable services segment increased by 12,157 when compared to an increase of 64,705 PSU for the comparable period of the prior year, mainly as a result of service category maturity and a more competitive environment in the Television services. Cogeco Cable maintains targeted marketing initiatives to increase the penetration level of its services.

BUSINESS DEVELOPMENTS AND OTHER

On July 5, 2013, Cogeco Cable reduced its Term Revolving Facility from \$750 million to \$600 million and its Revolving Facility of its Secured Credit Facilities from \$240 million to \$190 million.

On June 27, 2013, Cogeco Cable completed, pursuant to a private placement, the issuance of US\$215 million Senior Secured Notes bearing interest at 4.30% payable semi-annually and maturing on June 16, 2025. The net proceeds from this offering along with drawings under the Corporation's credit facilities will be used to repay, on July 29, 2013, all the outstanding amount of \$300 million Senior Secured Debentures Series 1, due on June 9, 2014.

On January 31, 2013, Cogeco Cable completed the acquisition of 96.57% of the issued and outstanding shares of PEER 1 by way of takeover bid (the "offer") valued at approximately \$649 million. On April 3, 2013, Cogeco Cable completed the acquisition of the remaining 3.43% of the issued and outstanding shares of PEER 1 for a cash consideration of \$17 million pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act ("British Columbia"). In connection with the completion of the offer, Cogeco Cable has entered into secured credit facilities in the amount of approximately \$650 million and maturing in 2017, with a syndicate of lenders. 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 enhances Cogeco Cable's footprint and builds on its strategic initiatives by increasing scale in an attractive industry segment with significant growth prospects in the state of the art data center platforms. The Corporation will also serve additional businesses worldwide, in addition to approximately 11,000 customers currently served, through 23 data centres and 21 points-of-presence across North America and Europe. PEER 1's primary network centre and head office remain located in Vancouver. For the purpose of segmented operating results, operating results from PEER 1 acquisition are incorporated in the Enterprise services segment. For further details on PEER 1 operating results, please refer to the "Enterprise services" section.

(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.

On November 30, 2012, the Corporation completed the acquisition of ABB, an independent cable system operator formed in 2003, serving about 485,000 PSU's and providing Analogue and Digital Television, as well as HSI and Telephony services. The acquisition is an attractive entry point into the United States of America ("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 US, ABB operates cable systems in Western Pennsylvania, Southern Florida, Maryland, Delaware and South Carolina. For the purpose of segmented operating results, operating results from ABB acquisition are presented in the American cable services operations. For further details on ABB's operating results, please refer to the "American cables services" section.

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2013	May 31, 2012	Change	May 31, 2013	May 31, 2012	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Revenue	464,497	319,771	45.3	1,222,080	952,930	28.2
Operating expenses	249,365	167,110	49.2	654,477	515,218	27.0
Management fees – COGECO Inc.	—	—	—	9,569	9,485	0.9
Operating income before depreciation and amortization	215,132	152,661	40.9	558,034	428,227	30.3
Operating margin	46.3%	47.7%		45.7%	44.9%	

REVENUE

Fiscal 2013 third-quarter revenue increased by \$144.7 million, or 45.3%, to reach \$464.5 million, when compared to the same period last year. For the first nine months, revenue amounted to \$1.2 billion, an increase of \$269.2 million, or 28.2% when compared to the same period of fiscal 2012. Revenue increases for both periods are mainly attributable to the operating results of the recent acquisitions as well as rate increases implemented in June and July 2012 in the Canadian cable services segment. For further details on the Corporation's revenue, please refer to the "Canadian cable services", "American cable services" and "Enterprise services" sections.

OPERATING EXPENSES

For the third quarter of fiscal 2013, operating expenses increased by \$82.3 million, or 49.2%, to reach \$249.4 million. For the first nine months of the fiscal year, operating expenses amounted to \$654.5 million, an increase of \$139.3 million, or 27.0%, when compared to the same period of fiscal 2012. These additional operating expenses are mostly attributable to the recent acquisitions, partly offset by cost reduction initiatives and the reduction in operating expenses in the Canadian cable services related to the deployment and support costs incurred in fiscal 2012 for the migration of Television service customers from analogue to digital. For further details on the Corporation's operating expenses, please refer to the "Canadian cable services", "American cable services" and "Enterprise services" sections.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND OPERATING MARGIN

Fiscal 2013 third-quarter operating income before depreciation and amortization increased by \$62.5 million, or 40.9%, to reach \$215.1 million, and by \$129.8 million, or 30.3%, to reach \$558.0 million in the first nine months as a result of the recent acquisitions and the improvement in the Canadian cable services segment. Cogeco Cable's third-quarter operating margin decreased to 46.3% from 47.7% mainly due to lower margins generated by PEER 1 acquisition and increased to 45.7% from 44.9% for the first nine months of fiscal 2013 when compared to the comparable periods of the prior year. For further details on the Corporation's operating income before depreciation and amortization and operating margin, please refer to the "Canadian cable services", "American cable services" and "Enterprise services" sections.

CUSTOMER STATISTICS

	Consolidated						
	Consolidated	US ⁽¹⁾	CANADA	Net additions (losses)		Net additions (losses)	
				Quarters ended		Nine months ended	
	May 31, 2013			May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
PSU	2,470,164	488,874	1,981,290	(3,331)	6,246	15,851	64,705
Television service customers	1,079,285	233,941	845,344	(8,407)	(4,453)	(21,143)	(9,112)
HSI service customers	826,495	176,170	650,325	2,351	2,835	22,408	27,638
Telephony service customers	564,384	78,763	485,621	2,725	7,864	14,586	46,179

(1) Include 485,180 PSU (237,313 Television service, 169,553 HSI service and 78,314 Telephony service customers) from the acquisition of ABB. In the third quarter of fiscal 2013, PSU from ABB at November 30, 2012 and February 28, 2013 have been adjusted downwards to comply with Cogeco Cable's and Canadian practices mostly related to reporting the number of hotels and hotel units.

Fiscal 2013 third-quarter and first nine months, PSU net additions for the Canadian cable services segment 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. PSU net additions for the American cable services segment were also lower than the last quarter resulting mainly from snowbirds returning home for the summer in its Miami cluster. For the third quarter net customer losses for Television service customers stood at 8,407 compared to 4,453 for fiscal 2012 third-quarter. 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 in Canada. Fiscal 2013 third-quarter HSI service customers grew by 2,351 compared to 2,835 in the third quarter of the prior year, and the number of net additions to the Telephony service stood at 2,725 customers compared to 7,864 customers for the same period of the prior year. For the nine-month periods, PSU net additions are stemming primarily from additional HSI services, partly offset by losses in Television services for both Canadian and American cable services segment. For further details on the Corporation's customer statistics, please refer to the "Canadian cable services" and "American cable 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 71,233 stock options (47,729 in 2012) to these senior executives as executives of Cogeco Cable during the first nine months of fiscal year 2013. During the third quarter and first nine months of fiscal 2013, the Corporation charged COGECO Inc. an amount of \$99,000 and \$275,000 (\$83,000 and \$232,000 in 2012) with regards to the Corporation's stock options to these employees.

During the first nine months of fiscal 2013, the Corporation also granted 12,280 (11,006 in 2012) Incentive Share Units ("ISUs") to these senior executives as executives of Cogeco Cable. During the third quarter and first nine months of fiscal 2013, the Corporation charged COGECO Inc. an amount of \$117,000 and \$336,000 (\$105,000 and \$285,000 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 was paid within the first six months of the fiscal year. For fiscal year 2012, management fees were also 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 ISUs 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			Nine months ended		
	May 31, 2013	May 31, 2012	Change	May 31, 2013	May 31, 2012	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Depreciation and amortization	103,383	61,680	67.6	252,640	210,756	19.9
Financial expense	35,032	16,373	—	79,726	47,990	66.1

For the three and nine-month periods ended May 31, 2013, depreciation and amortization expense reached \$103.4 million and \$252.6 million, respectively compared to \$61.7 million and \$210.8 million for the same periods of the prior year, respectively. The increases result mainly from the recent acquisitions and from additional acquisition of property, plant and equipment in the Enterprise services segment, offset by higher fiscal 2012 depreciation expense related to the reduction of useful lives for certain home terminal devices for the Canadian cable services segment.

Fiscal 2013 third-quarter financial expense increased by \$18.7 million to reach \$35.0 million compared to \$16.4 million in fiscal 2012 third-quarter. For the first nine months of fiscal 2013, financial expense increased by \$31.7 million, or 66.1%, to reach \$79.7 million, compared to \$48.0 million in the prior year. Financial expense increased in both periods as a result of the cost of financing the recent acquisitions, including costs of approximately \$3.5 million to refinance certain long-term debt with respect to these recent acquisitions.

INCOME TAXES

For the three and nine-month periods ended May 31, 2013, income tax expense amounted to \$21.4 million and \$54.9 million, respectively, compared to \$21.4 million and \$45.7 million, respectively, for the comparable periods in the prior year. The increase in the first nine months is mostly attributable to the improvement in operating income before depreciation and amortization, partly offset by the increase in depreciation and amortization and the financial expense.

PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

For the three and nine-month periods ended May 31, 2013, profit for the period from continuing operations amounted to \$53.3 million and \$153.9 million, respectively, compared to a profit for the period from continuing operations of \$53.2 million and \$123.8 million for the comparable periods in fiscal 2012. Profit for the period attributable to owners of the Corporation for the three-month period reached \$53.1 million, or \$1.09 per share compared to \$53.2 million, or \$1.09 per share in fiscal 2012 and \$153.9 million, or \$3.16 per share compared to \$123.8 million, or \$2.54 per share for the nine-month period. Profit for the period from continuing operations increased slightly during the quarter mostly due to the operating income before depreciation and amortization generated by the Canadian cable services segment and by the recent acquisitions, partly offset by the acquisition costs, additional depreciation and amortization and financial expense, including costs of approximately \$3.5 million to refinance certain long-term debt with respect to the recent acquisitions. Profit progression for the period from continuing operations for the first nine months of fiscal 2013 is mostly attributable to the increase in operating income before depreciation and amortization generated by the Canadian cable services segment and by the recent acquisitions, partly offset by the recent acquisitions costs and by the depreciation and amortization, financial expense and income tax increases explained above.

PROFIT FOR THE PERIOD

For the three and nine-month periods ended May 31, 2013, profit for the period amounted to \$53.3 million and \$153.9 million, respectively, compared to \$53.2 million and \$179.3 million for the comparable periods. Fiscal 2013 third-quarter profit for the period attributable to owners of the Corporation amounted to \$53.1 million, or \$1.09 per share, compared to \$53.2 million, or \$1.09 per share, in the third quarter of fiscal 2012. The increase in the quarter is attributable to the factors described above. For the nine-month period ended May 31, 2013, profit for the period attributable to owners of the Corporation amounted to \$153.9 million or \$3.16 per share, compared to \$179.3 million, or \$3.68 per share for the comparable period of fiscal 2012. The decline for the period is mostly attributable to last year's profit from the Portuguese subsidiary, Cabovisão - Televisão por Cabo, S.A. ("Cabovisão"), reported as discontinued operations and disposed of on February 29, 2012 and by the increases in depreciation and amortization, financial expense and acquisition costs all related to the recent acquisitions, partly offset by the operating income before depreciation and amortization generated by the Canadian cable services segment and by the recent acquisitions.

CASH FLOW ANALYSIS

	Quarters ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Operating activities				
Cash flow from operations	155,982	113,075	396,342	314,740
Changes in non-cash operating activities	(2,526)	(12,083)	(78,708)	(71,572)
Amortization of deferred transaction costs and discounts on long-term debt	(3,580)	(713)	(7,043)	(2,070)
Income taxes paid	(16,894)	(10,821)	(76,902)	(64,638)
Current income tax expense	25,789	24,044	73,907	69,740
Financial expense paid	(26,827)	(17,600)	(70,542)	(47,147)
Financial expense	35,032	16,373	79,726	47,990
	166,976	112,275	316,780	247,043
Investing activities	(135,161)	(86,861)	(2,305,469)	(250,231)
Financing activities	(31,688)	(12,035)	1,809,398	47,475
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	1,089	—	1,794	—
Net change in cash and cash equivalents from continuing operations	1,216	13,379	(177,497)	44,287
Net change in cash and cash equivalents from discontinued operations ⁽¹⁾	—	—	—	49,597
Cash and cash equivalents from continuing and discontinued operations, beginning of year	36,678	135,952	215,391	55,447
Cash and cash equivalents from continuing and discontinued operations, end of year	37,894	149,331	37,894	149,331

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

OPERATING ACTIVITIES

Fiscal 2013 third-quarter cash flow from operations reached \$156.0 million compared to \$113.1 million, an increase of \$42.9 million, or 37.9%, compared to the same period of prior year. For the first nine months, cash flow from operations reached \$396.3 million compared to \$314.7 million for the same period last year, an increase of \$81.6 million, or 25.9%. Increases for both periods are primarily due to the improvement of operating income before depreciation and amortization, partly offset by financial expense increase and by the recent acquisition costs. For the third quarter, changes in non-cash operating activities generated cash outflows of \$2.5 million compared to \$12.1 million in the third quarter of fiscal 2012, mainly as a result of a lower decrease in trade and other payables, partly offset by a lower increase in provisions. For the first nine months, changes in non-cash operating activities generated cash outflows of \$78.7 million compared to \$71.6 million for the same period in fiscal 2012, mainly as a result of a decrease in provisions compared to an increase in prior year, partly offset by an increase in deferred and prepaid revenue and other liabilities compared to a decrease in the prior year.

INVESTING ACTIVITIES

BUSINESS COMBINATIONS IN FISCAL 2013

On March 6, 2013, Cogeco Cable, completed the working capital adjustments in relation to the ABB acquisition, which increased income tax receivable by \$3.4 million and goodwill by \$0.6 million, and decreased trade and other payables assumed by \$1.5 million and income tax liabilities assumed by \$0.1 million. In addition, on April 3, 2013, Cogeco Cable completed the acquisition of the remaining 3.43% of the issued and outstanding shares of PEER 1 for a cash consideration of \$17 million. The acquisition of non-controlling interest resulted has not changed the purchase price allocation. On January 31, 2013, the Corporation completed the acquisition of PEER 1 and on November 30, 2012, the acquisition of ABB. These acquisitions were accounted for using the purchase method.

The preliminary purchase price allocation of these acquisitions, pending the completion of the valuation of the net assets acquired, is as follows:

	PEER 1	ABB	TOTAL
	\$	\$	\$
Consideration			
Paid			
Purchase of shares	494,796	337,779	832,575
Working capital adjustments	—	5,415	5,415
Repayment of secured debts and settlement of options outstanding	170,872	1,021,854	1,192,726
	665,668	1,365,048	2,030,716
Net assets acquired			
Cash and cash equivalents	10,840	5,480	16,320
Restricted cash	8,729	—	8,729
Trade and other receivables	12,772	9,569	22,341
Prepaid expenses and other	3,855	1,370	5,225
Income tax receivable	672	3,418	4,090
Other assets	3,328	—	3,328
Property, plant and equipment	150,206	205,353	355,559
Intangible assets	139,703	763,084	902,787
Goodwill	421,986	603,254	1,025,240
Deferred tax assets	8,355	33,835	42,190
Trade and other payables assumed	(26,330)	(26,134)	(52,464)
Provisions	—	(721)	(721)
Income tax liabilities assumed	(4,716)	(53)	(4,769)
Deferred and prepaid revenue and other liabilities assumed	(3,315)	(5,254)	(8,569)
Long-term debt assumed	(1,735)	—	(1,735)
Deferred tax liabilities	(58,682)	(228,153)	(286,835)
	665,668	1,365,048	2,030,716

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		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
(in thousands of dollars)	\$	\$	\$	\$
Customer premise equipment ⁽¹⁾	18,000	18,552	55,874	75,623
Scalable infrastructure ⁽²⁾	21,512	33,235	78,428	84,585
Line extensions	5,961	4,402	14,081	12,323
Upgrade / Rebuild	10,924	5,923	26,574	17,577
Support capital	4,552	6,997	14,935	18,800
Acquisition of property, plant and equipment - Canadian and American cable services	60,949	69,109	189,892	208,908
Acquisition of property, plant and equipment - Enterprise services	47,376	14,370	96,565	31,498
Acquisitions of property, plant and equipment	108,325	83,479	286,457	240,406
Acquisition of intangible and other assets - Canadian and American cable services	3,933	2,660	12,048	8,913
Acquisition of intangible and other assets - Enterprise services	583	1,320	1,602	1,657
Acquisitions of intangible and other assets	4,516	3,980	13,650	10,570
	112,841	87,459	300,107	250,976

(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.

For the three and nine-month periods ended May 31, 2013, acquisition of property, plant and equipment amounted to \$108.3 million and \$286.5 million, respectively, compared to \$83.5 million and \$240.4 million for the comparable periods of fiscal 2012. In the Canadian cable services, fiscal 2013 third-quarter acquisition of property, plant and equipment amounted to \$47.6 million, a decrease of 31.1% when compared to \$69.1 million in the third quarter of the prior year. For the nine-month period ended May 31, 2013, acquisition of property, plant and equipment amounted to \$163.4 million, a decrease of 21.8% when compared to the prior year. For the three and nine-month periods ended May 31, 2013, acquisition of property, plant and equipment in the American cable services segment amounted \$13.3 million and \$26.5 million, respectively. The decreases in the Canadian cable services segment are mainly attributable to the following factors:

- A decrease in scalable infrastructure due to the timing of initiatives to improve network capacity 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 and the lower PSU growth as a result of service maturity; and
- An increase in network upgrade and rebuild to deploy advanced technologies such as DOCSIS 3.0 and Switched Digital Video in existing areas served;

Fiscal 2013 third-quarter and first nine months acquisition of property, plant and equipment in the Enterprise services segment, including the capital expenditures of the recent acquisition of PEER 1, amounted to \$47.4 million and \$96.6 million compared to \$14.4 million and \$31.5 million in the comparable periods of fiscal 2012, respectively. The increases for both periods are mainly due to the construction of a new data centre facility in Barrie, Ontario, opened last June, and by the expansion of data centre facilities in Toronto, Canada and in Portsmouth, England as well as the fiber expansion in the Toronto area in order to fulfill orders from new customers demand.

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 third quarter and the first nine months of fiscal 2013, the acquisition of intangible and other assets amounted to \$4.5 million and \$13.7 million, compared to \$4.0 million and \$10.6 million for the same periods last year, respectively.

FREE CASH FLOW AND FINANCING ACTIVITIES

In the third quarter of fiscal 2013, free cash flow amounted to \$43.1 million, \$17.5 million, or 68.4%, higher than in the comparable period of fiscal 2012. For the nine-month period, free cash flow amounted to \$96.2 million, \$32.5 million, or 50.9%, higher than the same period of last year. Free cash flow increase for both periods over the prior year are due to the improvement of operating income before depreciation and amortization in the Canadian cable services segment and the recent acquisitions, partly offset by the increase in financial expense, the recent acquisition costs as well as the increase in acquisition of property, plant and equipment.

In the third quarter of fiscal 2013, higher Indebtedness level provided for a cash decrease of \$17.2 million, mainly due to the issuance of \$300 million Senior Secured Debentures Series "4" (the "Debentures") for a net proceed of \$297.1 million, net of transaction costs of \$2.9 million and the issuance of a private placement of \$410.4 million (US\$400 million) Senior Unsecured Notes (the "2020 Notes") for a net proceed of \$402.6 million (US\$392.4 million), net of transaction costs of \$7.8 million (US\$7.6 million). In addition, Cogeco Cable used the net proceeds under the Debentures and the 2020 Notes to repay the Canadian Term Facility amounting to \$175 million, the US Term Facility amounting to \$230.8 million (US\$225 million), the \$114.7 Revolving loan in connection with the financing of the acquisition of PEER 1 and the \$192.4 million Term Revolving Facility. In the third quarter of fiscal 2012, Indebtedness remained essentially the same.

For the nine-month period of fiscal 2013, higher Indebtedness level provided for a cash increase of \$1.9 billion, mainly due to the issuance of the 2020 Notes and the Debentures, described above, as well as draw-down on the existing Term Revolving Facility of \$411.9 million (US\$420 million) including the repayment made during the quarter explained above and the new First Lien Credit 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 as well to drawings of \$125.1 million, under Secured Credit Facilities to finance the acquisition of PEER 1, net of the repayment made during the third quarter explained above. In the first nine months of fiscal 2012, Indebtedness affecting cash increased by \$86.3 million mainly due to the issuance, on February 14, 2012, of \$200 million Senior Secured Debentures Series 3 ("Fiscal 2012 debentures") for net proceeds of \$198.1 million which was used to repay the \$110 million Term Revolving Facility.

During the third quarter of fiscal 2013, a quarterly dividend of \$0.26 per share was paid to the holders of subordinate and multiple voting shares, totaling \$12.6 million, when compared to a dividend paid of \$0.25 per share, or \$12.2 million in the third quarter of fiscal 2012. Dividend payments in the first nine months totaled \$0.78 per share, or \$37.9 million, compared to \$0.75 per share, or \$36.5 million the year before.

As at May 31, 2013, the Corporation had a working capital deficiency of \$149.7 million compared to \$17.2 million at August 31, 2012. The increase of \$132.5 million in the deficiency is mainly due to the decrease of \$177.5 million in cash and cash equivalents, primarily used for the acquisition of ABB. The deficiency was also impacted by an increase of \$22.0 million in trade and other receivables, a decrease of \$29.8 million in trade and other payables and by an increase of \$14.7 million in deferred and prepaid revenue. 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 May 31, 2013, the Corporation had used \$439.9 million of its \$750 million Term Revolving Facility for a remaining availability of \$310.1 million. In addition, the Corporation also benefits from additional Revolving Facilities of \$251 million as a result of the acquisition of PEER 1, of which \$131.7 million was used at May 31, 2013 for a remaining availability of \$119.3 million. Two subsidiaries of the Corporation also benefits from a Revolving Facility of \$103.7 million (US\$100 million) related to the acquisition of ABB, of which \$55.7 million (US\$53.7 million) was used at May 31, 2013 for a remaining availability of \$48 million (US\$46.3 million).

FINANCIAL POSITION

As a result of the acquisition of ABB and PEER 1, most financial position balances have changed significantly since August 31, 2012. For further details on the preliminary allocation of the purchase price of the acquisitions, please refer to the investing activities under the "Cash flow analysis" section.

OUTSTANDING SHARE DATA

A description of Cogeco Cable's share data at June 30, 2013 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	33,149,955	900,965
Options to purchase subordinate voting shares		
Outstanding options	763,961	
Exercisable options	436,344	

FINANCING

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.

On May 28, 2013, the First Lien Credit Facilities were amended. Pursuant to the amendment, US\$50 million of the Term Loan A Facility was converted into the Revolving Facility resulting in amounts borrowed under these two tranches of US\$190 million and of US\$100 million, respectively, while the Term Loan B Facility remained the same. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor for the Term Loan B Facility. The applicable margin was reduced by 0.625% for the Revolving Facility and for the Term Loan A Facility and by 1.00% for the Term Loan B Facility. In addition, the LIBOR floor for the Term Loan B Facility was reduced from 1.00% to 0.75%. All other terms and conditions remained the same. In connection with the amendment, transaction costs of US\$6.2 million were incurred. In connection with the acquisition of ABB on November 30, 2012, the Corporation initially concluded, through two of its US subsidiaries, First Lien Credit Facilities totaling US\$710 in three tranches for a net proceed of US\$641.5 million net of transaction costs of US\$18.5 million. The first tranche, a Term Loan A Facility will mature on November 30, 2017, the second tranche, a Term Loan B Facility will mature on November 30, 2019 and the third tranche, a Revolving Credit Facility will mature on November 30, 2017. Effective on December 31, 2013, the Term Loan A Facility is subject to quarterly amortization of \$3 million in the first year, \$6 million in the second year and \$7.2 million in the third and fourth years. Effective 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, its Canadian subsidiaries and PEER 1's subsidiaries and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of ABB and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of ABB and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness and investments, distributions and maintenance of certain financial ratios.

On May 27, 2013, Cogeco Cable completed pursuant to a public debt offering, the issue of \$300 million Senior Secured Debentures Series "4" (the "Debentures") for a net proceed of \$297.1 million, net of transaction costs of \$2.9 million. These Debentures mature on May 26, 2023 and bear interest at 4.175% per annum payable semi-annually. These Debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for ABB and certain immaterial subsidiaries (the "unrestricted subsidiaries"). The provisions under these Debentures provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

On April 23, 2013, Cogeco Cable completed a private placement of \$410.4 million (US\$400 million) aggregate principal amount of Senior Unsecured Notes (the "2020 Notes") for a net proceed of \$402.6 million (US\$392.4 million) net of transaction costs of \$7.8 million (US\$7.6 million). These 2020 Notes mature on May 1, 2020 and bear interest at 4.875% per annum payable semi-annually. These 2020 Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The provisions under these 2020 Notes provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments and distributions.

On April 23, 2013, Cogeco Cable reimbursed the Canadian Term Facility of \$175 million and the US Term Facility of US\$225 million in connection with the financing for the acquisition of PEER 1. As a result of the acquisition of PEER 1 on January 31, 2013, the Corporation concluded Secured Credit Facilities totaling approximately \$650 million with a syndicate of lenders in four tranches for a net proceed of \$640.3 million net of transaction costs of \$2.8 million. The first tranche, a Canadian Term Facility amounting to \$175 million, the second tranche, a US Term Facility amounting to US\$225 million, the third tranche, a Revolving Facility of \$240 million and the fourth tranche, a UK Revolving Facility of £7 million. The Revolving Facility is available in Canadian dollars, US dollars, British Pounds and Euros and interest rates are based on Bankers' Acceptance, LIBOR Loans in US dollars, British Pounds or Euros, Prime Rate Loans or US and British Pounds Base Rate Loans, plus the applicable margin. The UK Revolving Facility is available in British Pounds and interest rates are based on British Pounds Base Rate Loans or British Pounds LIBOR Loans.

The Secured Credit Facilities will mature on January 31, 2017. The Secured Credit Facilities 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 and most of its subsidiaries except for the unrestricted subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of the Corporation but do not cover the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness.

FINANCIAL MANAGEMENT

The Corporation 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 nine months of fiscal 2013, amounts due under the US\$190 million Senior Secured Notes Series A increased by \$9.7 million due to the US dollar's appreciation relative to the Canadian dollar. The fair value of cross-currency swaps liability decreased by a net amount of \$9.3 million, of which a decrease of \$9.7 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of \$0.4 million was recorded as a decrease of other comprehensive income. During the first nine months of fiscal 2012, amounts due under the US\$190 million Senior Secured Notes Series A increased by \$10.2 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 \$11.4 million, of which \$10.2 million offsets the foreign exchange loss on the debt denominated in US dollars.

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 and British Pound. This risk was mitigated since the major part of the purchase prices for ABB and PEER 1 were borrowed directly in US dollars and British Pounds. These debts were designated as hedges of net investments in foreign operations. At May 31, 2013, the net investment for ABB and for PEER 1 amounted to US\$1.1 billion and £66.6 million while long-term debt amounted to US\$841.7 million, and £69.1 million. The exchange rate used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at May 31, 2013 was \$1.0368 per US dollar and \$1.5752 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately \$27.5 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 July 10, 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 August 7, 2013, to shareholders of record on July 24, 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 three operating segments: Canadian cable services, American 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. For the purpose of segmented operating results, operating results from the ABB acquisition are presented in the American cable services and operating results from the PEER 1 acquisition are included in the Enterprise services segment.

CANADIAN CABLE SERVICES

CUSTOMER STATISTICS

	May 31, 2013	Net additions (losses)				% of penetration ⁽¹⁾	
		Quarters ended		Nine months ended		May 31, 2013	May 31, 2012
		May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012		
PSU	1,981,290	(3,265)	6,246	12,157	64,705		
Television service customers	845,344	(7,363)	(4,453)	(17,771)	(9,112)	50.7	52.9
HSI service customers	650,325	1,160	2,835	15,791	27,638	39.0	38.3
Telephony service customers	485,621	2,938	7,864	14,137	46,179	29.1	28.3

(1) As a percentage of homes passed.

Fiscal 2013 third-quarter and first nine months PSU net additions were lower than in the comparable periods of the prior year mainly as a result of service category maturity, competitive offers and tightening of our customer qualifications. For the third quarter and the first nine months net customer losses for Television service customers stood at 7,363 and 17,771, respectively, compared to 4,453 and 9,112 for the same periods 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 third-quarter HSI service customers grew by 1,160 compared to 2,835 in the third quarter of the prior year, and the number of net additions to the Telephony service stood at 2,938 customers compared to 7,864 customers for the same period of the prior year. For the first nine months of fiscal 2013, net additions for HSI service customers stood at 15,791 and Telephony net additions at 14,137 compared to 27,638 and 46,179, respectively, for the comparable periods 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			Nine months ended		
	May 31, 2013	May 31, 2012	Change	May 31, 2013	May 31, 2012	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Revenue	306,401	297,595	3.0	917,389	886,725	3.5
Operating expenses	153,288	149,283	2.7	465,368	465,919	(0.1)
Operating income before depreciation and amortization	153,113	148,312	3.2	452,021	420,806	7.4
Operating margin	50.0%	49.8%		49.3%	47.5%	

Revenue

Fiscal 2013 third-quarter revenue increased by \$8.8 million, or 3.0%, to reach \$306.4 million, when compared to the same period last year. For the first nine months, revenue amounted to \$917.4 million, an increase of 3.5% when compared to the first nine months of fiscal 2012. These increases are primarily due to rate increases implemented in June and July 2012 in Quebec and Ontario.

Operating expenses

For the period ended May 31, 2013, operating expenses increased by \$4.0 million, or 2.7%, to \$153.3 million. For the first nine months, operating expenses amounted to \$465.4 million, a decrease of \$0.6 million when compared to the same period of prior year. Operating expenses increased during the third quarter as a result of additional personnel to manage the PSU base, programming costs increases and incentives programs such as bonus, partly offset by cost reduction initiatives.

Operating income before depreciation and amortization and operating margin

As a result of revenue growth exceeding operating expenses, fiscal 2013 third-quarter operating income before depreciation and amortization amounted to \$153.1 million, or 3.2% higher than in the same period of the prior year. For the first nine months of fiscal 2013, operating income before depreciation and amortization amounted to \$452.0 million, or 7.4% higher than in the same period of the prior year. Operating margin increased to 50.0% from 49.8% when compared to fiscal 2012 third-quarter and from 47.5% to 49.3% for the first nine months of fiscal 2013 when compared to prior year.

AMERICAN CABLE SERVICES

On November 30, 2012, the Corporation completed the acquisition of ABB, an independent cable system operator formed in 2003 and providing Analogue and Digital Television, as well as HSI and Telephony services. ABB operates cable systems in Western Pennsylvania, Southern Florida, Maryland, Delaware and South Carolina. Fiscal 2013 nine-month period included six months of operations of ABB.

CUSTOMER STATISTICS

	May 31, 2013 ⁽²⁾	Net additions (losses)				% of penetration ⁽¹⁾	
		Quarters ended		Nine months ended			
		May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
PSU	488,874	(66)	—	3,694	—		
Television service customers	233,941	(1,044)	—	(3,372)	—	45.3	—
HSI service customers	176,170	1,191	—	6,617	—	34.1	—
Telephony service customers	78,763	(213)	—	449	—	15.2	—

(1) As a percentage of homes passed.

(2) Include 485,180 PSU (237,313 Television service, 169,553 HSI service and 78,314 Telephony service customers) from the acquisition of ABB. In the third quarter of fiscal 2013, PSU from ABB at November 30, 2012 and February 28, 2013 have been adjusted downwards to comply with Cogeco Cable's and Canadian practices mostly related to reporting the number of hotels and hotel units.

Fiscal 2013 third-quarter, PSU net losses stood at 66 compared to net additions of 3,694 for the first nine months. The decrease in PSU for the quarter is mainly attributable to seasonal variations in the Miami area due to snowbirds leaving for the summer, partly offset by the increases in residential HSI subscribers. PSU increases for the first nine months is mostly attributable to the increase in residential HSI subscribers through additional marketing focus on bundle package offerings and increased overall demand given the higher speed offerings with the rollout of DOCSIS 3.0 capabilities in 2012 to a majority of ABB's markets, as well as increased commercial HSI and Telephony growth driven by improved sales focus and resources.

OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2013	May 31, 2012	Change	May 31, 2013	May 31, 2012	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Revenue	90,394	—	—	176,244	—	—
Operating expenses	49,145	—	—	95,774	—	—
Operating income before depreciation and amortization	41,249	—	—	80,470	—	—
Operating margin	45.6%	—%		45.7%	—%	

Fiscal 2013 third-quarter revenue reached \$90.4 million mainly as a result of (i) an increase in HSI revenue from continued marketing focus for this service offering driving HSI subscriber growth; (ii) an increase in Telephony revenue generated by increases in subscriber level and an increase in commercial revenue as ABB continues to expand its non-residential customer base through targeted marketing efforts. Fiscal 2013 third-quarter operating expenses amounted to \$49.1 million and operating income before depreciation and amortization reached \$41.2 million, and consequently, operating margin stood at 45.6%. ABB's operating results are in line with management's expectations.

ENTERPRISE SERVICES

	Quarters ended			Nine months ended		
	May 31, 2013	May 31, 2012	Change	May 31, 2013	May 31, 2012	Change
<i>(in thousands of dollars, except percentages)</i>	\$	\$	%	\$	\$	%
Revenue	68,130	22,669	—	129,610	66,698	94.3
Operating expenses	44,710	13,248	—	82,063	39,773	—
Operating income before depreciation and amortization	23,420	9,421	—	47,547	26,925	76.6
Operating margin	34.4%	41.6%		36.7%	40.4%	

OPERATING RESULTS

Revenue

Fiscal 2013 third-quarter revenue reached \$68.1 million compared to \$22.7 million for the same period last year. For the first nine months, revenue amounted to \$129.6 million, an increase of 94.3% when compared to the first nine months of fiscal 2012. Revenue increased for both periods primarily due to the four months results of PEER 1 recently acquired as well as the organic growth of Cogeco Data Services ("CDS").

Operating expenses

For the third quarter of fiscal 2013, operating expenses increased by \$31.5 million to \$44.7 million. For the first nine months, operating expenses amounted to \$82.1 million, an increase of \$42.3 million when compared to the first nine months of fiscal 2012. Operating expenses increased for both periods primarily due to PEER 1 recently acquired as well as CDS's organic growth.

Operating income before depreciation and amortization and operating margin

As a result of revenue growth exceeding the increase in operating expenses, fiscal 2013 third-quarter operating income before depreciation and amortization increased by \$14.0 million to reach \$23.4 million and by \$20.6 million, or 76.6%, for the first nine months to reach \$47.5 million, when compared to the same periods of the prior year. Operating margin decreased to 34.4% from 41.6% in the third quarter and to 36.7% from 40.4% for first nine months compared to the comparable periods of fiscal 2012 as a result of lower margins business activities from PEER 1.

FISCAL 2013 FINANCIAL GUIDELINES

Giving effect to the improvement of the Corporation's financial performance in the Canadian Cable services segment with regards to the operating income before depreciation and amortization mainly as a result of costs reduction initiatives, management revised upwards its operating income before depreciation and amortization projections issued on April 10, 2013 from \$767 million to \$780 million which should contribute to increase the operating margin from 45.2% to 46.0%. PSU growth should decline from 35,000 to 15,000 as a consequence of a more competitive environment in the Canadian services segment combined with service category maturity and tighter customer credit qualification. However, revenue projections should remain the same as a result of the rate increases implemented in June 2013 in Quebec and Ontario. Furthermore, the Corporation will use the net proceeds of the issuance of US\$215 million Senior Secured Notes, under a private placement, on June 27, 2013, and borrow under its credit facilities to repay, on July 29, 2013, all the outstanding amount of \$300 million Senior Secured Debentures Series 1, due on June 9, 2014. Therefore, financial expense should reach \$125 million, an increase of \$12 million, mainly as a result of the estimated make-whole premium on the early repayment of the Senior Secured Debentures Series 1.

Fiscal 2013 revised financial guidelines are as follows:

	Revised projections July 10, 2013	Revised projections April 10, 2013
	Fiscal 2013	Fiscal 2013
<i>(in millions of dollars, except net customer additions and operating margin)</i>	\$	\$
Financial guidelines		
Revenue	1,695	1,695
Operating income before depreciation and amortization	780	767
Operating margin	46.0%	45.2%
Integration, restructuring and acquisition costs	17	16
Depreciation and amortization	368	368
Financial expense	125	113
Current income tax expense	92	92
Profit for the year	205	205
Acquisitions of property, plant and equipment, intangible and other assets	401	401
Free cash flow ⁽¹⁾	145	145
Net customer addition guidelines		
PSU growth	15,000	35,000

(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.

FISCAL 2014 PRELIMINARY FINANCIAL GUIDELINES

The fiscal 2014 preliminary financial guidelines take into consideration the current uncertain global economic environment. These preliminary guidelines also take into consideration the competitive environment that prevails in Canada, the deployment of new technologies such as Fibre to the Home ("FTTH"), Fibre to the Node ("FTTN") and Internet Protocol Television ("IPTV") by the incumbent telecommunications providers.

For fiscal 2014, Cogeco Cable expects to achieve revenue of \$1.935 billion, representing growth of \$240 million, or 14.2% when compared to the revised fiscal 2013 projections issued on July 10, 2013. Revenue should increase as a result of the full year impact from the recent acquisitions. In the Cable services segment, revenue should stem primarily from targeted marketing initiatives to improve penetration rates of the Digital Television, HSI and Telephony services. Furthermore, the Digital Television service should continue to benefit from the customers' ongoing strong interest in the Corporation's growing HD service offerings. Revenue will also benefit, in the Canadian cable services, from the impact of rate increases implemented in June 2013 in Quebec and Ontario, ranging on average between \$2 to \$3 per HSI and Telephony service customers. Cogeco Cable's strategies include consistently effective marketing to residential and business customers, competitive product offerings and superior customer service, which combined, lead to the expansion and loyalty of the Television service clientele. As the penetration of residential HSI, Telephony and Digital Television services increase, the new demand for these products should slow in the Canadian cable services, reflecting service category maturity. However, growth in the commercial and business sector is expected to continue at a consistent pace in the Cable services segment. In the Enterprise services segment, revenue growth should stem primarily from the hosting services and the opening of the Barrie data centre facility.

As a result of the full year impact from the recent acquisitions, the increased costs to service additional customers, inflation and manpower increases, as well as the continuation of the marketing initiatives and retention strategies, operating expenses are expected to expand by approximately \$135 million, or 14.8% in the 2014 fiscal year when compared to the revised 2013 projections.

For fiscal 2014, the Corporation expects operating income before depreciation and amortization of \$885 million, an increase of \$105 million, or 13.5% when compared to the revised projections for 2013. The operating margin is expected to reach approximately 45.7% in fiscal 2014, compared to the revised projections for the 2013 fiscal year of 46.0%, reflecting operating expenses growth slightly higher than the revenue growth as well as lower margins business activities from the Enterprise services segment.

Cogeco Cable expects the depreciation and amortization of property, plant and equipment and intangible assets to increase by \$67 million for fiscal 2014, mainly from the full year impact of recent acquisitions. Cash flows from operations should finance capital expenditures and the increase in intangible assets amounting to \$425 million, an increase of \$24 million when compared to the revised 2013 projections. Capital expenditures projected for the 2014 fiscal year are mainly due to scalable infrastructure for product enhancements and the deployment of new

technologies, line extensions to expand existing territories, support capital to improve business information systems and support facility requirements and expansion for the Enterprise services segment in order to fulfill orders from new customers.

Fiscal 2014 free cash flow is expected to amount to \$225 million, an increase of \$80 million, or 55.2% when compared to the projected free cash flow of \$145 million for fiscal 2013, resulting from the growth in operating income before depreciation and amortization, partly offset by additional capital expenditures and financial expense from the full year impact of the recent acquisitions of ABB and PEER 1 and by an increase in current income taxes. Generated free cash flow will reduce Indebtedness net of cash and cash equivalent, thus improving the Corporation's net leverage ratios. Financial expense should amount to \$130 million an increase of \$5 million related to ABB's and PEER 1's acquisition financing. As a result, profit for the year of approximately \$245 million should be achieved compared to \$205 million for the revised projections for fiscal 2013.

Fiscal 2014 preliminary financial guidelines are as follows:

	Preliminary projections Fiscal 2014	Revised projections July 10, 2013 Fiscal 2013
(in millions of dollars, except operating margin)	\$	\$
Financial guidelines		
Revenue	1,935	1,695
Operating income before depreciation and amortization	885	780
Operating margin	45.7%	46.0%
Integration, restructuring and acquisition costs	—	17
Depreciation and amortization	435	368
Financial expense	130	125
Current income tax expense	105	92
Profit for the year	245	205
Acquisitions of property, plant and equipment, intangible and other assets	425	401
Free cash flow ⁽¹⁾	225	145

(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 May 31, 2013, and have concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended May 31, 2013, except as described below with respect to ABB and PEER 1.

On November 30, 2012, the Corporation completed the acquisition of ABB and, subsequently on January 31, 2013 and on April 3, 2013, the Corporation acquired 100% of the issued and outstanding shares of PEER 1. Due to the short period of time between those acquisition dates and the certification date on July 10, 2013, management was unable to complete its review of the design of Internal Controls Over Financial Reporting ("ICFR") for the recent acquisitions. At May 31, 2013, risks were however mitigated as management was fully apprised of any material events affecting these recent acquisitions. In addition, all the assets and liabilities acquired were valued and recorded in the condensed interim consolidated financial statements as part of the preliminary purchase price allocation process and both ABB and PEER 1 results of operations were also included in the Corporation's consolidated results. ABB constitutes 14% of revenue, 13% of profit of the period, 33% of the total assets, 23% of the current assets, 33% of the non current assets, 14% of the current liabilities and 25% of the non current liabilities of the consolidated condensed interim financial statements for the nine-month period ended May 31, 2013. PEER 1 constitutes 5% of revenue, -8% of profit of the period, 15% of the total assets, 12% of the current assets, 15% of the non current assets, 10% of the current liabilities and 10% of the non current liabilities of the consolidated condensed interim financial statements for the nine-month period ended May 31, 2013. In the upcoming quarters, management will complete its review of the design of ICFR for ABB and PEER 1 and assess its effectiveness. The business combinations of fiscal 2013 under the "Cash flow analysis" section of this MD&A presents summary financial information about the preliminary purchase price allocation, assets acquired and liabilities assumed as well as other financial information about ABB and PEER 1 business impact on the consolidated results of the Corporation. Other financial information about ABB can be found in the Business Acquisition Report filed by the Corporation on www.sedar.com, on February 13, 2013.

UNCERTAINTIES AND MAIN RISK FACTORS

The uncertainties and main risk factors faced by the Corporation have not changed significantly for its Canadian cable services since August 31, 2012, except for the proposed Astral/Bell amended Arrangement Agreement described below. A detailed description of the uncertainties and main risk factors faced by Cogeco Cable can be found in the 2012 Annual Report and the Corporation's MD&A for the period ended February 28, 2013 filed on SEDAR, available at www.sedar.com.

On June 27, 2013, the CRTC approved the application by Astral Media Inc. ("Astral") to transfer the control of Astral to BCE Inc. ("Bell"). The CRTC concluded that the transaction as modified is in the public interest and advances the objectives set out for the Canadian broadcasting. Specific measures have been imposed by the CRTC to ensure that the transaction benefits Canadians and the Canadian broadcasting system. As a part of the conditions, BCE will have to sell 10 of the radio stations it acquired in the deal as well as 11 specialty TV channels and be subject to greater increase of regulatory oversight with respect to affiliation agreements. Bell will control over forty percent (40 %) of Cogeco Cable's programming service affiliation payments at current wholesale rates. In the event of future disputes concerning the terms of affiliation between Cogeco Cable and Bell for services controlled by Bell, the CRTC may set such terms at either party's request following a dispute resolution process, and the services may not be interrupted by either party while such dispute resolution process is pending.

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 May 31, 2013 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		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Cash flow from operating activities	166,976	112,275	316,780	247,043
Changes in non-cash operating activities	2,526	12,083	78,708	71,572
Amortization of deferred transaction costs and discounts on long-term debt	3,580	713	7,043	2,070
Income taxes paid	16,894	10,821	76,902	64,638
Current income tax expense	(25,789)	(24,044)	(73,907)	(69,740)
Financial expense paid	26,827	17,600	70,542	47,147
Financial expense	(35,032)	(16,373)	(79,726)	(47,990)
Cash flow from operations	155,982	113,075	396,342	314,740

Free cash flow is calculated as follows:

	Quarters ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
Cash flow from operations	155,982	113,075	396,342	314,740
Acquisition of property, plant and equipment	(108,325)	(83,479)	(286,457)	(240,406)
Acquisition of intangible and other assets	(4,516)	(3,980)	(13,650)	(10,570)
Free cash flow	43,141	25,616	96,235	63,764

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		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<i>(in thousands of dollars, except percentages)</i>	\$	\$	\$	\$
Operating income	109,648	90,981	288,529	217,471
Depreciation and amortization	103,383	61,680	252,640	210,756
Integration, restructuring and acquisitions costs	2,101	—	16,865	—
Operating income before depreciation and amortization	215,132	152,661	558,034	428,227
Revenue	464,497	319,771	1,222,080	952,930
Operating margin	46.3%	47.7%	45.7%	44.9%

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended (in thousands of dollars, except percentages and per share data)		May 31,	February 28,	February 29,		November 30,		August 31,
	2013	2012	2013	2012	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	464,497	319,771	429,672	317,735	327,911	315,424	324,768	305,811
Operating income before depreciation and amortization	215,132	152,661	195,776	143,743	147,126	131,823	160,825	151,579
Operating margin	46.3%	47.7%	45.6%	45.2%	44.9%	41.8%	49.5%	49.6%
Operating income	109,648	90,981	103,721	59,491	75,160	66,999	94,709	97,941
Income taxes	21,358	21,449	16,169	13,617	17,400	10,603	32,987	20,713
Profit for the period from continuing operations	53,258	53,159	58,458	31,086	42,160	39,567	45,705	62,745
Profit for the period from discontinued operations	—	—	—	52,047	—	3,399	—	6,219
Profit for the period	53,258	53,159	58,458	83,133	42,160	42,966	45,705	68,964
Profit for the period attributable to owners of the Corporation	53,056	53,159	58,660	83,133	42,160	42,966	45,705	68,964
Cash flow from operating activities	166,976	112,275	150,084	120,961	(280)	13,807	203,343	211,847
Cash flow from operations	155,982	113,075	140,515	104,622	99,845	97,043	126,946	144,699
Acquisitions of property, plant and equipment, intangible and other assets	112,841	87,459	104,433	86,234	82,833	77,283	124,392	120,663
Free cash flow	43,141	25,616	36,082	18,388	17,012	19,760	2,554	24,036
Earnings per share ⁽¹⁾								
From continuing and discontinued operations								
Basic	1.09	1.09	1.20	1.71	0.87	0.88	0.94	1.42
Diluted	1.08	1.09	1.19	1.70	0.86	0.88	0.93	1.42
From continuing operations								
Basic	1.09	1.09	1.20	0.64	0.87	0.81	0.94	1.29
Diluted	1.08	1.09	1.19	0.63	0.86	0.81	0.93	1.29
From discontinued operations								
Basic	—	—	—	1.07	—	0.07	—	0.13
Diluted	—	—	—	1.06	—	0.07	—	0.13

(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. In the Canadian cable services segment, 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. In the American cable services segment, the customer growth in the Television service customers and HSI service are also generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the snowbirds leaving for the summer season essentially in the Miami area. 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 has been reached in the second quarter of fiscal 2013, Cogeco Cable will not 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 July 10, 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
July 10, 2013



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2013

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

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<i>(In thousands of Canadian dollars, except per share data)</i>	\$	\$	\$	\$
Revenue	464,497	319,771	1,222,080	952,930
Operating expenses (note 4)	249,365	167,110	654,477	515,218
Management fees – COGECO Inc.	—	—	9,569	9,485
Integration, restructuring and acquisition costs (note 2)	2,101	—	16,865	—
Depreciation and amortization (note 5)	103,383	61,680	252,640	210,756
Operating income	109,648	90,981	288,529	217,471
Financial expense (note 6)	35,032	16,373	79,726	47,990
Profit before income taxes	74,616	74,608	208,803	169,481
Income taxes (note 7)	21,358	21,449	54,927	45,669
Profit for the period from continuing operations	53,258	53,159	153,876	123,812
Profit for the period from discontinued operations (note 14)	—	—	—	55,446
Profit for the period	53,258	53,159	153,876	179,258
Profit for the period attributable to:				
Owners of the Corporation	53,056	53,159	153,876	179,258
Non-controlling interest	202	—	—	—
	53,258	53,159	153,876	179,258
Earnings per share (note 8)				
Basic				
Profit for the period from continuing operations	1.09	1.09	3.16	2.54
Profit for the period from discontinued operations	—	—	—	1.14
Profit for the period	1.09	1.09	3.16	3.68
Diluted				
Profit for the period from continuing operations	1.08	1.09	3.14	2.53
Profit for the period from discontinued operations	—	—	—	1.13
Profit for the period	1.08	1.09	3.14	3.66

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

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$
Profit for the period	53,258	53,159	153,876	179,258
Other comprehensive income (loss)				
<i>Cash flow hedging adjustments</i>				
Net change in fair value of hedging derivative financial instruments	1,343	9,566	9,288	11,446
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	(1,026)	(8,246)	(9,709)	(10,165)
Income tax expense on cash flow hedging adjustments	(119)	(518)	(304)	(663)
	198	802	(725)	618
<i>Foreign currency translation adjustments</i>				
Net foreign currency translation differences on net investments in foreign operations	2,394	—	31,487	(745)
Net changes in unrealized adjustments on translation of long-term debts designated as hedges of net investments in foreign operations	(712)	—	(19,517)	—
Reclassification to profit and loss of accumulated realized foreign currency translation gain of a net investment in foreign operations	—	—	—	(19,817)
	1,682	—	11,970	(20,562)
<i>Defined benefit pension plans actuarial adjustments</i>				
Net change in defined benefit pension plans actuarial adjustments	1,737	(1,070)	2,596	(2,261)
Income tax recovery (expense) on defined benefit pension plans actuarial adjustments	(467)	288	(698)	608
	1,270	(782)	1,898	(1,653)
Other comprehensive income (loss) for the period	3,150	20	13,143	(21,597)
Comprehensive income for the period	56,408	53,179	167,019	157,661
Comprehensive income for the period attributable to:				
Owners of the Corporation	56,583	53,179	167,019	157,661
Non-controlling interest	(175)	—	—	—
	56,408	53,179	167,019	157,661

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

	Equity attributable to owners of the Corporation					Total shareholders' equity
	Share capital	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$	\$	\$
	(note 10)					
Balance at August 31, 2011	992,922	7,782	22,554	9,994	—	1,033,252
Profit for the period	—	—	—	179,258	—	179,258
Other comprehensive loss for the period	—	—	(19,944)	(1,653)	—	(21,597)
Comprehensive income for the period	—	—	(19,944)	177,605	—	157,661
Issuance of subordinate voting shares under the Stock Option Plan	1,295	—	—	—	—	1,295
Share-based compensation	—	1,677	—	—	—	1,677
Share-based compensation previously recorded in share-based compensation reserve for options exercised	375	(375)	—	—	—	—
Dividends on multiple voting shares	—	—	—	(11,768)	—	(11,768)
Dividends on subordinate voting shares	—	—	—	(24,723)	—	(24,723)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(3,049)	—	—	—	—	(3,049)
Disposal of subordinate voting shares held in trust under the Incentive Share Unit Plan	522	—	—	171	—	693
Total contributions by and distributions to shareholders	(857)	1,302	—	(36,320)	—	(35,875)
Balance at May 31, 2012	992,065	9,084	2,610	151,279	—	1,155,038
Balance at August 31, 2012	992,164	9,749	3,105	183,413	—	1,188,431
Profit for the period	—	—	—	153,876	—	153,876
Other comprehensive income for the period	—	—	11,245	1,898	—	13,143
Comprehensive income for the period	—	—	11,245	155,774	—	167,019
Issuance of subordinate voting shares under the Stock Option Plan	717	—	—	—	—	717
Share-based compensation	—	2,351	—	—	—	2,351
Share-based compensation previously recorded in share-based compensation reserve for options exercised	251	(251)	—	—	—	—
Dividends on multiple voting shares	—	—	—	(12,239)	—	(12,239)
Dividends on subordinate voting shares	—	—	—	(25,703)	—	(25,703)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(4,076)	—	—	—	—	(4,076)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	1,415	(1,420)	—	5	—	—
Non-controlling interest acquired as a result of a business combination (note 2)	—	—	—	—	16,962	16,962
Acquisition of non-controlling interest (note 2)	—	—	—	—	(16,962)	(16,962)
Total contributions by and distributions to shareholders	(1,693)	680	—	(37,937)	—	(38,950)
Balance at May 31, 2013	990,471	10,429	14,350	301,250	—	1,316,500

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

	May 31, 2013	August 31, 2012
<i>(In thousands of Canadian dollars)</i>	<i>\$</i>	<i>\$</i>
Assets		
Current		
Cash and cash equivalents (note 11 b))	37,894	215,391
Trade and other receivables (note 13 a))	90,425	68,420
Income taxes receivable	14,650	12,407
Prepaid expenses and other	16,505	12,064
	159,474	308,282
Non-current		
Other assets	13,830	6,413
Property, plant and equipment	1,751,785	1,322,093
Intangible assets	1,964,499	1,039,982
Goodwill	1,271,334	210,442
Deferred tax assets	72,668	20,867
	5,233,590	2,908,079
Liabilities and Shareholders' equity		
Liabilities		
Current		
Trade and other payables	190,635	220,386
Provisions	10,113	10,317
Income tax liabilities	40,386	41,129
Deferred and prepaid revenue	56,138	41,456
Balance due on a business combination, bank prime rate plus 1% and payable in February 2013	—	11,400
Current portion of long-term debt (note 9)	11,919	830
	309,191	325,518
Non-current		
Long-term debt (note 9)	2,972,337	1,036,202
Balance due on a business combination, bank prime rate plus 1% and payable in July 2014	875	—
Derivative financial instruments	2,380	11,668
Deferred and prepaid revenue and other liabilities	17,921	15,084
Pension plan liabilities and accrued employees benefits	7,433	12,454
Deferred tax liabilities	606,953	318,722
	3,917,090	1,719,648
Shareholders' equity		
Equity attributable to owners Corporation		
Share capital (note 10)	990,471	992,164
Share-based compensation reserve	10,429	9,749
Accumulated other comprehensive income	14,350	3,105
Retained earnings	301,250	183,413
	1,316,500	1,188,431
	5,233,590	2,908,079

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

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
<i>(In thousands of Canadian dollars)</i>	\$	\$	\$	\$
Cash flow from operating activities				
Profit for the period from continuing operations	53,258	53,159	153,876	123,812
Adjustments for:				
Depreciation and amortization (note 5)	103,383	61,680	252,640	210,756
Income taxes (note 7)	21,358	21,449	54,927	45,669
Financial expense (note 6)	35,032	16,373	79,726	47,990
Share-based compensation (note 10)	945	734	2,620	1,739
Loss on disposals and write-offs of property, plant and equipment	13	156	1,837	907
Defined benefit pension plans contributions, net of expense	(766)	(772)	(2,694)	(473)
	213,223	152,779	542,932	430,400
Changes in non-cash operating activities (note 11a))	(2,526)	(12,083)	(78,708)	(71,572)
Income taxes paid	(16,894)	(10,821)	(76,902)	(64,638)
Financial expense paid	(26,827)	(17,600)	(70,542)	(47,147)
	166,976	112,275	316,780	247,043
Cash flow from investing activities				
Acquisition of property, plant and equipment	(108,325)	(83,479)	(286,457)	(240,406)
Acquisition of intangible and other assets	(4,516)	(3,980)	(13,650)	(10,570)
Business combinations, net of cash and cash equivalents acquired (note 2)	(22,377)	(337)	(2,005,667)	(337)
Other	57	935	305	1,082
	(135,161)	(86,861)	(2,305,469)	(250,231)
Cash flow from financing activities				
Net increases (repayments) under the revolving facilities	(304,915)	—	545,470	(110,000)
Issuance of long-term debts, net of discounts and transaction costs	694,651	—	1,728,617	198,074
Repayments of long-term debt	(406,950)	(524)	(408,621)	(1,726)
Increase in deferred transaction costs	(1,960)	(41)	(4,242)	(1,321)
Repayment of balance due on a business combination	—	—	(10,525)	—
Issuance of subordinate voting shares (note 10)	130	—	717	1,295
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 10)	—	—	(4,076)	(3,049)
Disposal of subordinate voting shares held in trust under the Incentive Share Unit Plan	—	693	—	693
Dividends paid on multiple voting shares	(4,080)	(3,922)	(12,239)	(11,768)
Dividends paid on subordinate voting shares	(8,564)	(8,241)	(25,703)	(24,723)
	(31,688)	(12,035)	1,809,398	47,475
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	1,089	—	1,794	—
Net change in cash and cash equivalents from continuing operations	1,216	13,379	(177,497)	44,287
Net change in cash and cash equivalents from discontinued operations (note 14)	—	—	—	49,597
Cash and cash equivalents, beginning of the period	36,678	135,952	215,391	55,447
Cash and cash equivalents, end of the period	37,894	149,331	37,894	149,331

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(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, in the United States of America ("US"), in the United Kingdom ("UK") and in France (see note 3).

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 Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all 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, and for the pension plan liabilities and accrued employee benefits, which are measured at present value.

Financial information is presented in Canadian dollars, which is the functional currency of Cogeco 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 in Canada, and in the US, snowbirds leaving for the summer season in the Miami area. 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 was reached in the second quarter of fiscal 2013, the Corporation will not 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 July 10, 2013.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

2. Business Combinations

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 485,000 primary service units and providing Analogue and Digital Television, as well as HSI and Telephony services. The acquisition is an attractive entry point into the 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 (see note 9 d)). Ranked the 12th-largest cable television system operator in the US, ABB operates cable systems in Western Pennsylvania, Southern Florida, Maryland, Delaware and South Carolina.

On January 31, 2013, the Corporation acquired approximately 96.57% of the issued and outstanding shares of Peer 1 Network Enterprises, Inc. ("PEER 1"). The transaction, valued at approximately \$649 million, was financed by new secured revolving credit facilities in the amount of approximately \$250 million as well as new secured term credit facilities in the amount of approximately \$400 million both having a maturity of four years (see note 9 a)). PEER 1 is one of the world's leading internet infrastructure providers, specializing in managed hosting, dedicated servers, cloud services and collocation. This acquisition enhances Cogeco Cable's footprint and builds on its strategic initiatives by increasing scale in an attractive industry segment with significant growth prospects in the state of the art data center platforms. The Corporation will also serve additional businesses worldwide, in addition to approximately 11,000 customers currently served, through 23 data centres and 21 points-of-presence across North America and Europe. PEER 1's primary network centre and head office remain located in Vancouver.

On March 6, 2013, Cogeco Cable Inc., completed the working capital adjustments in relation to the ABB acquisition, which increased Income tax receivable by \$3.4 million and goodwill by \$0.6 million, and decreased trade and other payables assumed by \$1.5 million and income tax liabilities assumed by \$0.1 million.

On April 3, 2013, Cogeco Cable Inc. completed the acquisition of the remaining 3.43% of the issued and outstanding shares of PEER 1 pursuant to the compulsory acquisition provisions in Section 300 of the Business Corporations Act ("British Columbia") for a cash consideration of \$17 million. The acquisition of non-controlling interest resulted in no changes to the preliminary purchase price allocation.

The acquisitions were accounted for using the purchase method. The preliminary allocation of the purchase price of the acquisitions, pending the completion of the valuation of the net assets acquired, are as follows:

	PEER 1	ABB	TOTAL
	\$	\$	\$
Consideration			
Paid			
Purchase of shares	494,796	337,779	832,575
Working capital adjustments	—	5,415	5,415
Repayment of secured debts and settlement of options outstanding	170,872	1,021,854	1,192,726
	665,668	1,365,048	2,030,716
Net assets acquired			
Cash and cash equivalents	10,840	5,480	16,320
Restricted cash	8,729	—	8,729
Trade and other receivables	12,772	9,569	22,341
Prepaid expenses and other	3,855	1,370	5,225
Income tax receivable	672	3,418	4,090
Other assets	3,328	—	3,328
Property, plant and equipment	150,206	205,353	355,559
Intangible assets	139,703	763,084	902,787
Goodwill	421,986	603,254	1,025,240
Deferred tax assets	8,355	33,835	42,190
Trade and other payables assumed	(26,330)	(26,134)	(52,464)
Provisions	—	(721)	(721)
Income tax liabilities assumed	(4,716)	(53)	(4,769)
Deferred and prepaid revenue and other liabilities assumed	(3,315)	(5,254)	(8,569)
Long-term debt assumed	(1,735)	—	(1,735)
Deferred tax liabilities	(58,682)	(228,153)	(286,835)
	665,668	1,365,048	2,030,716

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

ABB

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 US market, expected benefits from the corporate tax structure and from the future utilization of tax losses carryforward and to the strength of ABB assembled workforce.

In connection with this acquisition, the Corporation incurred acquisition-related costs of \$11.1 million of which \$9.4 million have been recognized in the current year as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statements of profit or loss.

PEER 1

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 in the Enterprise services segment, future development of service suite for businesses across the Canadian, US and European markets to the expected benefits from the corporate tax structure and to the strength of PEER 1's assembled workforce.

In connection with this acquisition, the Corporation incurred acquisition-related costs of \$7.4 million which have been recognized in the current year as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statements of profit or loss.

Impact of acquisitions on the results of Cogeco Cable Inc.

Revenue and profit for the period for the three and nine-month periods ended May 31, 2013, include revenue of \$90.4 million and \$176.2 million and profit for the period of \$13.3 million and \$20.1 million, respectively, attributable to the additional operations generated by ABB and revenue of \$44.2 million and \$58.5 million and loss for the period of \$9.6 million and \$15.5 million, respectively, attributable to the additional operations generated by PEER 1.

Had the business combinations been effective at September 1, 2012, the consolidated revenue of the Corporation would have been \$1.4 billion, and the profit for the year would have been \$153.2 million for the nine-month period ended May 31, 2013. Management considers these "pro-forma" numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the dates of acquisitions would have been the same, in all material respects, if the acquisition had occurred on September 1, 2012.

3. Operating Segments

The Corporation's profit for the period are reported in three operating segments: Canadian cable services, American cable services and Enterprise services.

The Canadian and American cable services segments provide a wide range of Analogue and Digital Television, HSI and Telephony services primarily to residential customers in Canada and in the US, respectively. The Canadian cable services segment 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 small, 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 secured 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 Enterprise services segment are carried out in Canada, in the US and in Europe, mostly in the UK.

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 the amounts agreed to between the parties.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

Three months ended May 31, 2013					
	Canadian cable services	American cable services	Enterprise services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	306,401	90,394	68,130	(428)	464,497
Operating expenses	153,288	49,145	44,710	2,222	249,365
Integration, restructuring and acquisition costs	—	175	1,926	—	2,101
Depreciation and amortization	60,803	14,340	28,240	—	103,383
Operating income (loss)	92,310	26,734	(6,746)	(2,650)	109,648
Financial expense					35,032
Income taxes					21,358
Profit for the period					53,258
Acquisition of property, plant and equipment	47,640	13,309	47,376	—	108,325
Acquisition of intangible and other assets	3,442	491	583	—	4,516

(1) Revenue by geographic market includes \$341,451 in Canada, \$115,931 in the US and \$7,115 in Europe.

Three months ended May 31, 2012					
	Canadian cable services	American cable services	Enterprise services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	297,595	—	22,669	(493)	319,771
Operating expenses	149,283	—	13,248	4,579	167,110
Depreciation and amortization	52,132	—	9,548	—	61,680
Operating income (loss)	96,180	—	(127)	(5,072)	90,981
Financial expense					16,373
Income taxes					21,449
Profit for the period					53,159
Acquisition of property, plant and equipment	69,109	—	14,370	—	83,479
Acquisition of intangible and other assets	2,660	—	1,320	—	3,980

(1) Revenue by geographic market were all in Canada.

Nine months ended May 31, 2013					
	Canadian cable services	American cable services	Enterprise services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	917,389	176,244	129,610	(1,163)	1,222,080
Operating expenses	465,368	95,774	82,063	11,272	654,477
Management fees – COGECO Inc.	—	—	—	9,569	9,569
Integration, restructuring and acquisition costs	—	9,424	7,441	—	16,865
Depreciation and amortization	169,211	27,801	55,628	—	252,640
Operating income (loss)	282,810	43,245	(15,522)	(22,004)	288,529
Financial expense					79,726
Income taxes					54,927
Profit for the period					153,876
Property, plant and equipment ⁽²⁾	1,155,195	220,185	376,405	—	1,751,785
Intangible assets ⁽²⁾	993,304	791,239	179,956	—	1,964,499
Goodwill ⁽²⁾	4,662	628,894	637,778	—	1,271,334
Acquisition of property, plant and equipment	163,384	26,508	96,565	—	286,457
Acquisition of intangible and other assets	11,215	833	1,602	—	13,650

(1) Revenue by geographic market includes \$1,002,793 in Canada, \$209,851 in the US and \$9,436 in Europe.

(2) At May 31, 2013.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

Nine months ended May 31, 2012					
	Canadian cable services	American cable services	Enterprise services	Inter-segment eliminations and other	Consolidated
	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	886,725	—	66,698	(493)	952,930
Operating expenses	465,919	—	39,773	9,526	515,218
Management fees – COGECO Inc.	—	—	—	9,485	9,485
Depreciation and amortization	183,824	—	26,932	—	210,756
Operating income (loss)	236,982	—	(7)	(19,504)	217,471
Financial expense					47,990
Income taxes					45,669
Profit for the period from continuing operations					123,812
Profit for the period from discontinued operations					55,446
Profit for the period					179,258
Property, plant and equipment ⁽²⁾	1,154,266	—	167,827	—	1,322,093
Intangible assets ⁽²⁾	991,094	—	48,888	—	1,039,982
Goodwill ⁽²⁾	4,662	—	205,780	—	210,442
Acquisition of property, plant and equipment	208,908	—	31,498	—	240,406
Acquisition of intangible and other assets	8,913	—	1,657	—	10,570

(1) Revenue by geographic market were all in Canada.

(2) At August 31, 2012.

The following table sets out certain geographic market information at May 31, 2013:

	Canada	US	Europe	Total
	\$	\$	\$	\$
Property, plant and equipment	1,412,339	292,962	46,484	1,751,785
Intangible assets	1,088,896	863,570	12,033	1,964,499
Goodwill	319,245	892,907	59,182	1,271,334

4. Operating Expenses

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Salaries, employee benefits and outsourced services	76,868	49,371	198,029	152,488
Service delivery costs ⁽¹⁾	133,388	90,495	352,010	276,721
Customer related costs ⁽²⁾	17,222	11,426	44,500	37,183
Other external purchases ⁽³⁾	21,887	15,818	59,938	48,826
	249,365	167,110	654,477	515,218

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

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

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

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

5. Depreciation and Amortization

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Property, plant and equipment	90,386	56,537	224,520	195,575
Intangible assets	12,997	5,143	28,120	15,181
	103,383	61,680	252,640	210,756

6. Financial Expense

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Interest on long-term debt	35,810	16,042	79,700	44,985
Net foreign exchange losses	186	81	924	1,091
Amortization of deferred transaction costs	(197)	399	874	1,197
Capitalized borrowing costs	(995)	(492)	(2,792)	(1,225)
Other	228	343	1,020	1,942
	35,032	16,373	79,726	47,990

7. Income Taxes

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Current	25,789	24,044	73,907	69,740
Deferred	(4,431)	(2,595)	(18,980)	(24,071)
	21,358	21,449	54,927	45,669

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		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Profit before income taxes	74,616	74,608	208,803	169,481
Combined income tax rate	25.46%	27.05%	26.59%	27.05%
Income tax expense at combined income tax rate	18,995	20,181	55,521	45,844
Adjustment for losses or profit subject to lower or higher tax rates	3,191	402	2,798	754
Decrease in income taxes from changes in tax legislation on partnership income	—	—	—	(3,450)
Income taxes arising from non-deductible expenses	812	199	5,229	616
Tax impacts related to investments in foreign operations	(3,501)	—	(6,908)	—
Changes in valuation allowance	(76)	—	(3,198)	—
Other	1,937	667	1,485	1,905
Income tax expense at effective income tax rate	21,358	21,449	54,927	45,669

COGECO CABLE INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013

(unaudited)

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

8. Earnings Per Share

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

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Profit for the period from continuing operations attributable to owners of the Corporation	53,056	53,159	153,876	123,812
Profit for the period from discontinued operations attributable to owners of the Corporation	—	—	—	55,446
Profit for the period attributable to owners of the Corporation	53,056	53,159	153,876	179,258
Weighted average number of multiple and subordinate voting shares outstanding	48,632,635	48,656,657	48,643,069	48,652,918
Effect of dilutive stock options ⁽¹⁾	155,767	176,049	128,409	179,297
Effect of dilutive incentive share units	201,205	151,802	180,234	147,897
Weighted average number of diluted multiple and subordinate voting shares outstanding	48,989,607	48,984,508	48,951,712	48,980,112
Earnings per share				
Basic				
Profit for the period from continuing operations	1.09	1.09	3.16	2.54
Profit for the period from discontinued operations	—	—	—	1.14
Profit for the period	1.09	1.09	3.16	3.68
Diluted				
Profit for the period from continuing operations	1.08	1.09	3.14	2.53
Profit for the period from discontinued operations	—	—	—	1.13
Profit for the period	1.08	1.09	3.14	3.66

- (1) For the three and nine-month periods ended May 31, 2013, 157,470 and 161,860 stock options, respectively, (66,726 in 2012) 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.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

9. Long-Term Debt

	Maturity	Interest rate %	May 31, 2013 \$	August 31, 2012 \$
Parent Corporation				
Term Revolving Facility				
Revolving loan – US\$420 million	November 2017 ⁽¹⁾	2.03 ⁽²⁾	435,456	—
Secured Credit Facilities ^{a)}				
Revolving Facility				
Revolving loan – £65 million	January 2017	2.49 ⁽²⁾	102,388	—
Revolving loan – US\$21.7 million	January 2017	2.19 ⁽²⁾	22,499	—
UK Revolving Facility – £4.1 million	January 2017	3.00 ⁽²⁾	6,458	—
Senior Secured Notes				
Series A – US\$190 million	October 2015	7.00 ⁽³⁾	196,191	186,244
Series B	October 2018	7.60	54,659	54,619
Senior Secured Debentures Series 1	June 2014	5.95	299,234	298,694
Senior Secured Debentures Series 2	November 2020	5.15	198,649	198,539
Senior Secured Debentures Series 3	February 2022	4.93	198,389	198,249
Senior Secured Debentures Series 4 ^{b)}	May 2023	4.18	297,083	—
Senior Unsecured Debenture	March 2018	5.94	99,821	99,850
Senior Unsecured Notes – US\$400 million ^{c)}	May 2020	4.88	407,026	—
Subsidiaries				
First Lien Credit Facilities ^{d)}				
Term Loan A Facility – US\$190 million	November 2017	2.57	191,788	—
Term Loan B Facility – US\$417.9 million	November 2019	3.25	417,748	—
Revolving Facility – US\$52.5 million	November 2017	2.67	54,432	—
Finance leases	March 2013 to January 2015	3.94 ⁽⁴⁾	2,435	837
			2,984,256	1,037,032
Less current portion			11,919	830
			2,972,337	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 May 31, 2013, 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) Weighted average interest rate on finance leases.

- a) As a result of the acquisition of PEER 1 on January 31, 2013, the Corporation concluded Secured Credit Facilities totaling approximately \$650 million with a syndicate of lenders in four tranches for a net proceed of \$640.3 million net of transaction costs of \$2.8 million. The first tranche, a Canadian Term Facility amounting to \$175 million, the second tranche, a US Term Facility amounting to US\$225 million, the third tranche, a Revolving Facility of \$240 million and the fourth tranche, a UK Revolving Facility of £7 million. The Revolving Facility is available in Canadian dollars, US dollars, British Pounds and Euros and interest rates are based on Bankers' Acceptance, LIBOR Loans in US dollars, British Pounds or Euros, Prime Rate Loans or Base Rate Loans in US dollars or British Pounds, plus the applicable margin. The UK Revolving Facility is available in British Pounds and interest rates are based on British Pounds Base Rate Loans or British Pounds LIBOR Loans. The Secured Credit Facilities will mature on January 27, 2017. The Secured Credit Facilities 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 and most of its subsidiaries excluding ABB and its subsidiaries and certain other immaterial subsidiaries (the "unrestricted subsidiaries"), and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provides for restrictions on the operations and activities of the Corporation but does not cover the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness.

On April 23, 2013, the Corporation reimbursed the Canadian Term Facility amounting \$175 million and the US Term Facility amounting US\$225 million.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

- b) On May 27, 2013, Cogeco Cable completed pursuant to a public debt offering, the issue of \$300 million Senior Secured Debentures Series "4" (the "Debentures") for a net proceed of \$297.1 million net of transaction costs of \$2.9 million. These Debentures mature on May 26, 2023 and bear interest at 4.175% per annum payable semi-annually. These Debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these Debentures provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.
- c) On April 23, 2013, Cogeco Cable completed a private placement of \$410.4 million (US\$400 million) aggregate principal amount of Senior Unsecured Notes (the "2020 Notes") for a net proceed of \$402.6 million (US\$392.4 million) net of transaction costs of \$7.8 million (US\$7.6 million). These 2020 Notes mature on May 1, 2020 and bear interest at 4.875% per annum payable semi-annually. These 2020 Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The provisions under these 2020 Notes provide for restrictions on the operations and activities of Cogeco Cable and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments and distributions.
- d) In connection with the acquisition of ABB on November 30, 2012, the Corporation concluded, through two of its US subsidiaries, First Lien Credit Facilities totaling US\$710 in three tranches for a net proceed of US\$641.5 million net of transaction costs of US \$18.5 million. The first tranche, a Term Loan A Facility will mature on November 30, 2017, the second tranche, a Term Loan B Facility will mature on November 30, 2019 and the third tranche, a Revolving Credit Facility will mature on November 30, 2017. Effective on December 31, 2013, the Term Loan A Facility is subject to quarterly amortization of US\$3 million in the first year, US \$6 million in the second year and US\$7.2 million in the third and fourth years. Effective 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, its Canadian subsidiaries and PEER 1's subsidiaries and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of ABB and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of ABB and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness and investments, distributions and maintenance of certain financial ratios.

On May 28, 2013, the First Lien Credit Facilities were amended. Pursuant to the amendment, US\$50 million of the Term Loan A Facility was converted into the Revolving Facility resulting in amounts borrowed under the two tranches of US\$190 million and of US\$100 million, respectively, while the Term Loan B Facility remained the same. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor for the Term Loan B Facility. The applicable margin was reduced by 0.625% for the Revolving Facility and for the Term Loan A Facility and by 1.00% for the Term Loan B Facility. In addition, the LIBOR floor for the Term Loan B Facility was reduced from 1.00% to 0.75%. All other terms and conditions remained the same. In connection with the amendment, transaction costs of US\$6.2 million were incurred.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

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.

Issued and paid

	May 31, 2013	August 31, 2012
	\$	\$
15,691,100 multiple voting shares	98,346	98,346
33,149,955 subordinate voting shares (33,117,508 at August 31, 2012)	900,965	899,997
	999,311	998,343
206,708 subordinate voting shares held in trust under the Incentive Share Unit Plan (149,802 at August 31, 2012)	(8,840)	(6,179)
	990,471	992,164

During the first nine 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	32,447	717
Compensation expense previously recorded in share-based compensation reserve for options exercised	—	251
Balance at May 31, 2013	33,149,955	900,965

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

During the first nine 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	101,047	4,076
Subordinate voting shares distributed to employees	(44,141)	(1,415)
Balance at May 31, 2013	206,708	8,840

Dividends

For the nine-month period ended May 31, 2013, quarterly dividends of \$0.26 per share, for a total of \$0.78 per share, were paid to the holders of multiple and subordinate voting shares, totaling \$37.9 million, compared to quarterly dividends of \$0.25 per share, for a total of \$0.75 per share or \$36.5 million for the nine-month period ended May 31, 2012.

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 nine-month period ended May 31, 2013, the Corporation granted 207,142 stock options (91,961 in 2012) with an exercise price of \$38.08 to \$45.60 (\$48.02 to \$48.15 in 2012) of which 71,233 stock options (47,729 in 2012) 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 and nine-month periods ended May 31, 2013, the Corporation charged COGECO Inc. an amount of \$99,000 and \$275,000 (\$83,000 and \$232,000 in 2012) with respect to the Corporation's options granted to COGECO Inc.'s employees. As a result, a compensation expense of \$101,000 and \$274,000 (\$85,000 and \$251,000 in 2012) was recorded for the three and nine-month periods ended May 31, 2013.

The weighted average fair value of stock options granted for the nine-month period ended May 31, 2013 was \$7.77 (\$11.30 in 2012) 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:

	2013 %	2012 %
Expected dividend yield	2.60	1.66
Expected volatility	26.59	26.85
Risk-free interest rate	1.49	1.74
Expected life (in years)	6.2	6.1

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at May 31, 2013:

	Options	Weighted average exercise price \$
Outstanding at August 31, 2012	609,686	34.80
Granted	207,142	39.19
Exercised ⁽¹⁾	(32,447)	22.09
Cancelled	(20,420)	42.18
Balance at May 31, 2013	763,961	36.33
Exercisable at May 31, 2013	436,344	33.19

(1) The weighted average share price for options exercised during the period was \$42.03.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

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 nine-month period ended May 31, 2013, the Corporation granted 103,947 (60,479 in 2012) incentive share units ("ISUs") of which 12,280 (11,006 in 2012) 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 101,047 (61,815 in 2012) subordinate voting shares of the Corporation on the stock market. These shares were purchased for cash consideration aggregating \$4,076,000 (\$3,049,000 in 2012) 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 \$523,000 and \$1,466,000 (\$414,000 and \$909,000 in 2012) was recorded for the three and nine-month periods ended May 31, 2013 related to this plan. During the three and nine-month periods ended May 31, 2013, the Corporation charged COGECO Inc. an amount of \$117,000 and \$336,000 (\$105,000 and \$285,000 in 2012) 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 May 31, 2013:

Outstanding at August 31, 2012	149,802
Granted	103,947
Distributed	(44,141)
Cancelled	(8,400)
Outstanding at May 31, 2013	201,208

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 nine-month period ended May 31, 2013, the Corporation issued 5,573 deferred share units ("DSUs") (4,446 in 2012) to the participants in connection with the DSU Plan. A compensation expense of \$105,000 and \$269,000 (\$47,000 and \$62,000 in 2012) was recorded for the three and nine-month periods ended May 31, 2013 for the increase in liability related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at May 31, 2013:

Outstanding at August 31, 2012	20,491
Issued	5,573
Redeemed	(2,868)
Dividend equivalents	424
Outstanding at May 31, 2013	23,620

11. Statements of Cash Flows

a) Changes in non-cash operating activities

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Trade and other receivables	6,332	8,170	650	1,110
Prepaid expenses and other	(370)	(1,677)	954	(1,644)
Trade and other payables	(11,180)	(22,935)	(87,654)	(83,109)
Provisions	122	3,907	(960)	12,404
Deferred and prepaid revenue and other liabilities	2,570	452	8,302	(333)
	(2,526)	(12,083)	(78,708)	(71,572)

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

b) Cash and cash equivalents

	May 31, 2013	August 31, 2012
	\$	\$
Cash	37,894	65,442
Cash equivalents ⁽¹⁾	—	149,949
	37,894	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 subsidiaries offer their employees contributory defined benefit pension plans, defined contribution pension plans or collective registered retirement savings plans, which are described in the Corporation's annual consolidated financial statements. The total expense related to these plans is as follows:

	Three months ended		Nine months ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
	\$	\$	\$	\$
Contributory defined benefit pension plans	577	449	1,731	1,347
Defined contribution pension plans and collective registered retirement savings plans	1,441	1,492	4,552	4,153
	2,018	1,941	6,283	5,500

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 risks.

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 May 31, 2013, 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 May 31, 2013, management believes that the credit risk relating to its short-term investments is minimal, since the credit rating related to such investment is "A-1+" by S&P.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At May 31, 2013 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, in the US and in Europe, there is no significant concentration of credit risk.

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

	May 31, 2013	August 31, 2012
	\$	\$
Trade accounts receivable	79,144	65,570
Allowance for doubtful accounts	(4,549)	(2,866)
	74,595	62,704
Other accounts receivable	15,830	5,716
	90,425	68,420

Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of the Corporation's customers are billed and pay before their services are rendered. The Corporation considers amount outstanding at the due date as trade accounts receivable past due. The following table provides further details on trade accounts receivable past due net of allowance for doubtful accounts at May 31, 2013 and August 31, 2012:

	May 31, 2013	August 31, 2012
	\$	\$
Less than 60 days overdue	19,158	9,530
60 to 90 days overdue	909	431
More than 90 days overdue	410	1,092
	20,477	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 May 31, 2013, the available amount under the Corporation's revolving credit facilities was \$429.3 million. Management believes that the committed revolving credit facilities will, until their maturities in January 2017 and November 2017, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. Two subsidiaries of the Corporation also benefits from a Revolving Facility of US\$100 million related to the acquisition of ABB, of which US\$53.7 million (\$55.7 million) was used at May 31, 2013.

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
	\$	\$	\$	\$	\$	\$	\$	\$
Trade and other payables ⁽¹⁾	170,579	170,579	—	—	—	—	—	170,579
Long-term debt ⁽²⁾	2,981,821	1,089	313,686	26,127	229,962	165,559	2,281,792	3,018,215
Balance due on a business combination	875	—	875	—	—	—	—	875
Derivative financial instruments	2,380	—	—	—	4,883	—	—	4,883
Finance leases ⁽³⁾	2,435	413	1,318	779	—	—	—	2,510
	3,158,090	172,081	315,879	26,906	234,845	165,559	2,281,792	3,197,062

(1) Excluding accrued interest.

(2) Principal excluding finance leases.

(3) Including interest.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

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 May 31, 2013 and their respective maturities:

	2013	2014	2015	2016	2017	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Interest payments on long-term debt	22,009	127,096	108,691	100,981	91,291	261,569	711,637
Interest receipts on derivative financial instruments	—	(13,789)	(13,789)	(6,895)	—	—	(34,473)
Interest payments on derivative financial instruments	—	14,614	14,614	7,307	—	—	36,535
	22,009	127,921	109,516	101,393	91,291	261,569	713,699

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At May 31, 2013, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Revolving Facilities and Term Facilities. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Revolving Facilities and Term Facilities is approximately \$10.1 million based on the current debt at May 31, 2013.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars and British Pounds. 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 impact of a 10% change in the exchange rate of the US dollar and British Pounds into Canadian dollars would change financial expense by approximately \$3.3 million based on the current debt at May 31, 2013.

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, Euros or British Pounds. The Corporation's exposure to foreign currency risk is as follows:

	May 31, 2013			August 31, 2012	
	US	Euro	British Pound	US	Euro
	\$	\$	\$	\$	\$
Financial assets (liabilities)					
Cash and cash equivalents	4,810	1,260	147	3,630	1,243
Trade and other payables and provisions	(6,360)	(24)	—	(21,569)	(7,068)
	(1,550)	1,236	147	(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, Euro and British Pound) would not change financial expense.

Furthermore, the Corporation's net investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk was mitigated since the major part of the purchase prices for ABB and PEER 1 were borrowed directly in US dollars and British Pounds. These debts were designated as hedges of net investments in foreign operations. At May 31, 2013, the net investment for ABB and for PEER 1 amounted to US\$1.1 billion and £66.6 million while long-term debt was of US\$841.7 million and £69.1 million. The exchange rate used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at May 31, 2013 was \$1.0368 per US dollar and \$1.5752 per British Pound. The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately \$27.5 million.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

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 judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- a) The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables and balance due on a business combination approximates fair value because of the short-term nature of these instruments.
- b) Interest rates under the terms of the Corporation's term and revolving facilities are based on Bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US or British Pounds base rate loan plus applicable margin. Therefore, the carrying value approximates fair value for the term and revolving facilities, since these facilities have conditions similar to those currently available to the Corporation.
- c) The fair value of the Senior Secured Debentures Series 1, 2, 3 and 4, Senior Secured Notes Series A and B, Senior Unsecured Notes and Senior Unsecured Debenture are based upon current trading values for similar financial instruments.
- d) The fair values of finance leases are not significantly different from their carrying amounts.

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

	May 31, 2013		August 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt	2,984,256	3,102,294	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 combination and assets or liabilities related to derivative financial instruments.

The provisions of the financing agreements provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense and total indebtedness. At May 31, 2013 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.

COGECO CABLE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2013

(unaudited)

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

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

	May 31, 2013	August 31, 2012
Net senior indebtedness ⁽¹⁾⁽²⁾ / operating income before depreciation and amortization ⁽³⁾	2.8	1.3
Net indebtedness ⁽²⁾⁽⁴⁾ / operating income before depreciation and amortization ⁽³⁾	3.6	1.4
Operating income before depreciation and amortization ⁽³⁾ / financial expense ⁽³⁾	8.0	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 and Senior Unsecured Notes.
- (2) Excluding ABB's cash and cash equivalents and non-recourse First Lien Credit Facilities at May 31, 2013.
- (3) Calculation based on operating income before depreciation and amortization and financial expense for the twelve-month period ended May 31, 2013 and August 31, 2012 excluding ABB and including PEER 1 results for the four-month period ended May 31, 2013.
- (4) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business combination and obligations under derivative financial instruments, less cash and cash equivalents.

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. 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 these operations, up to the date of disposal, as discontinued operations.

The profit or loss of the discontinued operations for the nine-month period ended May 31, 2012 were as follows:

	\$
Revenue	80,546
Operating expenses	70,247
Depreciation and amortization	2,814
Operating income	7,485
Financial income	155
Gain on disposal	48,215
Profit before income taxes	55,855
Income taxes	409
Profit for the period	55,446

The cash flows of the discontinued operations for the nine-month period ended May 31, 2012 were as follows:

	\$
Net cash flows from operating activities	13,637
Net cash flows from investing activities	36,826
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(866)
Net increase in cash and cash equivalents	49,597

15. Subsequent Events

On July 5, 2013, Cogeco Cable reduced its Term Revolving Facility from \$750 million to \$600 million and its Revolving Facility of its Secured Credit Facilities from \$240 million to \$190 million.

On June 27, 2013, Cogeco Cable completed, pursuant to a private placement, the issuance of US\$215 million Senior Secured Notes bearing interest at 4.30% payable semi-annually and maturing on June 16, 2025. The net proceeds from this offering along with drawings under the Corporation's credit facilities will be used to repay, on July 29, 2013, all the outstanding amount of \$300 million Senior Secured Debentures Series 1, due on June 9, 2014.

CUSTOMER STATISTICS

	May 31, 2013	February 28, 2013	November 30, 2012	August 31, 2012	May 31, 2012
Primary service units⁽¹⁾	2,470,164	2,473,495	2,469,393	1,969,133	1,962,174
CANADA	1,981,290	1,984,555	1,984,213	1,969,133	1,962,174
US	488,874	488,940 ⁽²⁾	485,180 ⁽²⁾	—	—
Television service customers	1,079,285	1,087,692	1,098,352	863,115	868,873
CANADA	845,344	852,707	861,039	863,115	868,873
Penetration as a percentage of homes passed	50.7%	51.4%	52.1%	52.4%	52.9%
US	233,941	234,985	237,313	—	—
Penetration as a percentage of homes passed	45.3%	45.5%	46.0%	—	—
Digital Television service customers	924,155	922,703	922,576	771,503	765,585
CANADA	779,950	778,728	780,724	771,503	765,585
Penetration as a percentage of homes passed	46.8%	46.9%	47.2%	46.8%	46.6%
US	144,205	143,975	141,852	—	—
Penetration as a percentage of homes passed	27.9%	27.9%	27.5%	—	—
Analogue Television service customers	155,130	164,989	175,776	91,612	103,288
CANADA	65,394	73,979	80,315	91,612	103,288
Penetration as a percentage of homes passed	3.9%	4.5%	4.9%	5.6%	6.3%
US	89,736	91,010	95,461	—	—
Penetration as a percentage of homes passed	17.4%	17.6%	18.5%	—	—
High Speed Internet service customers	826,495	824,144	814,932	634,534	628,852
CANADA	650,325	649,165	645,379	634,534	628,852
Penetration as a percentage of homes passed	39.0%	39.1%	39.0%	38.5%	38.3%
US	176,170	174,979	169,553	—	—
Penetration as a percentage of homes passed	34.1%	33.9%	32.9%	—	—
Telephony service customers	564,384	561,659	556,109	471,484	464,449
CANADA	485,621	482,683	477,795	471,484	464,449
Penetration as a percentage of homes passed	29.1%	29.1%	28.9%	28.6%	28.3%
US	78,763	78,976	78,314	—	—
Penetration as a percentage of homes passed	15.2%	15.3%	15.2%	—	—

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

(2) In the third quarter of fiscal 2013, PSU from ABB at November 30, 2012 and February 28, 2013 have been adjusted downwards to comply with Cogeco Cable's and Canadian practices mostly related to reporting the number of hotels and hotel units.