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# Profile

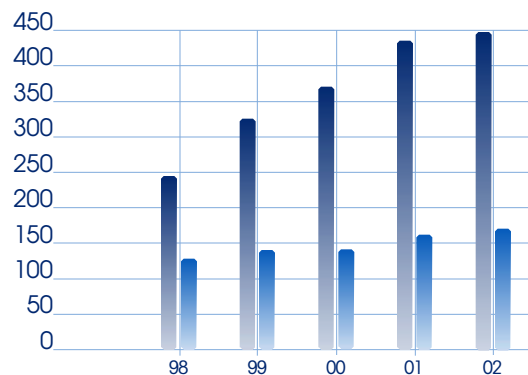
**Cogeco Cable** is a cable television company with shares listed on the Toronto Stock Exchange.

Cogeco Cable is evolving into one of Canada's major telecommunications companies, by building on its cable distribution base with the offering of analog, digital and high-speed Internet services.

Cogeco Cable provides 1,124,358 service units to the 1,375,494 households passed by its cable network in the territories it serves. It is the second largest cable system operator in both Ontario and Quebec and the fourth largest in Canada.

Cogeco Cable focuses its attention on the satisfaction of customers' varied electronic communication needs by investing in state-of-the-art broadband network facilities, delivering a wide range of services over these facilities with great speed and reliability at attractive prices, and striving to provide both superior customer care and growing profitability.

**Revenue and Operating Income  
before Depreciation and Amortization**  
(in millions of dollars)



- Revenue
- Operating Income before Depreciation and Amortization

# Financial Highlights

Years ended August 31,

(in thousands of dollars, except rates of return and ratios, customers and per share data)

	2002	2001	Variance
<b>Operations</b>			
Revenue	\$ 447,984	\$ 438,768	2%
Operating income before depreciation and amortization	168,346	160,509	5
Net income from recurring operations	7,200	26,616	(73)
Net income	3,788	5,818	(35)
Cash Flow <sup>(1)</sup>	111,173	105,369	6
<b>Financial Condition</b>			
Total assets	\$1,833,967	\$1,784,264	3%
Total indebtedness	829,599	805,572	3
Shareholders' equity	716,797	712,877	1
<b>Rates of Return and Ratios</b>			
Operating margin before depreciation and amortization	37.6%	36.6%	
Return on average shareholders' equity	0.5	1.0	
Total indebtedness on operating income before depreciation and amortization	4.9	5.0	
Interest coverage	2.8	3.0	
<b>Customers</b>			
Basic service customers	836,368	878,766	(5)%
Percent of penetration	60.8%	64.7%	
Discretionary Tier 1 service customers	633,078	684,026	(7)
Pay-TV service customers	116,484	108,626	7
High-speed Internet service customers	158,192	107,938	47
Digital terminals	144,950	105,292	38
<b>Per Share (basic)</b>			
Net income from recurring operations	\$ 0.18	\$ 0.69	(74)%
Net income	0.10	0.15	(33)
Cash Flow <sup>(1)</sup>	2.79	2.71	3
Shareholders' equity	17.98	17.88	1
Weighted average number of outstanding shares (in thousands)	39,872	38,813	3

(1) The Corporation defines "Cash Flow" as cash flow from operating activities before unusual items and changes in non-cash working capital items.

# Report to Shareholders

Cogeco Cable has had a challenging year in fiscal 2001–2002 with some notable successes. The growth of both legal and illegal satellite services has caused the number of Cogeco Cable’s basic video service customers to decline by 5%. The spectacular 47% growth in customers to the Cogeco Cable high-speed Internet service and 35% growth in customers to its digital service allowed the Corporation to essentially hold its own, and revenue has grown 2% to \$448 million, thanks to prior year acquisitions. Moreover, we have managed to improve our operating margin before depreciation and amortization by 1% to 37.6% through the successful implementation of cost reduction measures. Most importantly, this year was devoted to laying the foundation for future growth; in the process, we have strengthened our competitiveness both from an organizational and technical point of view.



Maurice Myrand  
Chairman of the Board

Net income from recurring operations was \$7 million or \$0.18 per share, compared to \$27 million or \$0.69 per share last year. Operating income before depreciation and amortization increased 5% to reach \$168 million, a marked improvement over the previous year.

During the year, the number of customers to Cogeco Cable’s high-speed Internet service increased by 47% to 158,192, representing 18.9% of basic service customers (13.4% of two-way households passed). This dramatic increase reflects the continued market appeal of the Cogeco Cable high-speed Internet service with growing numbers of consumers who appreciate its reliability and speed, which is twice as fast as the regular DSL high-speed service offered by competing telephone companies in most of Cogeco Cable’s service areas. This outstanding result was achieved in an environment where we successfully converted all of our Ontario customers onto our own e-mail platform using the @cogeco.ca domain name, thus severing on November 16, 2001, a three-year relationship with bankrupt service provider Excite@Home™. That this exercise was conducted successfully is borne by the fact that no customer losses were incurred. Consumer demand for the Cogeco Cable high-speed Internet service continues to be strong, despite a \$5 monthly rate increase introduced during the Summer of 2002.



Louis Audet  
President and Chief Executive Officer

On October 2, 2002, Cogeco Cable launched the Internet Pro service in Ontario at \$69.95 per month for yet greater downstream speeds of up to 4 megabits per second (Mbps) and upstream speeds of up to 640 kilobits per second (Kbps) (the regular Cogeco Cable high-speed Internet service operates at 2 Mbps per second down and 400 Kbps up, for \$44.95 per month). The Corporation is prepared to offer an Internet Lite service if competitive circumstances require it.

In early September 2001, Cogeco Cable launched 50 new digital TV programming services to its digital customer base in Ontario. As of August 31, 2002, 27% of Ontario digital customers had subscribed to at least one new digital service, adding \$10 to the average monthly revenue per subscribing digital service customer. Overall, the digital launch has been a success with the public. However, we anticipate that some digital services may not be meeting their revenue targets and may face long-term survival challenges.

During May 2002, the Quebec Division of Cogeco Cable launched the 28 most popular new English-language digital services. This was followed by the launch of four new French-language European services in early June 2002. The free three-month viewing period ended in September 2002. We believe that these services have positioned cable very positively in consumers' minds.

Despite these positive developments, the number of basic video service customers has decreased by 4.8% year over year. We have lost 15,941 or 6.2% of our basic service customers in Quebec, and 26,457 or 4.2% in Ontario. Fortunately, the trend points to fewer losses with each passing quarter, starting with 1.5% in the second quarter, 1.3% in the third and 1.0% in the fourth. High sales and promotion costs associated with a \$20 rebate for each of the first five months of the Cogeco Cable high-speed Internet service were in line with prevailing market conditions in the Fall and Spring, and have caused high-speed Internet service growth to essentially compensate for basic cable service revenue losses.

Basic analog service customer losses can be attributed to two root causes: the appeal of licensed Canadian DTH satellite services that are unnecessarily aggressively priced, particularly at Bell ExpressVu, and the growth of the "black market" in Canada for the theft of both US-based and Canadian DTH satellite services. We estimate that licensed Canadian DTH satellite services continue to lose collectively around \$240 million in operating income before depreciation and amortization per year and, at current prices, with growing customer acquisition costs, will likely never reach break-even, much less provide a return on the capital invested by their operators. We can only hope that these operators will eventually be forced to adopt more realistic pricing and customer acquisition cost structures. Illegitimate satellite services are 90% "black market" based, according to management's estimates. Further to the favorable ruling by the Supreme Court of Canada on April 26, 2002, there appears to be an increasing trend away from US-based pirated systems towards the theft of Canadian satellite signals in the "black market" segment, with the program services offered being either totally or partially stolen.

Despite its positive contribution to society, the Internet has brought with it the perception that music and movies can be enjoyed for free without due regard for intellectual property. It would seem that this unrealistic expectation has spilled over to satellite programming. Cogeco Cable is a member of the Canadian Alliance Against Satellite Theft dedicated to the protection of program rights in Canada. At this stage, the Film and Video Security Office has taken concrete actions in various Canadian cities to curb the activities of distributors who produce and sell illegal decoder cards. The number of prosecutions will likely increase, and this form of reception will be increasingly difficult for "black market" consumers to enjoy, as improved system controls and signal security measures are implemented by satellite operators.

Cogeco Cable has applied for and been granted rate deregulation status by the CRTC for its Class 1 systems in Quebec and Ontario. As a result, 100% of its basic service customers are now rate deregulated. In Quebec, in excess of 20% of customers who subscribe to the basic service only, and who had not incurred a basic rate increase for many years, have seen their basic service monthly rate increase by about \$2.50, effective August 1, 2002. The Corporation has not yet finalized its plans with regard to the rate structure of its services for its Ontario customers.

Subscriptions to the Cogeco Cable digital service have increased by an impressive 35% compared to last year, and now total 129,798 customers. Digital service customers thus enjoy the flexibility to choose programming of their liking among an increased selection of bundled channel offerings or à la carte selections. This service has been available to 100% of our Ontario customers and, further to an intensive network upgrade in Quebec, will have been extended to approximately 95% of our Quebec customers by the end of November 2002, up from 70% last year. As always, customer reception has been enthusiastic as reflected by good take-up rates. Currently, 16.5% of basic video service customers in areas where the service is available subscribe to the digital service. This will likely increase following the introduction of our new Video-On-Demand (VOD) and Interactive Television (iTV) services, currently at various stages of introduction, both of which rely on the Motorola DCT 2000 platform currently installed at Cogeco Cable. Digital churn is now well under control at 20% per year as a result of the decoder sales programs undertaken in December 2001.

The Cogeco Cable VOD service, which is supported by Concurrent Computer Corporation servers, is currently being introduced in various Quebec and Ontario systems, and is being very well received by customers. By the end of calendar 2003, the service will be available to a high percentage of our basic service customer base. Negotiating program rights with the US Majors (motion picture studios) has proven to be a challenge. Nonetheless, by November 2002, there will be in excess of 100 titles available to our customers, with increasingly appealing titles expected to be added as the commercial roll-out of the service continues. True VOD is exclusive to cable, and management is hopeful that the genuine added value of this service will win back customers who have defected. There are no monthly fees associated with the service, only per movie-related fees, typically around \$5.49 per movie, with a 24-hour viewing window, as well as the ability to pause, fast-forward and rewind, similar to a home video player.

The Cogeco Cable iTV service will be launched in selected Cogeco Cable markets in early 2003. The service will be a stimulating addition to the digital service and, as with VOD, is exclusive to cable riding on the existing digital cable platform. A walled garden environment, e-mail, chatting, web access, and games will be available in a tiered environment at affordable monthly prices.

In an effort to enhance our performance in the current fiercely competitive broadband distribution environment, the Corporation changed its corporate marketing structure in March 2002 and created the corporate position of Vice-President, Marketing and Sales. Also, the Corporation has selected Ogilvy & Mather/Académie-Ogilvy as its new, unified advertising agency, effective May 29, 2002. The resulting change in communications focus, tone and reach can currently be felt in all of Cogeco Cable's communications. The setting of strategy and quality of execution are now more closely aligned with market dynamics across all regions.

Thus, in a challenging and competitive environment, Cogeco Cable is managing to increase its competitiveness through renewed marketing approaches, further cable system upgrades, new cable exclusive product launches and continued sales of exciting existing products. In so doing, the Corporation has sought to bring the sum of capital expenditures and deferred charges closer to Cash Flow<sup>(1)</sup>. The excess of capital expenditures and deferred charges over Cash Flow has been trimmed down to \$37.3 million in fiscal year 2001–2002. The sum of capital expenditures and deferred charges will equal Cash Flow in 2002–2003. Growing Free Cash Flow<sup>(1)</sup> will likely be generated in subsequent years. This excludes any capital expenditures related to telephony. As of August 31, 2002, the ratio of indebtedness/operating income before depreciation and amortization stood at 4.9, a reasonable level.

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(1) The Corporation defines "Cash Flow" as cash flow from operating activities before unusual items and changes in non-cash working capital items, and "Free Cash Flow" as excess of Cash Flow over the sum of capital expenditures and deferred charges.

On November 1, 2001, Cogeco Cable secured a private debt placement of CDN \$414 million with a group of US financial institutions. This has brought further strength and diversity to the balance sheet of your Corporation, with ample bank credits available for acquisitions should the right candidates and circumstances present themselves.

During the year, management has also focused its attention on carefully reviewing its operating procedures and processes, procurement efforts, expenditures, and pricing levels. Despite programming cost increases amounting to about 1% of sales, we managed to decrease operating expenditures by 2% of sales through tight operating cost controls and, as a result, the operating margin before depreciation and amortization has improved by 1% to reach 37.6%. The Corporation continues to seek a 40% operating margin before depreciation and amortization, the result of a weighted average of a somewhat higher figure in Ontario and a lower figure in Quebec. This is an ongoing process. The investment in capital expenditures with attendant depreciation and the current competitive environment have caused net income to decline to \$3.8 million. This figure still compares favorably to peers in North America. However, it should be noted that new accounting rules no longer require that customer base be amortized, a first in this 2001–2002 annual report.

Cable companies in general and Cogeco Cable in particular, continue to be severely undervalued by equity markets, which have been troubled by issues that are not specific to the cable sector. Cable values have been negatively impacted by the crisis of confidence in corporate governance and concerns about the technology sector, to which cable does not belong.

In that regard, we are pleased to state that the Governance Committee, created in February 2002, has confirmed that corporate governance within the COGECO group of companies has high standards. In the same vein, the Audit Committee is satisfied that accounting practices within the COGECO Group of companies are transparent and generally conservative in nature.

Despite the highly competitive nature of the market in which Cogeco Cable operates, the Corporation is well advanced in the upgrade of its cable systems, with close to 86% of its customers being served through two-way plant. Cogeco Cable is currently launching cable-exclusive products such as VOD and iTV, which enable it to differentiate itself from, and clearly surpass in breadth and quality, the product offerings of competitors. Furthermore, excluding telephony, the Corporation is seeking to become Free Cash Flow neutral in 2002–2003 and positive thereafter. These accomplishments reflect the superior quality of Cogeco Cable's platform, capable of distributing a full suite of interactive communication services. This platform offers the opportunity of quadrupling sales in each household served through the addition of digital video, high-speed Internet and eventually telephony to the existing basic video services, thus confirming that Cogeco Cable is a sound long-term investment vehicle.

We wish to take this opportunity to extend our appreciation to members of the Board of Directors and to the management and staff of Cogeco Cable. Board members continue to provide sound strategic guidance and oversight to help Cogeco Cable position itself optimally in a challenging environment, while management and staff continue to shape the Corporation and its products to better serve our valued customers.



Maurice Myrand  
Chairman of the Board



Louis Audet  
President and Chief Executive Officer

October 25, 2002

# Management's Discussion and Analysis

The following presents a more in-depth analysis of the Corporation's operations and current financial position, as well as a perspective on the future. This analysis should be read in conjunction with the Corporation's consolidated financial statements, which start on page 21 and the selected quarterly information on page 40.

Certain statements throughout these pages may constitute forward-looking statements that involve risks and uncertainties. Future results will be affected by a number of factors pertaining to technology, markets, competition and regulation, including those described in the uncertainties and main risk factors section of this management's discussion and analysis. Therefore, actual results may be materially different from those expressed or implied by such forward-looking statements.

## Discussion on the Achievement of our Key Financial Objectives

Cogeco Cable achieved a 2.1% revenue growth, mainly owing to the full-year impact in revenue of acquisitions during fiscal year 2001. The Corporation achieved an increase in revenue from continued growth in customers with high-speed Internet and digital services and rate increases implemented during fiscal years 2001 and 2002. As of August 31, 2002, Cogeco Cable served 158,192 high-speed Internet customers, surpassing its original target of 148,000. With 144,950 digital terminals, Cogeco Cable also exceeded its original target of 130,000. However, this growth was mostly offset by a decline in revenue from the loss of basic and extended tier customers as well as promotions and price reductions. As of August 31, 2002, Cogeco Cable was serving 836,368 basic service customers, of which 71% were located in Ontario and 29% in Quebec. This translates into a loss of 4.8% of Cogeco Cable's basic service customer base since the end of fiscal year 2001. These losses have mostly been the result of greater than anticipated competitive pressures from direct-to-home satellite providers, which have made significant investments to build market share, and from "black market" US and Canadian satellite use. Consequently, Cogeco Cable fell short of its original revenue growth target.

Cogeco Cable's operating margin before depreciation and amortization increased from 36.6% in fiscal year 2001 to 37.6% for fiscal year 2002. This improvement is due to cost reduction initiatives in fiscal years 2001 and 2002, and ongoing process improvements. Although a margin of 38.5% was planned, the increase was an achievement considering the slower revenue growth during fiscal year 2002.

The Corporation continued its vast network modernization program with the result that 86% of households are currently served by two-way broadband cable plant. During fiscal year 2002, investments were made in high-speed Internet and digital technology niches, including VOD. During the first quarter of fiscal year 2002, Cogeco Cable completed the transition of its high-speed Internet service to provide a fully independent service for its Ontario customers, ending its relationship with Excite@Home™. Consequently, Cogeco Cable now serves all of its high-speed Internet customers independently.

During fiscal year 2002, the \$122.1 million capital expenditure program, less than originally planned, was mostly financed through \$111.2 million of Cash Flow (the Corporation defines "Cash Flow" as cash flow from operating activities before unusual items and changes in non-cash working capital items). The balance was financed from existing bank credit facilities. Due to lower than expected revenue growth, the Corporation slightly missed its original target of funding its capital expenditures solely from Cash Flow. Depreciation of fixed assets, amortization of deferred charges, and financial expense were essentially in line with original targets.

In 2001–2002, the Corporation continued to maintain a conservative capital structure while diversifying its sources of funding. On November 1, 2001, Cogeco Cable completed, pursuant to a private placement, the issue of two series of Senior Secured Notes for total net proceeds of CDN \$410 million, which were applied to reduce Cogeco Cable’s bank debt. Cogeco Cable’s obligations under the US\$ denominated series were fully hedged through cross-currency swap agreements.

## Operating Results

### Revenue

The Corporation’s revenue totaled \$448.0 million, an increase of \$9.2 million or 2.1%. Growth of approximately \$9.7 million relates to the acquisitions completed during the first semester of fiscal year 2001, while internal revenue losses exceeded internal revenue gains by \$0.5 million.

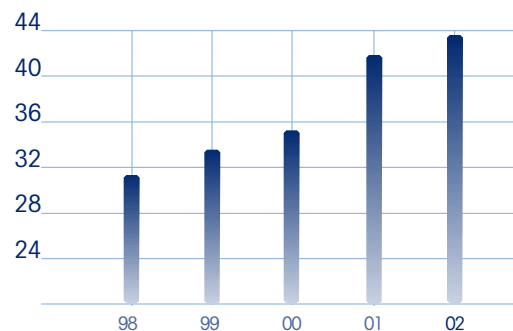
As discussed below, improvement in the penetration of high-speed Internet service and of services such as Pay-TV and the 50 new digital TV programming services, as well as various rate increase, generated internal revenue growth of \$33.8 million:

- The impact of the increase in high-speed Internet customers during fiscal years 2001 and 2002 generated incremental revenue of approximately \$21.6 million over fiscal year 2001. The addition of more than 50,000 new high-speed Internet customers during fiscal year 2002 contributed approximately \$12.8 million to this growth. The balance was the result of the full-year impact of the net gain of over 36,000 high-speed Internet customers during fiscal year 2001.

- Penetration of customers subscribing to Pay-TV service, as a percentage of basic service customers, has improved during 2001-2002 reaching 13.9% as of August 31, 2002. In addition, the 50 new digital TV programming services launched in Ontario, in early September 2001, reached a penetration of 27% of digital service customers at the end of fiscal year 2002. The new digital technology is already showing promising signs of generating incremental revenue, adding approximately \$4.9 million compared to 2000-2001.

- The impact of various rate increases during fiscal years 2001 and 2002 created incremental revenue of \$7.3 million. In March 2001, monthly rate increases were implemented, ranging from \$2 to \$3 per customer for discretionary tiers and most service bundles offered in Ontario. In addition, a \$5 monthly rate increase for high-speed Internet customers in Ontario and Quebec was introduced during the second semester of fiscal year 2002. A price increase of approximately \$2.50 per month for its basic service was implemented for the Quebec customer base, taking advantage of authorized rate deregulation, and reducing its sole discretionary tier by the same amount. Consequently, customers taking only basic service were affected. The basic service rate increase had very little impact since introduced at the end of fiscal year 2002.

**Monthly Revenue per Basic Customer**  
(in dollars)



The internal growth detailed above, was largely offset by an internal revenue loss of \$34.3 million, of which \$24.9 million relates to basic and extended tier customer losses, to aggressive promotions, to certain price reductions, and to a decline of equipment rental revenue. Various other sources contributed an additional \$9.4 million to the total internal revenue loss.

- The loss of basic and extended tier customers in fiscal years 2001 and 2002 had a negative impact of \$16.4 million on revenue. The loss of over 42,000 customers taking basic or basic and extended tiers, during fiscal 2002, led to an \$8.1 million decline in revenue, while the full year impact of a net loss of over 22,000 customers taking basic or basic and extended tiers, during fiscal year 2001, reduced revenue by a further \$8.3 million.
- The total internal revenue loss from promotions or price reductions amounted to \$6.6 million in fiscal 2002. Since the beginning of fiscal year 2002, to maintain its competitive position in Ontario and Quebec, the Corporation has offered monthly promotional rebates to its new high-speed Internet customers. These ranged from a total of \$40 to \$120 per new customer during the various promotional periods compared to \$40 per new customer in the prior fiscal year. In addition, the Corporation offered programming credits of up to \$100 per new digital customer buying a digital terminal. Temporary \$2 price reductions on certain discretionary tiers in Ontario and permanent \$1 monthly rate reductions that benefited some bundle customers were also introduced to improve customer retention.

- During the third quarter of fiscal year 2001, Cogeco Cable introduced a digital decoder sales program. This program became more aggressive in September 2001 and offered promotions with selling prices as low as \$59.99, without programming credits. As of August 31, 2002, 62% of decoders in service were purchased, compared to 20% last year, and as a result, rental revenue has decreased by \$1.9 million during 2001-2002.

Average monthly revenue per basic service customer increased from \$41.78 in 2000-2001 to \$43.57 in 2001-2002, a 4.3% increase. Most of this increase resulted from improved penetration of high-speed Internet and digital services.

### Operating Costs

Network fees, shown as a percentage of revenue, increased in 2001-2002, resulting from program supplier fee increases and from the introduction of new digital channels with lower margins. Average monthly network fees per basic service customer went from \$12.82 in 2000-2001 to \$13.82 in 2001-2002 resulting in a net increase of \$1 per basic service customer. The following factors explain this increase: program supplier fee increases, the increased number of customers subscribing to product bundling, the launch of ARTV (a new tier channel in Quebec) and the launch of 50 specialty channels available on the Ontario digital product offering. The savings related to the cancellation of Excite@Home™ royalties, as Cogeco Cable became a fully integrated service provider in Ontario, partially offset the above mentioned increases.

### Operating Costs

include the following:  
(in millions of dollars)

	2002	% of revenue	2001	% of revenue
Network fees	\$142.1	31.7%	\$134.7	30.7%
Other operating costs	129.8	29.0	136.1	31.0
Management fees	7.7	1.7	7.5	1.7
Total	\$279.6	62.4%	\$278.3	63.4%

On November 16, 2001, Cogeco Cable completed the transition of its high-speed Internet service in Ontario to become a fully integrated service provider, and ceased to do business with Excite@Home™, which was in financial difficulty. For fiscal year 2002, the net cost savings from the transition have had the effect of increasing operating income before depreciation and amortization by \$2.4 million. During the fourth quarter of fiscal year 2002, the monthly increase in operating income before depreciation and amortization per high-speed Internet customer amounted to an average of \$2.72.

Other operating costs, expressed as a percentage of revenue, declined in 2001–2002. The decrease in other operating costs is the result of an overall cost reduction plan started in the second quarter of fiscal year 2001. Cogeco Cable further reduced its staff by approximately 100 full-time employees during the first quarter of fiscal year 2002, which has led to significant cost reductions.

Management fees to COGECO Inc. represented approximately 1.7% of revenue in fiscal year 2002, unchanged from fiscal year 2001. For fiscal year 2003, management expects these fees to be indexed, based on the Consumer Price Index, and to represent a marginally smaller proportion of revenue.

### Operating Income before Depreciation and Amortization

Operating income before depreciation and amortization totaled \$168.3 million, an increase of \$7.8 million or 4.9%. The operating margin before depreciation and amortization increased from 36.6% to 37.6%. The increase is the result of Cogeco Cable's cost reduction initiatives.

### Depreciation, Amortization and Financial Expense

As a result of the adoption by the Corporation of the new accounting requirements of the Canadian Institute of Chartered Accountants ("CICA"), the customer base ceased to be amortized effective September 1, 2001. Amortization of the customer base amounted to \$10.4 million (\$9.4 million after income taxes) during fiscal year 2001. The new recommendations also require that the Corporation review its intangible assets for impairment as of the date of adoption of the new recommendations, and at least annually in subsequent periods. Management has completed its review, which indicates that intangible assets are not impaired as at August 31, 2002.

Depreciation and amortization rose by 3.3%, from \$92.1 million in fiscal year 2001 to \$95.1 million in fiscal year 2002, (excluding amortization of the customer base in 2001, depreciation and amortization increased by 16.4% in 2002). The increase stemmed mainly from the following: the network modernization program, capital expenditures related to high-speed Internet and digital services, higher deferred charges principally resulting from subsidies on sales of 71,233 digital terminals during fiscal year 2002, and cable system acquisitions during fiscal year 2001.

Financial expense climbed by 10.8%, from \$53.8 million in fiscal year 2001 to \$59.6 million in fiscal year 2002. Major factors explaining this increase were: cable systems acquired during fiscal year 2001, the higher interest rates on the Senior Secured Notes issued on November 1, 2001, compared to those of the Term Facility, and the cost to finance the portion of capital expenditures and deferred charges exceeding Cash Flow.

### Unusual Items

In 2001–2002, Cogeco Cable incurred an expense of \$4.9 million before income taxes as a result of staff reductions. In 2000–2001, the Corporation elected to write off its investment in IP telephony for \$29.3 million and other assets for \$1.2 million, for an aggregate amount of \$30.5 million before income taxes.

## Income Taxes

Income taxes for fiscal year 2002 amounted to \$4.9 million, as compared to an income tax credit of \$21.7 million recorded in fiscal year 2001. Effective September 1, 2000, the Corporation implemented new CICA recommendations related to income taxes and, as a result, recorded a reduction in future income taxes of \$23.8 million in fiscal year 2001 due to the reduction in future tax rate. Excluding the effect of this adjustment in accounting policy, income taxes would have been \$2.1 million in fiscal year 2001, leading to a \$2.8 million increase in fiscal year 2002. This increase is due to income before income taxes in fiscal year 2002, compared to a loss before income taxes the previous year. The loss resulted from the \$30.5 million write-off mentioned above, and from the \$10.4 million amortization of the customer base recorded in fiscal year 2001.

## Net Income

In fiscal year 2002, net income amounted to \$3.8 million or \$0.10 per share, compared to \$5.8 million or \$0.15 per share in fiscal year 2001.

## Supplemental Discussion — Accounting for Stock Options

During fiscal year 2002, 161,909 stock options were granted. The Corporation early adopted the new CICA recommendations regarding stock-based compensation. As discussed in Note 12 on page 32, Cogeco Cable has valued the granted options to provide the impact as if the value of these options would have been expensed. Accordingly, expensing the options would have reduced net income by \$314,000 in fiscal year 2002.

## Cash Flow

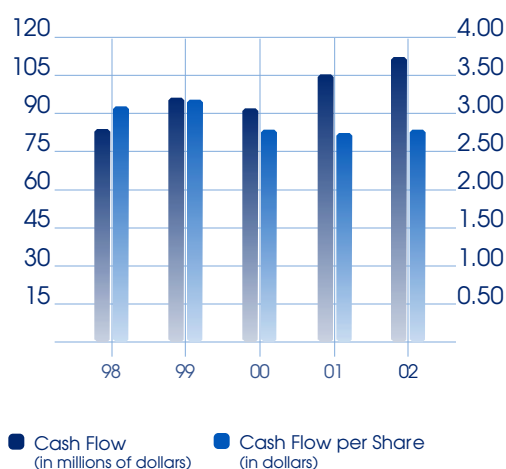
In fiscal year 2002, Cash Flow totaled \$111.2 million, an increase of \$5.8 million or 5.5% over fiscal year 2001. The impact of changes in non-cash working capital items amounted to a cash inflow of \$16.5 million in fiscal year 2002, as compared to a cash outflow of \$9.5 million in fiscal year 2001. Unusual items required a cash outflow of \$4.9 million in fiscal year 2002, compared to unusual items of \$30.5 million requiring no cash outflow in fiscal year 2001. On a per share basis, Cash Flow increased from \$2.71 in fiscal year 2001 to \$2.79 in fiscal year 2002. The 3.0% increase in Cash Flow per share was recorded in spite of a 2.8% increase in the weighted average number of outstanding shares, going from 38.8 million in fiscal year 2001 to 39.9 million in fiscal year 2002. The increase in the weighted average number of shares outstanding is the result of shares issued in consideration of cable systems acquired during 2001.

Investment activities resulted in \$149.3 million of cash outflow in 2001–2002, compared to \$247.5 million in 2000–2001. The decrease in cash outflow related to investment activities can be attributed to the decline in the total of capital expenditures and deferred charges of \$17.7 million, and to the absence of business acquisitions in fiscal year 2002. Drawing on the Term Facility, financing activities generated cash inflow of \$20.1 million in 2001–2002, compared to \$151.6 million in 2000–2001. Cash inflow from financing activities is due to the sum of capital expenditures and deferred charges exceeding Cash Flow and to business acquisitions in 2000–2001, as further discussed.

### Cash Flow

(in millions of dollars)

(in dollars)



## Cable System Acquisitions

During fiscal year 2002, Cogeco Cable did not acquire any cable systems. In fiscal year 2001, Cogeco Cable completed the acquisition of cable systems serving approximately 73,700 basic service customers in Ontario and 30,100 basic service customers in Quebec. The total purchase price for cable system acquisitions completed during 2000–2001 amounted to \$226.1 million, and was financed by cash payments totaling \$80.9 million as well as the issue of approximately 3.8 million subordinate voting shares.

## Capital Expenditures and Deferred Charges

The annual capital expenditure program decreased from \$166.4 million in 2000–2001 to \$122.1 million in 2001–2002. The table below presents a summary of capital expenditures for the past two fiscal years, and the forecast for 2002–2003.

The 2002 capital expenditures plan focused mainly on completing the two-way broadband upgrade of the network, as well as extending digital technology to the remaining Quebec regions. As of August 31, 2002, 86% of Cogeco Cable's total homes passed had access to high-speed Internet, and digital services were offered to close to 95% of homes passed.

Increase in deferred charges went from \$1.5 million in fiscal year 2001 to \$28.0 million in fiscal year 2002. \$20.3 million of this increase relates to subsidies on sales of 71,233 digital terminals, and other costs incurred in order to expand customer base. The balance relates to costs from the issuance of two Senior Secured Notes, from the amendment to the Term Facility and from the introduction of new digital services.

### Capital Expenditures

(in millions of dollars)

	2001 Actual		2002 Actual		2003 Forecast	
System modernization, extension and fiber optic	\$ 67	40%	\$ 57	47%	\$ 47	44%
High-speed Internet and digital technology	38	23	20	16	26	24
Maintenance and other	61	37	45	37	34	32
<b>Total</b>	<b>\$166</b>	<b>100%</b>	<b>\$122</b>	<b>100%</b>	<b>\$107</b>	<b>100%</b>

## Financing

On November 1, 2001, Cogeco Cable completed, pursuant to a private placement, the issue of 6.83% Series A Senior Secured Notes for US \$150 million maturing October 31, 2008, and 7.73% Series B Senior Secured Notes for CDN \$175 million maturing October 31, 2011. In addition, Cogeco Cable completed cross-currency swap agreements to fully hedge its financial obligations with respect to the US denominated Series A Senior Secured Notes. Taking into consideration the cross-currency swap agreements, the interest rate effectively incurred by Cogeco Cable for the Series A Senior Secured Notes is 7.254%. Net proceeds of CDN \$410 million, after underwriters' fees and other expenses, were applied to reduce Cogeco Cable's bank debt.

At its request and in light of the successful completion of the private placement mentioned above, Cogeco Cable amended its Term Facility during the fourth quarter of fiscal year 2002. The changes resulted in a reduction of the total commitment from \$585 million to \$400 million. The amendment also provides the Corporation with more financial flexibility, while the maturity of the facility and future reduction of commitment levels remain unchanged.

No dividend was paid during fiscal year 2002. In the first quarter of fiscal year 2001, the Corporation paid a dividend of \$0.03 per share and no dividend was paid thereafter. This revised dividend policy reflected more difficult than expected competitive conditions and the Corporation's need to focus more of its available cash flow on investments in system upgrades and new technologies.

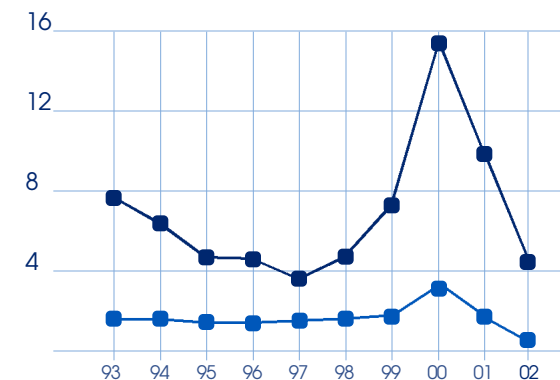
## Subordinate Voting Share Price and Ratios

Years ended August 31,  
(in dollars, except ratios)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Subordinate voting share price at close	\$10.75	\$10.50	\$8.38	\$8.20	\$10.90	\$14.65	\$23.30	\$42.50	\$26.95	\$11.50
Per share										
Cash Flow	1.40	1.63	1.78	1.81	3.03	3.12	3.20	2.76	2.71	2.79
Shareholders' equity	7.73	7.77	8.19	8.71	9.67	10.63	13.83	13.92	17.88	17.98
Ratios										
Share Price/Cash Flow	7.7	6.4	4.7	4.5	3.6	4.7	7.3	15.4	9.9	4.1
Share Price/Shareholders' equity	1.4	1.4	1.0	0.9	1.1	1.4	1.7	3.1	1.5	0.6

### Share Price/Cash Flow and Share Price/Shareholders' Equity

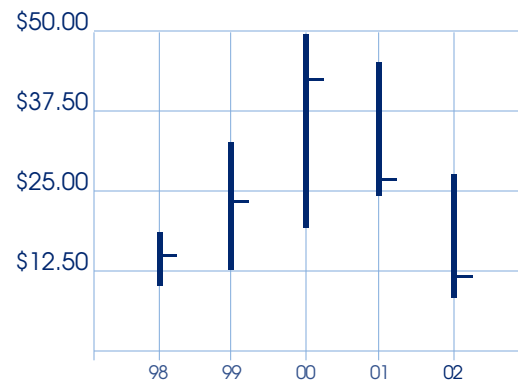
Years ended August 31,



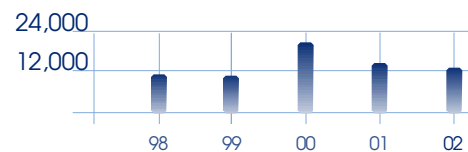
- Share Price/Cash Flow
- Share Price/Shareholders' Equity

### Trading Statistics

Years ended August 31,



- Trading Price of Subordinate Voting Shares (The Toronto Stock Exchange) (in dollars)



- Trading Volume of Subordinate Voting Shares (The Toronto Stock Exchange) (in thousands of shares)

## Capital Structure

As at August 31, 2002, shareholders' equity amounted to \$716.8 million, compared to \$712.9 million a year ago. As at August 31, 2002, the Corporation's total indebtedness, net of cash and cash equivalents (« Net Indebtedness »), was \$829.6 million, compared to \$802.2 million at the same date last year. The increase in Net Indebtedness is mainly attributable to the sum of capital expenditures and deferred charges exceeding Cash Flow. As at August 31, 2002, the weighted average interest rate on the fixed rate portion was 7.5%, which was higher than the 7.2% at the same date last year due to the higher average interest rate on Senior Secured Notes issued on November 1, 2001. The following table summarizes debt-related financial ratios over the last two fiscal years.

### Capital Structure

August 31,	2002	2001
Fixed rate debt <sup>(1)</sup>	<b>84%</b>	61%
Average term : long-term debt	<b>6.4 years</b>	4.9 years
Net indebtedness / Shareholders' equity	<b>1.2</b>	1.1
Net indebtedness / Operating income before depreciation and amortization <sup>(2)</sup>	<b>4.9</b>	5.0
Operating income before depreciation and amortization / Financial expense <sup>(2)</sup>	<b>2.8</b>	3.0

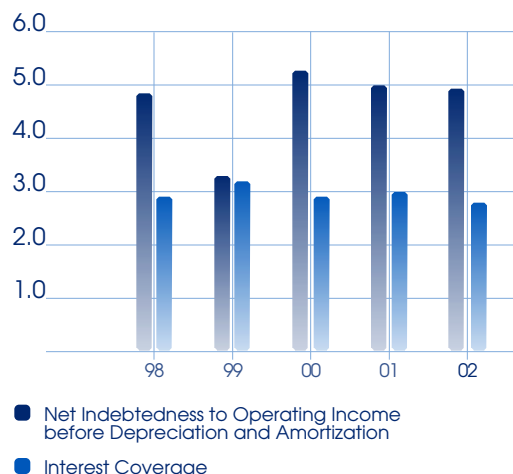
(1) The interest rate is fixed through financial instruments and long-term loans.

(2) Operating income before depreciation and amortization is a decisive indicator of the Corporation's capacity to finance its ongoing operations on the one hand, and service its debt on the other.

It is the Corporation's intention to maintain a conservative capital structure, in order to safeguard its investment-grade credit rating. This rating allows quick access to the public debt market at favorable interest rates in order to finance internal and external growth opportunities.

## Leverage and Interest Coverage Ratio

(ratios)



The Corporation benefits from a \$400 million Term Facility and a \$25 million operating line of credit with a number of financial institutions. These bank facilities are not guaranteed by the parent company COGECO Inc. As at August 31, 2002, the Corporation had utilized \$129 million of its Term Facility. Cogeco Cable is on schedule with financial expense payments, principal repayments on its borrowing, and continues to satisfy the various conditions stipulated in its financing agreements.

Of all Cogeco Cable's debt instruments, the bank facilities set the most restrictive limitations on the Corporation's activities and operations. The most important restrictions concern the maintenance of certain financial ratios, authorized investments, disposal of assets, reimbursement of long-term debt and distributions to shareholders.

## Forward-Looking Financial Expectations

The forward-looking statements below involve risks and uncertainties. Future results will be affected by a number of factors pertaining to technology, markets, competition and regulation, including those described in the uncertainties and main risk factors section of this management's discussion and analysis. Therefore, actual results may be materially different from those expressed or implied by such forward-looking statements.

The loss in basic cable customers should be more modest in fiscal year 2003, as Cogeco Cable will have completed its digital rollout in Quebec to 95% of homes passed by the end of November 2002, from 85% of homes passed as of August 31, 2002. Progressive improvements to Cogeco Cable's marketing strategy will also contribute to lessen customer loss. The increased subscriptions for bundled services, as well as the upcoming launch of VOD and iTV, will further improve customer retention and make cable services a more competitive offering as a whole. However, the strength of the competition in the regions served by Cogeco Cable could compromise the attainment of this objective. Based on current demand, the Corporation forecasts that it will add 55,000 high-speed Internet customers and 25,000 digital terminals by August 31, 2003.

In fiscal year 2003, the Corporation expects to achieve internal revenue growth of 5%. Internal revenue growth should stem mainly from the 2002 rate increases for the high-speed Internet service and Quebec basic service, from the growth in penetration of high-speed Internet and digital services, and from the introduction of VOD and iTV services. Cogeco Cable expects to achieve 6% growth in operating income before depreciation and amortization by maintaining tight control over expenses and by continuing with its process improvement initiatives.

In fiscal year 2003, Cogeco Cable expects that depreciation of fixed assets and amortization of deferred charges will increase by 10% over fiscal year 2002. This growth rate should be mainly the result of the relatively rapid depreciation of deferred charges related to customer subsidies, compared to other categories of fixed assets, and of the full-year impact of the depreciation of fixed assets acquired during the 2002 fiscal year. The deferred charges mostly relate to digital terminal subsidies as more customers are purchasing digital terminals. In fiscal year 2003, management expects that capital expenditures and deferred charges will total \$119 million, and that they will be financed by Cash Flow. Free Cash Flow<sup>(1)</sup> will be positive and growing thereafter.

Financial expense is expected to climb by 6% in fiscal year 2003 due to the following: the higher average interest rate on Senior Secured Notes issued on November 1, 2001 and the increases in interest rates on the Term Facility.

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(1) The Corporation defines "Free Cash Flow" as excess of Cash Flow over the sum of capital expenditures and deferred charges.

## Uncertainties and Main Risk Factors

### Corporate Factors

COGECO Inc., a diversified communications holding company, is controlled by Mr. Henri Audet and members of his family (the "Audet Family"). The Audet Family is in a position to cause the directors of each of COGECO and Cogeco Cable to be elected or removed from office. The Audet Family is also in a position to prevent a change of control of COGECO or Cogeco Cable, even though a change of control may be considered advantageous by other shareholders of either COGECO or Cogeco Cable. The Audet Family's outlook on the business activities and future prospects of COGECO or Cogeco Cable, and on the best strategies to further such activities and prospects, may on occasion differ from that of other shareholders. Subject to certain requirements under applicable corporate and securities law, and subject to financial covenants in effect, the Audet Family may influence the Board of directors of COGECO or Cogeco Cable to decide on further issues of subordinate voting shares or issues of preference shares, and thus cause, at least in terms of numbers of shares outstanding, a dilution of the equity position of existing shareholders of either COGECO or Cogeco Cable.

### Financial Factors

In 2001-2002, Cogeco Cable paid \$7.7 million in cash to COGECO in consideration for management services provided in accordance with the management services agreement in effect with COGECO since 1992.

The business activities of Cogeco Cable require substantial on-going investment of capital in property, plant and equipment. Cogeco Cable plans to continue investing in cable system capacity upgrades, two-way capability and additional equipment required to support the distribution of more video services, including digital television services, VOD and iTV services, as well as the further deployment of Internet and other broadband telecommunications services. While Cogeco Cable intends to schedule future investment in property, plant and equipment so as to bring annual capital expenditures generally in line with Cash Flow generated by the business, competitive pressures may require accelerated investment. Cash Flow generated by new services may not prove sufficient in the end to provide the expected return on investment required to offer these services. The introduction of telephony services using the common cable plant has not taken place as originally planned. The impact of these new services on the capital requirements and financial performance of Cogeco Cable, if and when they are introduced, cannot be definitively assessed at this time.

Based on financial, market and other factors affecting the outlook for the cable industry in general and Cogeco Cable in particular, the current rating of Cogeco Cable's debt could be revised in the future by credit rating agencies from BBB- to a non-investment grade rating, thus raising the cost of future financing.

## Competitive and Market Factors

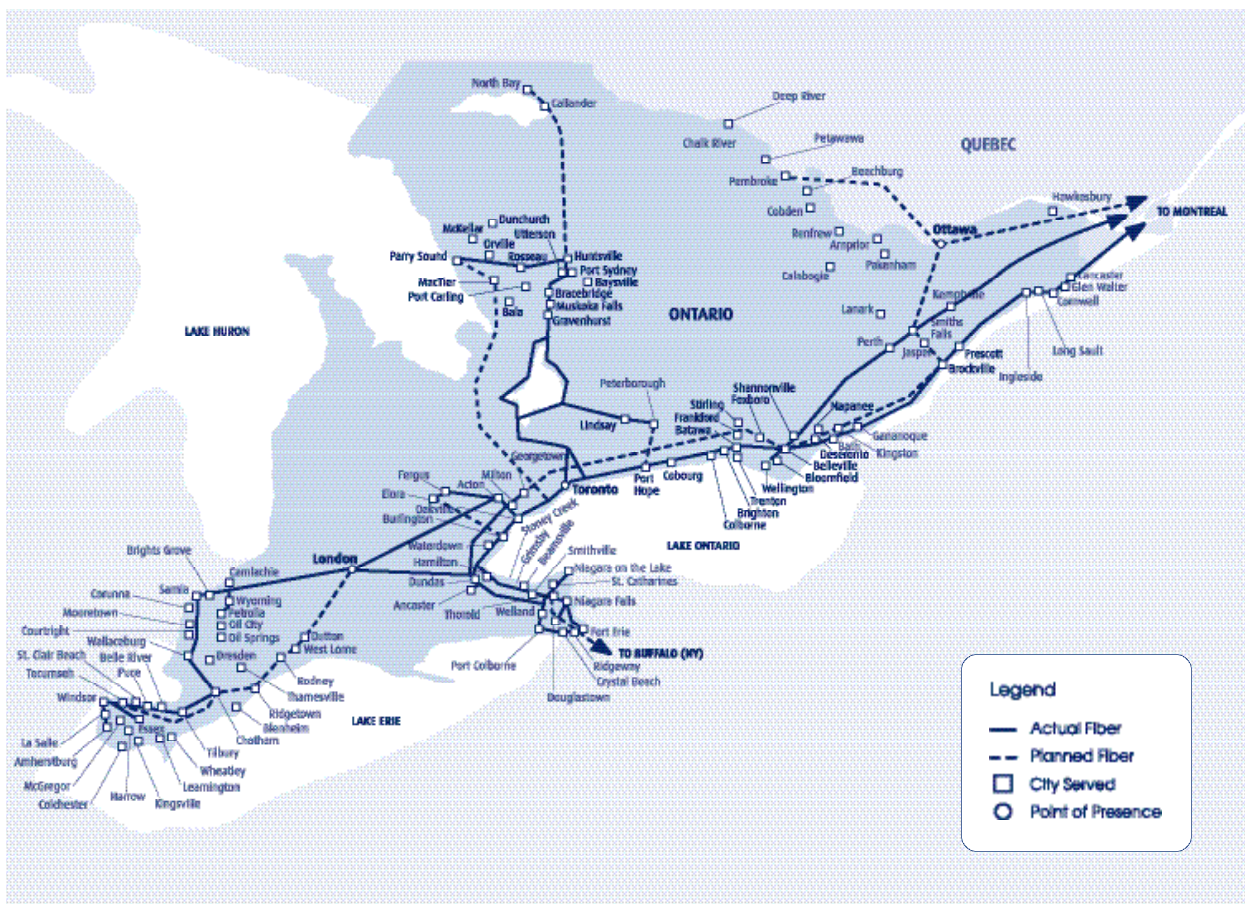
The markets for Cogeco Cable’s broadcasting distribution and telecommunications services are highly competitive and dynamic. Competition for broadcasting distribution services comes mainly from the lawful reception of licensed Canadian direct-to-home satellite services, and from the unlawful reception of both licensed Canadian and unlicensed US satellite services. While the rate of erosion of Cogeco Cable’s analog customer base has abated somewhat and the Corporation’s digital customer base has grown substantially in the past fiscal year, there is no assurance that these trends will endure in the future. The leading licensed Canadian satellite distributor, Bell ExpressVu, continues to aggressively pursue the acquisition of customers in cabled areas with a low pricing policy despite rising customer acquisition costs, diminishing average revenue per unit, and a large cumulative loss. This low pricing policy is only possible, in

our view, with the financial support of parent BCE Inc., and in the absence of meaningful competition for the local telephone services of its subsidiary Bell Canada. Cogeco Cable continues to evaluate the opportunity of offering competitive local and other telephone services within its cable service areas, but the parameters and timetable for such competitive entry are still subject to various technical, commercial, regulatory and other contingencies. Unlawful reception of satellite services continues to grow on account of a combination of inadequate signal security and enforcement measures. Competition for Internet and other broadband telecommunications services comes mainly from Bell Canada and Telus. Growth in high-speed Internet connections will continue to be split between cable and DSL connections, with more diversified transfer speeds and other service attributes being offered, and Internet services being increasingly bundled with other services.

# Ontario

## Inter-City Fiber Deployment

Optic Cable Network: 2,700 km  
Optic Fiber: 34,000 km

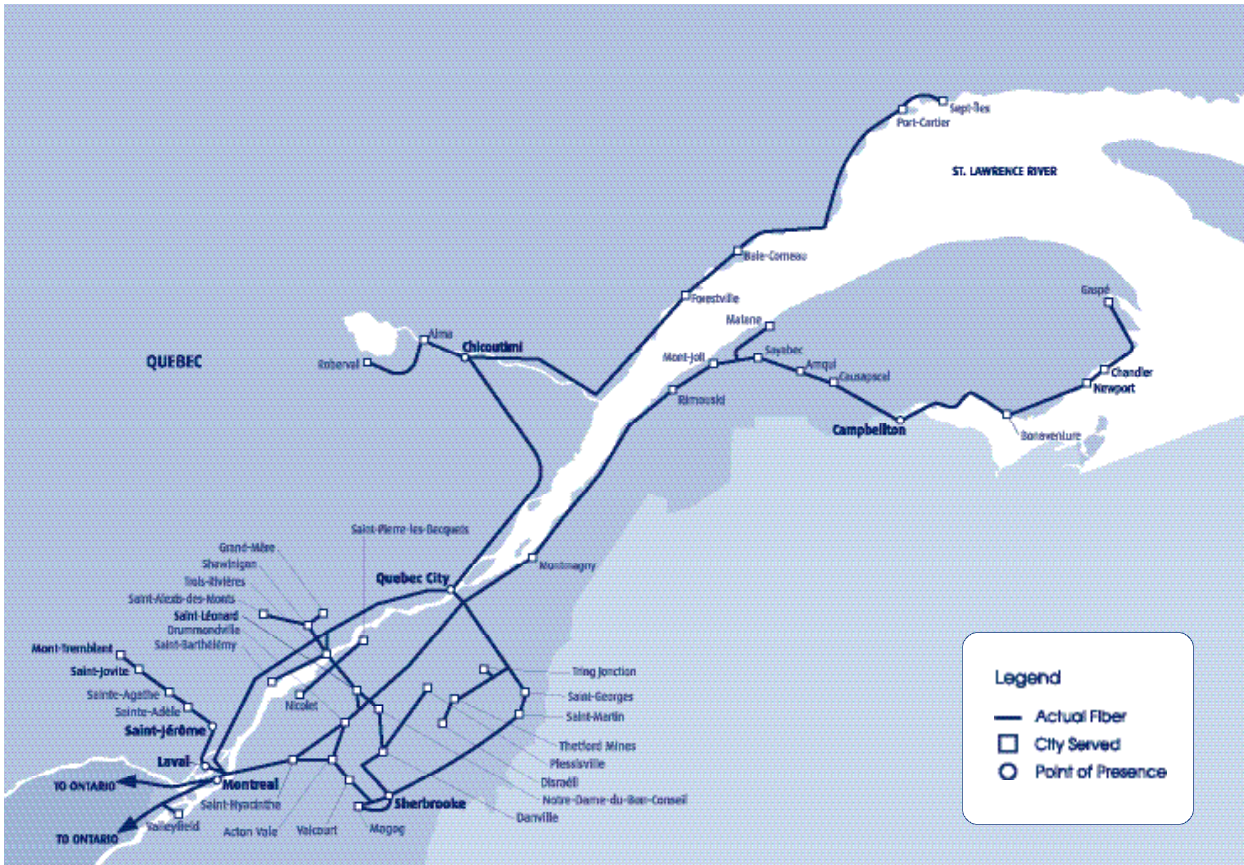


# Quebec

## Inter-City Fiber Deployment

Optic Cable Network: 3,500 km

Optic Fiber: 43,200 km



The programming services that Cogeco Cable distributes on its cable systems are increasingly controlled by large integrated communications entities. Also, the terms for the distribution of Canadian programming services are subject to a number of regulatory restrictions. This situation has caused in the past, and may continue to cause in the future, upward pressure on Cogeco Cable's network fees and lower operating margins as a result.

Communications technology is highly innovative and evolves very rapidly. While Cogeco Cable's plant is developed and maintained with currently available wireline technology and equipment so as to be fully competitive with systems that use different technologies, technological innovations may cause changes to occur in the competitive position of competing systems already deployed, or yet to be deployed.

Buy rates and related returns from the VOD service will be influenced by the availability and cost of premium movie products yet to be licensed by a number of major film producers and distributors. Cogeco Cable is relying on Worldgate Interactive, Inc., for the interactive systems and much of the related content to be used for the deployment of its new interactive television services and on Concurrent Computer Corporation for its VOD systems.

## Operational Factors

Cogeco Cable currently uses two different proprietary cable customer management systems for its Quebec and Ontario operations respectively. Demands on these information systems have increased substantially in the past few years, and it has become increasingly difficult to manage the changes required by the diverse and rapidly changing cable service offerings in a highly competitive environment. Cogeco Cable is still considering a range of options for the development and integration of its cable customer management systems. The changes contemplated have potentially wide-reaching implications in terms of operating cost structure, productivity gains, competitiveness, integrated billing, and customer relationship management. There is no assurance that existing agreements with customer information system providers can be extended with satisfactory terms and conditions beyond the next 18 months, or that more suitable or cost-effective systems can be effectively deployed in the alternative within the required timeframe.

During fiscal year 2002–2003, negotiations are expected to take place for the renewal of the collective labour agreement covering most of Cogeco Cable’s employees in the province of Quebec. Cogeco Cable considers its labour relations to be satisfactory. While Cogeco Cable does not anticipate any labour disruption, it is not possible, at this time, to assess the impact of these negotiations on operations or future operating costs.

## Regulatory and Legal Factors

The broadcasting and telecommunications activities of Cogeco Cable are subject to varied and extensive regulatory requirements, mainly under the authority of federal statutes governing broadcasting, telecommunications, radiocommunication and copyright. Cogeco Cable’s distribution systems are operated pursuant to licences issued by the CRTC, which are subject to renewals and various terms and conditions set by the regulatory agency. Regulatory policies evolve over time and may cause the competitive playing field and business prospects for individual market participants or properties to be materially different.

Judicial decisions on a number of issues affecting the cable industry in Canada are still pending, including the ability of the CRTC to set terms for the use of support structures of municipal electric utilities and access to municipal rights-of-way, copyright fees for content stored on cache servers in connection with Internet access services, and the unauthorized reception of satellite signals based on the Canadian Charter of Rights and Freedoms.

# Consolidated Financial Statements



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## Management's Responsibility

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### Related to Consolidated Financial Statements

The consolidated financial statements of Cogeco Cable Inc. and the financial information contained in this annual report are the responsibility of management. The financial statements include amounts determined by management based on estimates which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that in the financial statements.

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

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



Louis Audet  
President and Chief Executive Officer



Pierre Gagné  
Vice-President,  
Finance and Chief Financial Officer

## Auditors' Report

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### To the Shareholders of Cogeco Cable Inc.

We have audited the consolidated balance sheets of Cogeco Cable Inc. as at August 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered accountants  
Montreal, October 4, 2002

## Consolidated Statements of Income

Years ended August 31

(in thousands of dollars, except per share data)

	2002	2001
Revenue	\$ 447,984	\$ 438,768
Network fees	142,103	134,695
Other operating costs	129,825	136,046
Management fees – COGECO Inc. (note 18)	7,710	7,518
Operating income before depreciation and amortization	168,346	160,509
Depreciation and amortization (note 4)	95,073	92,080
Income before undernoted items	73,273	68,429
Unusual items (note 5)	4,925	30,481
Financial expense	59,645	53,794
Income (loss) before income taxes	8,703	(15,846)
Income taxes (recovery) (note 6)	4,915	(21,664)
Net income	<u>\$ 3,788</u>	<u>\$ 5,818</u>
<b>Earnings per share (note 13)</b>		
Basic	\$ 0.10	\$ 0.15
Diluted	<u>0.09</u>	<u>0.15</u>

## Consolidated Statements of Retained Earnings

Years ended August 31

(in thousands of dollars)

	2002	2001
Balance at beginning	\$ 83,983	\$ 83,866
Changes in accounting policies	—	(1,577)
Net income	3,788	5,818
Share issue costs, net of related income taxes of \$1,372	—	(2,928)
Excess of price paid over the attributed value of subordinate voting shares cancelled	—	(94)
Dividends on multiple voting shares	—	(471)
Dividends on subordinate voting shares	—	(631)
Balance at end	<u>\$ 87,771</u>	<u>\$ 83,983</u>

## Consolidated Balance Sheets

As at August 31

(in thousands of dollars)

	2002	2001
<b>Assets</b>		
Fixed assets (note 7)	\$ 757,260	\$ 719,919
Deferred charges (note 8)	38,548	22,721
Customer base (note 9)	989,552	989,552
Cash and cash equivalents	—	3,377
Accounts receivable	33,555	35,669
Income tax receivable	10,828	6,011
Prepaid expenses	4,224	7,015
	<u>\$1,833,967</u>	<u>\$1,784,264</u>
<b>Liabilities and Shareholder's equity</b>		
<b>Liabilities</b>		
Bank indebtedness (note 10)	\$ 3,091	\$ —
Long-term debt and Term facility (note 11)	821,678	805,572
Deferred credit	4,830	—
Accounts payable and accrued liabilities	97,849	80,787
Deferred and prepaid income	17,055	17,413
Future income tax liabilities (note 6)	172,667	167,615
	<u>1,117,170</u>	<u>1,071,387</u>
<b>Shareholders' equity</b>		
Capital stock (note 12)	629,026	628,894
Retained earnings	87,771	83,983
	<u>716,797</u>	<u>712,877</u>
	<u>\$1,833,967</u>	<u>\$1,784,264</u>

On behalf of the Board of Directors



Maurice Myrand  
Director



Henri P. Labelle  
Director

## Consolidated Statements of Cash Flow

Years ended August 31

(in thousands of dollars, except per share data)

	2002	2001
<b>Cash flow from operating activities</b>		
Net income	\$ 3,788	\$ 5,818
Unusual items net of related income taxes	3,412	20,798
Net income from recurring operations	7,200	26,616
Items not affecting cash and cash equivalents		
Depreciation and amortization (note 4)	95,073	92,080
Amortization of long-term financing costs	1,814	1,721
Future income taxes (note 6)	5,364	(25,054)
Future income taxes related to unusual items	1,513	9,683
Other	209	323
Cash flow from operating activities before undernoted items	111,173	105,369
Unusual items	(4,925)	—
Changes in non-cash working capital items (note 15)	16,480	(9,495)
	<u>122,728</u>	<u>95,874</u>
<b>Cash flow from investing activities</b>		
Acquisition of fixed assets (note 15)	(121,323)	(165,592)
Increase in deferred charges	(28,029)	(1,505)
Business acquisitions (note 3)	—	(80,855)
Other	41	413
	<u>(149,311)</u>	<u>(247,539)</u>
<b>Cash flow from financing activities</b>		
Increase in long-term debt	454,902	155,419
Repayment of long-term debt	(434,919)	(98,584)
Issue of subordinate voting shares	132	100,429
Subordinate voting shares issue costs	—	(4,300)
Purchase of subordinate voting shares for cancellation	—	(220)
Dividends on multiple voting shares	—	(471)
Dividends on subordinate voting shares	—	(631)
	<u>20,115</u>	<u>151,642</u>
Net change in cash and cash equivalents	(6,468)	(23)
Cash and cash equivalents at beginning	3,377	3,400
Cash and cash equivalents at end	<u>\$ (3,091)</u>	<u>\$ 3,377</u>
<b>Cash flow per share from operating activities before unusual items and changes in non-cash working capital items</b>		
Basic	\$ 2.79	\$ 2.71
Diluted	<u>2.79</u>	<u>2.71</u>

See supplemental cash flow information in note 15.

# Notes to Consolidated Financial Statements

Years ended August 31, 2002 and 2001

(amounts in tables are in thousands of dollars, except per share data)

## 1. Significant accounting policies

### Nature of operations

Cogeco Cable Inc. (the "Corporation") is a Canadian public company whose shares are listed on the Toronto Stock Exchange. The Corporation's core business is providing cable television services and high-speed Internet access.

### Consolidation principles

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Business acquisitions are accounted for under the purchase method and operating results are included in the consolidated financial statements as of the date of the acquisition of control. Other investments are recorded at cost.

### Revenue recognition

Revenue from cable television and related services, and high-speed Internet access are recognized when services are provided. Amounts received or invoiced that do not comply with this criterion are accounted for as deferred and prepaid income.

### Fixed assets

Fixed assets are recorded at cost. During construction of new assets, direct costs plus a portion of overhead costs are capitalized. Depreciation is provided on a straight-line method over the estimated useful lives on the following periods:

Buildings	40 years
Cable systems	15 years
Equipment, programming equipment, furniture and fixtures	10 years
Decoders, modems and customer's premise devices	7 years
Rolling stock under capital leases	5 years
Other equipment	5 years
Leasehold improvements	Lease term

### Deferred charges

Deferred charges include new services launch costs, equipment subsidies and other costs incurred in order to expand customer base and financing costs. These costs are amortized using the straight-line method, over a period not exceeding five years. Equipment subsidies and other costs incurred in order to expand customer base are amortized over a period of four years.

### Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

### Employee future benefits

Pension costs are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method prorated on service. Pension expense is charged to operations and includes:

- the cost of pension benefits provided in exchange for employees' services rendered during the year;
- the amortization of prior service costs and amendments over the expected average remaining service life of the active employee group covered by the plans; and
- the interest cost of pension obligations, the return on pension fund assets, and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the active employee group covered by the plans.

## 1. Significant accounting policies (continued)

### Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments purchased three months or less from maturity.

### Segmented information

The Corporation considers its cable distribution and high-speed Internet access activities as a single operating segment.

### Derivative financial instruments

The Corporation uses currency swap agreements as derivative financial instruments to manage risks from fluctuations in exchange rates related to its long-term debt. The Corporation accounts for the financial instrument, under the accrual method, as a hedge and, accordingly, the carrying value of the financial instrument is not adjusted to reflect its current market value. Net receipts or payments arising from the derivative instrument are recognized as financial expense.

### Foreign currency translation

Assets and liabilities denominated in foreign currency are translated in Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Income and expenses are translated at average rates prevailing during the period. Amounts payable or receivable on currency swaps, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the debt obligations being hedged. Other gains and losses are included in net income.

### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and the revenues and expenses during the reporting year. Actual results could differ from these estimates.

## 2. Changes in accounting policies

### Customer base amortization

Effective September 1, 2001, the Corporation prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3062, "Goodwill and Other Intangible Assets". Under the new section, goodwill and intangible assets with a deemed indefinite life are no longer amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. As a result of adopting the new recommendations, the Corporation ceased to amortize its customer base effective September 1, 2001. CICA Handbook section 3062 also requires the Corporation to perform a transitional assessment to determine whether there is an indication that intangible assets with an indefinite useful life are impaired as at the date of adoption of new rules. The Corporation completed its transitional assessment and concluded that no impairment existed as at September 1, 2001.

At August 31, 2002, management has determined that no impairment existed.

The following table shows the effect of applying the recommendations on net income and basic and diluted earnings per share for the year ended August 31, 2001:

Net income	\$ 5,818
Amortization of customer base, net of income taxes	<u>9,353</u>
Adjusted net income	<u>\$ 15,171</u>
Earnings per share	\$ 0.15
Amortization of customer base per share, net of income taxes	<u>0.24</u>
Adjusted earnings per share basic and diluted	<u>\$ 0.39</u>

## 2. Changes in accounting policies (continued)

### Stock-based compensation plans

On September 1, 2001, the Corporation early adopted the recommendations of CICA Handbook section 3870, "Stock-based Compensation and Other Stock-based Payments" which defines among other things recognition, measurement and disclosure standards for stock-based compensation to employees. The Corporation, as permitted by CICA Handbook section 3870, has chosen to continue to account for stock-based compensation by measuring compensation cost for employee stock options as the excess, if any, of the quoted market price of the subordinate voting shares at the date of grant over the amount an employee must pay to acquire these shares, and to include in its financial statements pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. Any consideration paid by employees on exercise of stock options is credited to capital stock. The supplementary information required under the new recommendations is presented in note 12.

### Foreign currency translation

Effective September 1, 2001, the Corporation adopted the recommendations of CICA Handbook section 1650, "Foreign Currency Translation". The new standard eliminates the deferral and amortization approach to exchange gains and losses on long-term monetary items, and require the disclosure of exchange gains and losses included in the calculation of net income. This change in accounting policy had no material effect on the financial statements of the Corporation.

## 3. Business acquisitions

During fiscal year 2001, the Corporation completed the following transactions:

- a) In September 2000, the acquisition of all the outstanding shares of Câblo Distribution G inc., Télécâble Provincial inc. and Lindsay CATV System Limited;
- b) In November 2000, the acquisition of all the outstanding shares of Cablevue (Quinte) Limited and related companies and of Médiacâble inc.;
- c) In January 2001, the acquisition of all the outstanding shares of Harrowby Communications Inc. and related companies;
- d) In February 2001, the acquisition of all the outstanding shares of Muskoka Cable Systems Limited and related companies, of Huntsville Cable Services Limited and of Décibel inc.

The net assets acquired and consideration paid for these transactions are as follows:

Assets acquired	
Working capital deficiency	\$ (4,592)
Fixed assets	39,127
Deferred charges	266
Customer base	227,597
	<u>262,398</u>
Assumed liabilities	
Future income tax liabilities	36,073
Long-term debt	177
	<u>36,250</u>
Net assets acquired	226,148
Paid in subordinate voting shares	(145,293)
Paid in cash	<u>\$ 80,855</u>

## 4. Depreciation and amortization

	2002	2001
Fixed assets	\$ 84,685	\$ 73,869
Deferred charges	10,388	7,790
Customer base	—	10,421
	<u>\$ 95,073</u>	<u>\$ 92,080</u>

## 5. Unusual items

	2002	2001
Charge related to staffing reduction program	\$ 4,925	\$ —
Write-off of certain fixed assets	—	28,963
Write-off of certain deferred charges	—	798
Write-off of an investment	—	720
	<u>\$ 4,925</u>	<u>\$ 30,481</u>

In 2002, the Corporation completed a staff reduction program. As a result, a charge of \$4,925,000 has been recorded as an unusual item for the payment of employee severances.

In 2001, the Corporation wrote off an amount of \$29,258,000 for the IP telephony project as a result of the unforeseen level of effort required to deploy the IP solution. Furthermore, in 2001, the Corporation wrote off an amount of \$1,223,000 related to other assets.

## 6. Income taxes

	2002	2001
Current (recovery)	\$ (449)	\$ 3,390
Future	5,364	(25,054)
	<u>\$ 4,915</u>	<u>\$ (21,664)</u>

The following table provides the reconciliation between statutory federal and provincial income taxes and the effective consolidated income tax rate:

	2002	2001
Income taxes at combined income tax rate of 38.8% (41.3% in 2001)	\$ 3,377	\$ (6,551)
Income (loss) subject to lower tax rates	(1,614)	1,874
Reduction in income taxes as a result of changes in substantially enacted tax rates	(406)	(23,783)
Income taxes arising from the non-deductible amortization of customer base	—	3,280
Large corporation tax	3,500	3,479
Other	58	37
Income taxes at effective income tax rate	<u>\$ 4,915</u>	<u>\$ (21,664)</u>

The income tax effect of temporary differences that give rise to a significant portion of future income tax assets and liabilities are as follows:

	2002	2001
Future income tax assets:		
Non-capital loss carryforwards	\$ 45,353	\$ 30,557
Other	4,531	5,219
Total future income tax assets	<u>49,884</u>	<u>35,776</u>
Future income tax liabilities:		
Fixed assets	67,931	54,011
Deferred charges	11,719	8,059
Customer base	142,901	141,321
Total future income tax liabilities	<u>222,551</u>	<u>203,391</u>
Net future income tax liabilities	<u>\$ 172,667</u>	<u>\$ 167,615</u>

## 6. Income taxes (continued)

As at August 31, 2002, the Corporation had accumulated income tax losses amounting to approximately \$149,500,000, the benefits which have been recognized in these financial statements. These losses expire as follows:

	2003	2004	2005	2006	2007	2008	2009
	\$ 2,300	\$ 4,200	\$ 10,300	\$ 39,500	\$ 9,700	\$ 48,500	\$ 35,000

In 2001, the Corporation adopted CICA recommendations related to income taxes. The change in accounting policy has been applied retroactively as at September 1, 2000, and resulted in an increase in future income tax liabilities of \$71.2 million, an increase in customer base of \$69.1 million and a decrease in retained earnings of \$2.1 million.

## 7. Fixed assets

	2002	2001
Cost		
Lands	\$ 3,813	\$ 3,789
Buildings	30,788	29,704
Cable systems	913,193	805,361
Equipment, programming equipment, furniture and fixtures	38,354	36,469
Decoders, modems and customer's premise devices	76,849	82,157
Rolling stock under capital leases	4,607	5,027
Other equipment	83,460	81,491
Leasehold improvements	4,230	4,223
	<u>1,155,294</u>	<u>1,048,221</u>
Accumulated depreciation		
Buildings	5,613	4,903
Cable systems	307,282	258,888
Equipment, programming equipment, furniture and fixtures	18,871	16,089
Decoders, modems and customer's premise devices	24,110	17,158
Rolling stock under capital leases	2,584	1,991
Other equipment	37,166	27,134
Leasehold improvements	2,408	2,139
	<u>398,034</u>	<u>328,302</u>
	<u>\$ 757,260</u>	<u>\$ 719,919</u>

## 8. Deferred charges, net of amortization

	2002	2001
New services launch costs	\$ 14,263	\$ 18,604
Equipment subsidies and other costs	18,530	615
Financing costs	4,715	1,841
Other	1,040	1,661
	<u>\$ 38,548</u>	<u>\$ 22,721</u>

## 9. Customer base

	2002	2001
Cost	\$1,040,333	\$1,040,333
Accumulated amortization	50,781	50,781
	<u>\$ 989,552</u>	<u>\$ 989,552</u>

## 10. Bank indebtedness

The operating line of credit available to the Corporation amounts to \$25,000,000, of which \$659,000 was used at August 31, 2002. This line of credit is revised periodically, does not require commitment fees and is secured on the same basis as the Term Facility (note 11).

## 11. Long-term debt and Term facility

	Maturity	Interest rate	2002	2001
Parent company				
Term Facility	2007	4.85% <sup>(1)</sup>	\$ 129,000	\$518,000
Senior Secured Debentures Series 1	2009	6.75	150,000	150,000
Senior – Secured Notes				
Series A – US \$ 150 million	2008	6.83	233,820	—
Series B	2011	7.73	175,000	—
Second Secured Debentures Series A	2007	8.44	125,000	125,000
Subsidiaries				
Obligations under capital leases	2007	6.70–11.32	2,109	4,485
Preferred shares <sup>(2)</sup>	2006	—	5,720	7,120
Other	—	—	1,029	967
			<u>\$821,678</u>	<u>\$805,572</u>

(1) Average interest rate on debt as of August 31, 2002, including stamping fees.

(2) 5,720,000 preferred shares, 5.5% cumulative dividend, redeemable and retractable to a maximum of \$1,400,000 annually.

- a) The Corporation has revised the agreement with its lenders for the committed Term Facility, reducing the Term Facility to \$400,000,000. The Term Facility is repayable at any time without penalty no later than January 31, 2007, and will be reduced to \$270,000,000 as at January 31, 2005, and \$95,000,000 as at January 31, 2006. The Term Facility requires commitment fees, and interest rates are based, at the Corporation's option, on bankers' acceptance or bank prime rates.

The Term Facility and the operating line of credit described in note 10 are secured by a first fixed and floating charge on the assets of the Corporation and certain of its subsidiaries except for permitted encumbrances, including purchase 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 in proportion to consolidated assets. The provisions under these facilities provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions are related to permitted investments, dividends on common shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense, fixed charges and total indebtedness.

- b) The Senior Secured Debentures Series 1 are redeemable at the Corporation's option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.3%. These debentures mature on June 4, 2009, and bear interest at 6.75% per annum, payable semi-annually. These debentures are indirectly secured by a first fixed and floating charge and a security interest on all assets of the Corporation and certain of its subsidiaries.
- c) The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These Notes are indirectly secured by a first fixed and floating charge and a security interest on all assets of the Corporation and certain of its subsidiaries. The Notes are redeemable at the Corporation's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium. The Series A mature on October 31, 2008 and the Series B mature on October 31, 2011. The Senior Secured Notes Series B have an interest coupon rate of 7.73% per annum, payable semi-annually.

On November 1, 2001, the Corporation entered into cross-currency swap agreements to fix the liability for interest and principal payments on US \$150,000,000 of its Senior Notes Series A which have an interest coupon rate of 6.83% per annum, payable semi-annually. These agreements have resulted in an effective interest rate of 7.254% on the Canadian dollar equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at CDN \$1.5910.

## 11. Long-term debt and Term facility (continued)

d) The Second Secured Debentures Series A are redeemable at the Corporation's option, in whole or in part, at the greater of par value or Canada bond yield plus 0.5%. These debentures mature on July 31, 2007, and bear interest at 8.44% per annum, payable semi-annually. These debentures are secured by second fixed charges on certain assets and floating charges on all assets of the Corporation and certain of its subsidiaries.

e) Principal repayments due on long-term debt, excluding those under capital leases, are as follows:

	2003	2004	2005	2006	2007
	\$ 1,400	\$ 1,400	\$ 1,400	\$ 35,520	\$ 220,000

f) Minimum payments due under capital leases total \$2,331,000, of which \$222,000 represent financial expense and are as follows:

	2003	2004	2005	2006	2007
	\$ 1,235	\$ 583	\$ 358	\$ 120	\$ 35

## 12. Capital stock

Authorized, an 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, issuable in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

	2002	2001
Issued		
15,691,100 multiple voting shares	\$ 98,346	\$ 98,346
24,182,714 subordinate voting shares (24,176,096 in 2001)	530,680	530,548
	<u>\$ 629,026</u>	<u>\$ 628,894</u>

During the year, subordinate voting share transactions were as follows:

	2002		2001	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning	24,176,096	\$ 530,548	17,875,383	\$ 284,952
Shares issued for cash consideration	—	—	2,500,000	100,000
Shares issued for the acquisition of cable systems (note 3)	—	—	3,785,248	145,293
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	6,618	132	21,865	429
Purchase of shares for cancellation	—	—	(6,400)	(126)
Balance at end	<u>24,182,714</u>	<u>\$ 530,680</u>	<u>24,176,096</u>	<u>\$ 530,548</u>

During 2002, the Corporation issued 6,618 shares (10,625 shares in 2001) pursuant to its Employee Stock Purchase Plan for a cash consideration of \$132,000 (\$282,000 in 2001). In 2001, the Corporation issued 11,240 shares pursuant to its Employee Stock Option Plan for a cash consideration of \$147,000.

During 2001, the Corporation issued 2,500,000 subordinate voting shares for a total consideration of \$100,000,000. Proceeds of this offering, net of expenses, amounted to \$95,700,000. Also, pursuant to a normal course issuer bid, the Corporation purchased for cancellation 6,400 subordinate voting shares for an amount of \$220,000, and the book value of purchased shares amounted to \$126,000. The excess of the purchase price over the book value of purchased shares reduced retained earnings by \$94,000.

## 12. Capital stock (continued)

### Stock-based plans

The Corporation established, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives. Under these plans, no more than 10% of the outstanding subordinate voting shares are available. The Employee Stock Purchase Plan is accessible to all employees up to a maximum of 5% of their annual salary. The subscription date is December 31 and the subscription price is based on the average market price of the shares of the last five business days of November, less 10%. A maximum of 40,000 shares are available under this plan. A total of 2,000,000 subordinate voting shares are reserved for the purpose of the Stock Option Plan. The minimum purchase price for which options are granted is not less than the market value of such shares at the time the option is granted. Granted options vest 20% per year beginning the day such options are granted and are exercisable over 10 years.

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

	2002		2001	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	154,398	\$ 25.79	128,050	\$ 21.65
Granted	161,909	23.27	37,588	36.10
Exercised	—	—	(11,240)	13.10
Forfeited	(61,397)	31.73	—	—
Outstanding, end of year	254,910	\$ 22.76	154,398	\$ 25.79
Exercisable, end of year	98,425	\$ 20.77	65,918	\$ 22.09

At August 31, 2002, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 8.00 to \$ 8.95	7,320	3.98	\$ 8.43	7,320	\$ 8.43
12.00 to 14.30	27,540	5.91	13.71	23,440	13.61
20.40 to 25.20	199,176	8.80	23.11	59,015	22.84
36.10 to 40.75	20,874	8.14	36.38	8,650	36.50
	254,910	8.29	\$ 22.76	98,425	\$ 20.77

During the year, the Corporation granted 161,909 stock options with an exercise price of \$20.40 to \$23.45. As permitted by CICA Handbook section 3870, the Corporation does not record any compensation expense for options granted to employees. If compensation cost had been recognized using the fair value-based method at the grant date, the Corporation's net income and earnings per share for the year ended August 31, 2002 would have been reduced to the following pro forma amounts:

Net income	
As reported	\$ 3,788
Pro forma	3,474
Basic earnings per share	
As reported	\$ 0.10
Pro forma	0.09
Diluted earnings per share	
As reported	\$ 0.09
Pro forma	0.09

## 12. Capital stock (continued)

Because the method of accounting under CICA Handbook section 3870 has not been applied to options granted prior to September 1, 2001, the pro forma compensation cost may not be representative of compensation cost to be expected in future years.

The fair value of each option granted was estimated on the grant date for purposes of the pro forma disclosures using the Binomial option pricing model based on the following assumptions:

Expected dividend yield	1.27%
Expected volatility	35%
Risk-free interest rate	4.13%
Expected life in years	3.8

The fair value of stock options granted for the year ended August 31, 2002, was \$7.40 per option.

For the purpose of pro forma disclosures, stock-based compensation is amortized to expense on a straight-line basis over the vesting period, which is four years.

The Binomial option pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option pricing models require the use of highly subjective assumptions including the expected stock price volatility. Because the Corporation's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair value estimate, in management's opinion, the existing option pricing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The Corporation has also adopted a performance unit plan for key employees. The value of a performance unit granted is equal to the closing price of the subordinate voting shares of the Corporation on the Toronto Stock Exchange on the trading day preceding the date of grant of the unit. The units credited to the participant's account will become vested to the participant on the third anniversary of the date of grant of the said performance units. The units will be redeemed only at the termination of the participant's employment or in case of retirement or death. Each unit credited gives the right to a Dividend Equivalent equal to the amount of dividend per share paid on the subordinate voting shares of the Corporation. The Dividend Equivalent is converted into additional units. The units do not confer on the participant the right to acquire shares or other securities of the Corporation under any circumstances, and the participant shall not, by holding units or otherwise, be considered a shareholder of the Corporation nor have any rights to become a shareholder as a result. An amount of \$118,000 has been recorded as a reduction of expenses related to this plan. In 2001, an expense amounting to \$103,000 was recorded.

## 13. Earnings per share

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

	2002	2001
Net income	\$ 3,788	\$ 5,818
Weighted average number of multiple voting and subordinate voting shares outstanding	39,871,601	38,812,879
Effect of dilutive stock options	14,578	38,381
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	39,886,179	38,851,260
Earnings per share		
Basic	\$ 0.10	\$ 0.15
Diluted	0.09	0.15

## 14. Financial instruments

### Fair value

The Corporation uses the following methods and assumptions to evaluate fair market value of financial instruments:

### Accounts receivable, accounts payable and accrued liabilities

The carrying amount in the consolidated balance sheets approximates fair value because of the short-term nature of these instruments.

## 14. Financial instruments (continued)

### Long-term debt

- a) Financial expense under the terms of the Corporation's Term Facility is based upon bankers' acceptance or bank prime rates. Therefore, carrying value is considered to represent fair market value for the Term Facility.
- b) The carrying values of obligations under capital leases and other items of the long-term debt approximate fair value of these financial instruments.
- c) The fair value of the Senior Secured Debentures Series 1, Senior Secured Notes Series A and B, and Second Secured Debentures Series A is based upon current trading values for similar financial instruments.
- d) The fair value of the derivative financial instruments is based upon available information about the financial instruments and market conditions.

The estimated fair values of long-term debt instruments and derivative instruments are as follows:

	2002		2001	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt	\$ 821,678	\$ 787,255	\$ 805,572	\$ 799,205
Derivative financial instruments — Asset (liability) position	—	539	351	(778)

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### Credit risks

The Corporation's credit risk arises from the possibility that counterparts to the cross-currency swap agreements and currency swap agreement may default on their obligations. The Corporation reduces risk by completing transactions with financial institutions that carry a credit rating equal or superior to A+. In addition, since the Corporation has a large and diversified clientele, credit risk concentration from customers is minimal.

## 15. Statements of cash flow

- a) Changes in non-cash working capital items

	2002	2001
Accounts receivable	\$ 2,114	\$ (8,616)
Income tax receivable	(5,129)	3,170
Prepaid expenses	2,791	6,147
Accounts payable and accrued liabilities	17,062	(10,615)
Deferred and prepaid income	(358)	5,011
Working capital deficiency related to business acquisitions	—	(4,592)
	<u>\$ 16,480</u>	<u>\$ (9,495)</u>

- b) Fixed assets

During the year, fixed assets acquisitions amounted to \$122,105,000 (\$166,369,000 in 2001), \$782,000 (\$777,000 in 2001) of which were acquired through leases. Disbursements for the purchase of fixed assets totaled \$121,323,000 (\$165,592,000 in 2001).

- c) Other information

	2002	2001
Financial expense paid	\$ 46,767	\$ 40,705
Income taxes paid	4,680	3,348
Shares issued for the acquisition of cable systems	—	145,293

## 16. Employee future benefits

The Corporation and its subsidiaries offer their employees contributory defined benefit pension plans, a defined contribution pension plan or a collective registered retirement savings plan. With respect to the last two plans, the Corporation and its subsidiaries' obligation is limited to the payment of the monthly employer's portion. The expenses related to these two plans amounted to \$922,000 (\$999,000 in 2001).

The defined benefit pension plans provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer certain executives a supplementary pension plan.

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

	2002	2001
Change in accrued benefit obligation		
Accrued benefit obligation at beginning of year	\$ 4,919	\$ 4,362
Service cost	282	262
Interest cost	364	327
Contributions by plan participants	121	118
Benefits paid	(225)	(150)
Accrued benefit obligation at end of year	<u>5,461</u>	<u>4,919</u>
Change in plan assets		
Fair value of plan assets at beginning of year	4,563	4,163
Expected return on plan assets	272	305
Amortization of net actuarial loss	(33)	—
Employer contributions	253	245
Benefits paid	(225)	(150)
Fair value of plan assets at end of year	<u>4,830</u>	<u>4,563</u>
Funded status		
Deficit and net accrued benefit liability	<u>\$ 631</u>	<u>\$ 356</u>
The net benefit expense includes the following components:		
Current cost	\$ 282	\$ 262
Interest cost	364	327
Expected return on plan assets	(272)	(305)
Amortization of net actuarial loss	33	—
Net periodic benefit cost	<u>\$ 407</u>	<u>\$ 284</u>

The significant weighted average assumptions used in measuring the Corporation's pension and other obligations are as follows:

	2002	2001
Discount rate	7.00%	7.00%
Expected rate of return on plan assets	7.25%	7.25%
Rate of compensation increase	5.00%	5.00%

As of September 1, 2000, the Corporation adopted the recommendations of the CICA with respect to employee future benefits whereby the cost of retirement benefits is established based on new methods and assumptions and the cost of post-employment benefits is recognized over the period in which the employees render services rather than on a pay-as-you go basis. These changes were applied retroactively through an adjustment to opening retained earnings, and the comparative figures have not been restated. As a result, as at September 1, 2000, the liability for employee future benefits was reduced by \$0.5 million and retained earnings were increased by \$0.5 million.

## 17. Commitments and contingencies

a) As at August 31, 2002, the Corporation and its subsidiaries are committed under lease agreements to pay annual rent as follows:

2003	2004	2005	2006	2007	2008 and thereafter
\$ 10,927	\$ 10,402	\$ 10,524	\$ 10,561	\$ 10,567	\$ 13,856

b) The Corporation and its subsidiaries are involved in matters involving litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigation to be material to these financial statements.

## 18. Related party transactions

Cogeco Cable Inc. is a subsidiary of COGECO Inc., which holds 39.4% of the Corporation's participating shares. COGECO Inc. and the Corporation executed, on September 1, 1992, a management agreement under which the parent company agreed to provide certain management, administrative, financial and strategic planning services. Under this agreement, the Corporation pays management fees equal to 2% of its total revenue subject to a maximum amount. Management fee payments, as at August 31, 2002, are limited to \$7,710,000 (\$7,518,000 in 2001) and are indexed annually based on the Consumer Price Index. This limit could be increased under certain circumstances. During the year, the Corporation paid management fees amounting to \$7,710,000 (\$7,518,000 in 2001) to COGECO Inc.

## 19. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2002.

## Ten-Year Financial Highlights

Years ended August 31,

(in thousands of dollars, except other statistics, per share data and ratios)

	2002	2001	2000
<b>Operations</b>			
Revenue	\$ 447,984	\$ 438,768	\$ 371,231
Operating income before depreciation and amortization	168,346	160,509	140,051
Financial expense	59,645	53,794	48,440
Income (loss) before income taxes	8,703	(15,846)	27,522
Net income from recurring operations	7,200	26,616	11,326
Net income	3,788	5,818	11,662
Cash Flow <sup>(1)</sup>	111,173	105,369	92,553
<b>Investments</b>			
Acquisition of fixed assets	\$ 122,105	\$ 166,369	\$ 176,633
Business acquisitions	—	226,148	155,358
<b>Financial condition</b>			
Fixed assets	\$ 757,260	\$ 719,919	\$ 615,273
Net assets employed <sup>(2)</sup>	1,719,063	1,682,687	1,298,823
Total assets	1,833,967	1,784,264	1,406,027
Total indebtedness	829,599	805,572	748,043
Shareholders' equity	716,797	712,877	467,164
<b>Other statistics</b>			
Number of shares outstanding at year end	39,873,814	39,867,196	33,566,483
Weighted average number of outstanding shares	39,871,601	38,812,879	33,554,726
<b>Per share data (basic)</b>			
Operating income before depreciation and amortization	\$ 4.22	\$ 4.14	\$ 4.17
Net income from recurring operations	0.18	0.69	0.34
Net income	0.10	0.15	0.35
Cash Flow <sup>(1)</sup>	2.79	2.71	2.76
Shareholders' equity	17.98	17.88	13.92
<b>Return ratios</b>			
Operating margin before depreciation and amortization <sup>(3)</sup>	37.6%	36.6%	37.7%
Return on average net assets employed <sup>(4)</sup>	9.9	10.8	12.2
Return on average shareholders' equity <sup>(5)</sup>	0.5	1.0	2.5
<b>Financial ratios</b>			
Total indebtedness / Operating income before depreciation and amortization	4.9	5.0 <sup>(6)</sup>	5.3 <sup>(7)</sup>
Interest coverage <sup>(11)</sup>	2.8	3.0	2.9
Total indebtedness / Shareholders' equity	1.2	1.1	1.6

(1) Cash flow from operating activities before unusual items and changes in non-cash working capital items.

(2) Total assets less cash and cash equivalents, accounts payable and accrued liabilities and deferred and prepaid income.

(3) Operating income before depreciation and amortization / Revenue.

(4) Operating income before depreciation and amortization / Average net assets employed.

(5) Net income applicable to multiple voting shares and subordinate voting shares / Average shareholders' equity.

(6) For the fiscal year ended August 31, 2001, the ratio includes financial results for periods less than twelve months of the acquisitions of Cablevue (Quinte) Limited and related companies, of Harrowby Communications and related companies, of Muskoka Cable Systems Limited and related companies, of Huntsville Cable Services Limited, of Médiacâble inc. and of Décibel inc.

	1999	1998	1997	1996	1995	1994	1993
\$	325,367	\$ 286,858	\$ 237,275	\$ 152,989	\$ 138,194	\$ 125,468	\$ 118,823
	138,796	126,697	103,120	66,158	56,928	54,106	50,458
	43,946	43,688	32,025	18,607	18,057	15,759	23,991
	54,597	60,164	34,738	35,866	18,844	23,931	13,694
	22,017	19,746	17,900	15,166	14,896	17,494	7,019
	28,961	32,545	17,900	20,370	12,813	17,494	7,019
	96,734	84,343	66,416	38,351	37,737	34,706	23,220
\$	136,440	\$ 80,081	\$ 59,533	\$ 34,650	\$ 39,785	\$ 28,731	\$ 13,179
	13,471	66,061	368,343	14,376	—	—	—
\$	466,172	\$ 377,585	\$ 316,271	\$ 160,009	\$ 138,248	\$ 112,007	\$ 94,327
	1,004,772	951,649	816,928	396,061	375,826	342,494	332,828
	1,097,335	1,020,689	911,279	436,904	410,489	378,219	367,041
	460,959	606,820	562,981	190,815	183,620	164,912	164,057
	463,614	287,072	260,649	184,535	173,795	165,237	165,149
	33,532,475	26,996,972	26,950,921	21,197,318	21,208,892	21,268,093	21,366,100
	30,248,052	27,013,270	21,884,928	21,197,337	21,233,726	21,332,053	16,636,933
\$	4.59	\$ 4.69	\$ 4.71	\$ 3.12	\$ 2.68	\$ 2.54	\$ 3.03
	0.73	0.73	0.82	0.72	0.70	0.82	0.42
	0.96	1.20	0.82	0.96	0.60	0.82	0.42
	3.20	3.12	3.03	1.81	1.78	1.63	1.40
	13.83	10.63	9.67	8.71	8.19	7.77	7.73
	42.7%	44.2%	43.5%	43.2%	41.2%	43.1%	42.5%
	14.2	14.3	17.0	17.1	15.9	16.0	15.1
	7.7	11.9	8.0	11.4	7.6	10.6	5.4
	3.3 <sup>(8)</sup>	4.8 <sup>(9)</sup>	5.5 <sup>(10)</sup>	2.9	3.2	3.0	3.3
	3.2	2.9	3.2	3.6	3.2	3.4	2.1
	1.0	2.1	2.2	1.0	1.1	1.0	1.0

(7) For the fiscal year ended August 31, 2000, the ratio includes financial results of the acquisition of Cableworks Communications Inc. for an eleven-month period only.

(8) For the fiscal year ended August 31, 1999, the ratio includes financial results of Weyburn and Estevan cable systems sold on December 17, 1998, for approximately a three-month period only, and financial results of the Chilliwack cable system sold on May 31, 1999 for a nine-month period only.

(9) For the fiscal year ended August 31, 1998, the ratio includes financial results of the acquisition of Câblodistribution Le Rocher inc. for a nine-month period only and financial results of cable system exchange with Shaw Communications Inc. for a two-month period only.

(10) For the fiscal year ended August 31, 1997, the ratio includes financial results of the cable systems acquired from Rogers Cablesystems Limited and certain of its related companies for a nine-month and six-day period only. Furthermore, this ratio does not consider that cash and cash equivalents were used subsequently to reduce total indebtedness.

(11) Operating income before depreciation and amortization / Financial expense.

## Selected Quarterly Information

(in thousands of dollars, except per share data)

### Operating Results

Quarters ended,	2002					2001				
	Nov.30	Feb. 28	May 31	Aug.31	Total	Nov.30	Feb. 28	May 31	Aug.31	Total
Revenue	\$ 113,583	\$ 111,214	\$ 111,009	\$ 112,178	\$ 447,984	\$ 103,674	\$ 108,802	\$ 116,073	\$ 110,219	\$ 438,768
Operating income before depreciation and amortization	41,195	41,505	41,797	43,849	168,346	36,626	38,236	43,216	42,431	160,509
Income (loss) before income taxes	(208)	2,599	2,993	3,319	8,703	2,777	2,135	5,729	(26,487)	(15,846)
Net income (loss) from recurring operations	1,737	982	2,017	2,464	7,200	375	(276)	2,270	24,247	26,616
Net income (loss)	(1,675)	982	2,017	2,464	3,788	375	(276)	2,270	3,449	5,818
Cash Flow <sup>(1)</sup>	26,850	25,759	27,013	31,551	111,173	24,709	26,158	28,509	25,993	105,369

### Per Share Data<sup>(2)</sup>

Net income (loss) from recurring operations										
– basic	\$ 0.04	\$ 0.02	\$ 0.05	\$ 0.06	\$ 0.18	\$ 0.01	\$ (0.01)	\$ 0.06	\$ 0.61	\$ 0.69
– diluted	0.04	0.02	0.05	0.06	0.18	0.01	(0.01)	0.06	0.61	0.69
Net income (loss)										
– basic	(0.04)	0.02	0.05	0.06	0.10	0.01	(0.01)	0.06	0.09	0.15
– diluted	(0.04)	0.02	0.05	0.06	0.09	0.01	(0.01)	0.06	0.09	0.15
Cash Flow <sup>(1)</sup>										
– basic	0.67	0.65	0.68	0.79	2.79	0.68	0.68	0.72	0.65	2.71
– diluted	0.67	0.65	0.68	0.79	2.79	0.68	0.68	0.71	0.65	2.71

(1) Cash flow from operating activities before unusual items and changes in non-cash working capital items.

(2) The addition of quarterly per share information may not correspond to the total given the fluctuation of shares outstanding.

## Trading Statistics

(in dollars, except subordinate voting share volumes)

The Toronto Stock Exchange

Quarters ended,	2002				Total
	Nov. 30	Feb. 28	May 31	Aug. 31	
High	\$ 27.45	\$ 24.35	\$ 22.00	\$ 18.31	
Low	18.30	20.16	16.55	8.01	
Close	22.00	21.70	17.02	11.50	
Volume (shares)	2,782,586	3,370,460	4,234,001	2,608,669	12,995,716

Quarters ended,	2001				Total
	Nov. 30	Feb. 28	May 31	Aug. 31	
High	\$ 45.20	\$ 38.00	\$ 30.50	\$ 32.75	
Low	28.00	28.15	24.25	26.56	
Close	28.95	29.50	27.85	26.95	
Volume (shares)	4,113,169	3,688,136	5,108,427	1,509,413	14,419,145

## Investor Information

As at August 31,

(in thousands of dollars, except share information)

Consolidated Capitalization	2002	2001	2000	1999	1998
Total indebtedness	\$ 829,599	\$ 805,572	\$ 748,043	\$ 460,959	\$ 606,820
Shareholders' equity	716,797	712,877	467,164	463,614	287,072
Total	\$1,546,396	\$1,518,449	\$1,215,207	\$ 924,573	\$ 893,892

As at August 31, 2002

Credit Ratings	DBRS	S&P
Senior Secured Debentures, Series 1	BBB (Low)	BBB
Second Secured Debentures, Series A	BB (High)	BBB-

Cogeco Cable's credit ratings have a negative trend.

As at August 31, 2002

### Share Information

Number of multiple voting shares (10 votes per share) outstanding	15,691,100	Registrar/Transfer Agent
Number of subordinate voting shares (1 vote per share) outstanding	24,182,714	National Bank Trust 1100 University Street, 9th Floor Montreal, Quebec H3B 2G7 Tel.: (514) 871-7171 Fax: (514) 871-7442
Stock exchange listing	The Toronto Stock Exchange	121 King Street West, Suite 1600 Toronto, Ontario M5H 3T9 Tel.: 1 800 341-1419 Fax: (514) 871-7442
Trading symbol	CCA	

### Dividend Policy

The Corporation paid a dividend of \$0.03 per share in the first quarter of 2000-2001 to the holders of subordinate voting shares and multiple voting shares. Starting from the second quarter of 2000-2001, no dividends were paid in order to focus more of its available cash flow on investment in system upgrades and new technologies.

Years ended August 31,

(in dollars, except volume of subordinate voting shares)

	The Toronto Stock Exchange			
	High	Low	Close	Volume (shares)
2002	\$27.45	\$ 8.01	\$11.50	12,995,716
2001	45.20	24.25	26.95	14,419,145
2000	49.00	20.00	42.50	21,092,361
1999	31.95	12.70	23.30	11,186,479
1998	17.75	10.75	14.65	11,337,353
1997	12.35	8.00	10.90	937,736
1996	9.38	7.00	8.20	1,449,029
1995	10.88	7.50	8.38	1,797,012
1994	13.13	10.13	10.50	2,394,120
1993 <sup>(1)</sup>	11.50	10.00	10.75	899,818

(1) Initial Public Offering completed July 6, 1993.

## Customer Statistics

As at August 31,

	2002	2001	2000	1999	1998
<b>Number of Customers</b>					
Homes passed	1,375,494	1,358,880	1,197,808	1,103,361	1,110,810
Homes connected <sup>(1)</sup>	843,598	881,731	806,431	765,806	777,155
Revenue Generating Units <sup>(2)</sup>	1,124,358	1,082,953	948,047	804,941	787,573
Basic Service Customers	836,368	878,766	806,431	765,806	777,155
Percent Penetration	60.8%	64.7%	67.3%	69.4%	70.0%
Discretionary Service Customers					
Tier 1	633,078	684,026	650,142	618,201	644,059
Penetration as Percentage of Basic <sup>(5)</sup>	77.8%	79.8%	82.9%	83.4%	83.7%
Tier 2	408,634	432,205	401,232	353,589	363,306
Penetration as Percentage of Basic	64.0% <sup>(3)</sup>	66.2% <sup>(3)</sup>	68.6% <sup>(3)</sup>	68.5% <sup>(4)</sup>	67.0% <sup>(4)</sup>
Tier 3	357,680	366,760	347,229	297,119	210,120
Penetration as Percentage of Basic	56.1% <sup>(3)</sup>	56.1% <sup>(3)</sup>	59.4% <sup>(3)</sup>	57.6% <sup>(4)</sup>	38.7% <sup>(4)</sup>
Pay-TV Service Customers	116,484	108,626	88,320	74,196	81,894
Penetration as Percentage of Basic	13.9%	12.4%	11.0%	9.7%	10.5%
High-Speed Internet Service Customers	158,192	107,938	70,716	39,135	10,418
Penetration as Percentage of Basic	22.1% <sup>(5)</sup>	16.1% <sup>(5)</sup>	12.2% <sup>(5)</sup>	—	—
Digital Terminals	144,950	105,292	79,063	—	—
Penetration as Percentage of Basic	18.4% <sup>(5)</sup>	13.3% <sup>(5)</sup>	11.1% <sup>(5)</sup>	—	—
Bundled Service Customers <sup>(6)</sup>	241,686	187,926	51,203	—	—

(1) Internet service customers who do not subscribe to other cable services and basic service customers.

(2) Basic service, Internet service and digital service customers.

(3) Calculated on the basis of basic service customers, in Ontario and digital service customers, in Quebec.

(4) Only available on systems located in provinces other than Quebec.

(5) Calculated on the basis of the systems where the service is offered.

(6) Bundles including basic service, discretionary tiers, multiple outlets with the option to include pay television, the advantages of digital service and high-speed Internet service.

Breakdown by province	Homes Passed	Basic Service		Discretionary Services		Basic Service
		Customers	% of the Penetration <sup>(1)</sup>	Customers	% of the Penetration <sup>(2)</sup>	Distribution by Region as a %
Ontario						
Southern Regions	643,112	415,873	64.7%	332,262	79.9%	49.7%
Other Regions	297,453	180,282	60.6	146,920	81.5	21.6
	940,565	596,155	63.4	479,182	80.4	71.3
Quebec	434,929	240,213	55.2	164,849	68.6	28.7
Total in Canada	1,375,494	836,368	60.8%	644,031	77.0%	100.0%

(1) As percentage of Homes Passed.

(2) As percentage of Basic Service Customers.

## Corporate Management and Board of Directors

### Corporate Management

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**Maurice Myrand**  
Chairman of the Board

**Louis Audet**  
President and Chief  
Executive Officer

**Jacques Bégin**  
Vice-President,  
Special Projects

**Denis Bélanger**  
Vice-President,  
Engineering and Development

**Pierre Gagné**  
Vice-President,  
Finance and Chief Financial Officer

**Gaston Germain**  
Vice-President and General  
Manager,  
Cable Ontario

**Jules Grenier**  
Vice-President and General  
Manager,  
Cable Quebec

**Yves Mayrand**  
Vice-President,  
Legal Affairs and Secretary

**Ron Perrotta**  
Vice-President,  
Marketing and Sales

**Louise St-Pierre**  
Vice-President and  
Chief Information Officer

**Christian Jolivet**  
Director,  
Legal Affairs and Assistant Secretary

### Board of Directors

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■▲◆ **Maurice Myrand**, F.C.A., A.I.F.  
Outremont, Quebec  
Chairman of the Board  
Director

■▲ **Henri Audet**, C.M., D.Sc., Eng.  
Outremont, Quebec  
Chairman Emeritus  
Director

■ **Louis Audet**, M.B.A., Eng.  
Westmount, Quebec  
President and  
Chief Executive Officer  
Director

●◆ **Jacqueline L. Boutet**, C.M.  
Montreal, Quebec  
President,  
Jacqueline L. Boutet Inc.  
Director

▲ **Daniel Damov**  
Don Mills, Ontario  
Corporate Director  
Director

**John S. Elder**, Q.C.  
Toronto, Ontario  
Vice-Chairman and Partner,  
Fraser Milner Casgrain LLP  
Director

● **Harry A. King**, B.A., C.A.  
Vancouver, British Columbia  
President,  
Harking Investments Ltd.  
Director

● **Henri P. Labelle**, B. Arch., M.B.A.  
Montreal, Quebec  
Architect and Certified Arbitrator  
Director

●◆ **David McAusland**, B.C.L., LL.B.  
Beaconsfield, Quebec  
Senior Vice-President,  
Mergers & Acquisitions  
& Chief Legal Officer,  
Alcan Inc.  
Director

▲◆ **Jan E. Peeters**, Eng., C.M.A.  
Montreal, Quebec  
President,  
Olameter Inc.  
Director

- Member of the Executive Committee
- Member of the Audit Committee
- ▲ Member of the Human Resources Committee
- ◆ Member of the Governance Committee

## Operations and Corporate Information

### Operations

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#### **Cogeco Cable Inc.**

1 Place Ville Marie  
Suite 3636  
Montreal, Quebec  
H3B 3P2  
Tel.: (514) 874-2600  
Fax: (514) 874-2625

5 Place Ville Marie  
Suite 915  
Montreal, Quebec  
H3B 2G2  
Tel.: (514) 874-2600  
Fax: (514) 875-0102

#### **Jacques Bégin**

Vice-President,  
Special Projects

#### **Denis Bélanger**

Vice-President,  
Engineering and Development

#### **Hélène Laurin**

Vice-President,  
Administration and Control

#### **Ron Perrotta**

Vice-President,  
Marketing and Sales

#### **Louise St-Pierre**

Vice-President and  
Chief Information Officer

#### **Cable Ontario**

950 Syscon Road  
P.O. Box 5076 Stn. Main  
Burlington, Ontario  
L7R 4S6  
Tel.: (905) 333-5343  
Fax: (905) 332-8426

#### **Gaston Germain**

Vice-President  
and General Manager

#### **Chris MacFarlane**

Vice-President,  
Engineering, IP and  
Transport Services

#### **Gerry Marshall**

Vice-President,  
Technical Operations

#### **Tom McCutcheon**

Vice-President and Director,  
Product Management and  
Planning

#### **Andre Schermel**

Vice-President,  
Engineering, HFC and  
Fiber Infrastructure

#### **Cable Quebec**

1630 6<sup>e</sup> Rue  
Suite 200  
Trois-Rivières, Quebec  
G8Y 5B8  
Tel.: (819) 372-9292  
Fax: (819) 372-3318

#### **Jules Grenier**

Vice-President  
and General Manager

#### **Hélène Dubuc**

Vice-President,  
Communications and Programming

#### **Jacques Gravel**

Vice-President,  
Network Operations

### Corporate Information

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#### **Head Office**

1 Place Ville Marie  
Suite 3636  
Montreal, Quebec  
H3B 3P2  
Tel.: (514) 874-2600  
Fax: (514) 874-2625  
www.cogeco.com

#### **Annual Meeting**

The Annual Shareholders Meeting will be held at 4 p.m. on Wednesday, December 4, 2002, in the Toronto I Ballroom of the Hilton Hotel, 145 Richmond Street West, Toronto, Ontario.

#### **Auditors**

Deloitte & Touche LLP  
1 Place Ville Marie  
Suite 3000  
Montreal, Quebec  
H3B 4T9

#### **Legal Counsel**

Fraser Milner Casgrain LLP  
1 First Canadian Place  
P.O. Box 100  
Toronto, Ontario  
M5X 1B2

1 Place Ville Marie  
Suite 3900  
Montreal, Quebec  
H3B 4M7

#### **Transfer Agent**

**Second Secured Debentures**  
Computershare Trust Company  
of Canada

**Transfer Agent Senior Secured  
Debentures and Senior Secured Notes**  
National Bank Trust

#### **Quarter ends**

November, February, May

#### **Year end**

August 31

### Corporate Information

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#### **Investors and Analysts**

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

#### **Shareholders**

For any inquiries other than a change of address, financial information or a change of registration of shares, please contact the Legal Affairs Department.

#### **Duplicate Communications**

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

### Information

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Persons wishing to receive a copy of the Annual Information Form or the Quarterly Reports should call (514) 874-2600.

*Des exemplaires en français du rapport annuel, de la notice annuelle et des rapports trimestriels sont disponibles sur demande au (514) 874-2600.*