SHAREHOLDERS' REPORT

Second Quarter Ended February 28, 2009

FINANCIAL HIGHLIGHTS

($000, except percentages and per share data)	Quarters ended February 28, 2009 $	February 29, 2008[1] $	Change %	Six months ended February 28, 2009 $	February 29, 2008[1] $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**311,825**	271,894	14.7	**620,200**	532,149	16.5
Operating income from continuing operations before amortization[2]	**126,663**	109,523	15.6	**251,367**	209,697	19.9
Operating income from continuing operations	**59,878**	53,177	12.6	**120,519**	100,312	20.1
Impairment of goodwill and intangible assets	**399,648**	–	–	**399,648**	–	–
Income (loss) from continuing operations	**(115,291)**	16,315	–	**(104,238)**	23,971	–
Loss from discontinued operations	**–**	(425)	–	**–**	(18,057)	–
Net income (loss)	**(115,291)**	15,890	–	**(104,238)**	5,914	–
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations[2]	**8,660**	8,406	3.0	**19,713**	16,062	22.7
Cash flow from operating activities from continuing operations	**120,480**	92,942	29.6	**150,950**	139,546	8.2
Cash flow from operations from continuing operations[2]	**100,351**	85,374	17.5	**195,977**	166,751	17.5
Capital expenditures and increase in deferred charges	**68,262**	66,000	3.4	**142,117**	124,403	14.2
Free cash flow[2]	**32,089**	19,374	65.6	**53,860**	42,348	27.2
Earnings (loss) per share						
Basic						
Income (loss) from continuing operations	**(6.89)**	0.98	–	**(6.23)**	1.44	–
Loss from discontinued operations	**–**	(0.03)	–	**–**	(1.08)	–
Net income (loss)	**(6.89)**	0.95	–	**(6.23)**	0.35	–
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations[2]	**0.52**	0.50	4.0	**1.18**	0.96	22.9
Diluted						
Income (loss) from continuing operations	**(6.89)**	0.97	–	**(6.23)**	1.43	–
Loss from discontinued operations	**–**	(0.03)	–	**–**	(1.08)	–
Net income (loss)	**(6.89)**	0.95	–	**(6.23)**	0.35	–
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations[2]	**0.52**	0.50	4.0	**1.18**	0.96	22.9

(1) Certain comparative figures have been reclassified to conform to the current year's presentation. Financial information for the previous year has been restated to reflect the presentation of foreign exchange gains or losses as financial expense instead of operating costs.

(2) The indicated terms do not have standardized definitions prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-GAAP financial measures" section of the Management's discussion and analysis.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to COGECO's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Company, they may prove to be incorrect. The Company cautions the reader that the current adverse economic conditions make forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Company's expectations. It is impossible for COGECO to predict with certainty the impact that the current economic downtown may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Company's 2008 annual Management's Discussion and Analysis (MD&A) that could cause actual results to differ materially from what COGECO currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Company's control. Therefore, future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Company is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

This analysis should be read in conjunction with the Company's consolidated financial statements, and the notes thereto, prepared in accordance with Canadian GAAP and the MD&A included in the Company's 2008 Annual Report. Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

CORPORATE STRATEGIES AND OBJECTIVES

COGECO Inc.'s ("COGECO" or the "Company") objectives are to maximize shareholder value by increasing profitability and ensuring continued growth. The strategies employed to reach these objectives, supported by tight controls over costs and business processes, are specific to each sector. For the cable sector, sustained corporate growth and the continuous improvement of networks and equipment are the main strategies used. The radio activities focus on continuous improvement of programming in order to increase market share, and, thereby, profitability. COGECO uses growth of revenue and operating income before amortization[(1)], free cash flow[(1)] and revenue-generating units ("RGU")[(2)] growth in order to measure its performance against these objectives for the cable sector. Below are the Company's recent achievements in furthering the corporate objectives.

Tight control over costs and business processes

- For the first six months of fiscal 2009, the Company's operating costs increased over last year by 14.4% compared to a revenue growth of 16.5%;
- The Company's Portuguese subsidiary, Cabovisão, continued to improve its business processes, and at the end of the second quarter, reinforced controls over its doubtful accounts;
- The design of internal controls over financial reporting as per National Instrument 52-109 is still ongoing. As discussed in the 2008 annual MD&A, the Company had identified certain material weaknesses in the design of internal controls over financial reporting and has been working to improve the design and efficiency of internal controls on some significant processes during the quarter. The documentation and remediation of key internal controls are progressing normally.

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(2) Represents the sum of Basic Cable, High Speed Internet (HSI), Digital Television and Telephony service customers.

Cable sector
Sustained corporate growth

Canadian operations

- Digital Television service:
  - During the second quarter, the following Digital and High Definition ("HD") Television services were launched:
    - TSN2 HD,Teletoon Retro and Sportsnet East HD in Québec.
- Telephony service:
  - During the second quarter, the Telephony service was launched in the following cities:
    - Callander, Ingleside, Long Sault and Lancaster, Ontario;
    - Daveluyville, Chambord, Desbiens, Lac Bouchette, Metabetchouan, Normandin, St-Ferdinand-d'Halifax, St-Gédéon, Tring Jonction, Amqui, Batiscan, Causapscal, Lac-au-Saumon, St-Stanislas, St-Ulric, Ste-Anne-de-la-Pérade, Sayabec et Val-Brillant, Québec.
- High Speed Internet service :
  - Launch of a new High Speed Internet ("HSI") package, HSI Lite Plus, in Ontario and in Québec with download speeds of up to 3 Mbps and a monthly load bit capacity of 20 GB.
- Cogeco Data Services:
  - During the second quarter, announcement of a 10-year, $39 million contract with the Toronto District School Board.

European operations

- Bundled offers:
  - Cabovisão - Televisão por Cabo, S.A. ("Cabovisão") realigned some of its bundle offers for certain customers and is currently assessing improvements to its retention strategies;
- Digital Television service:
  - Continued deployment of Cabovisão's Digital Television service;
  - Launch of SET channel, Sony Entertainment, Animax, Benfica TV, Disney Channel and Disney Cinemagic;
  - Launch of a new HD Set Top Box with Digital Video recording capabilities (HD + DVR).
- High Speed Internet service:
  - During the second quarter, Cabovisão ceased charging for excess consumption for HSI customers.

Continuous improvement of networks and equipment

- During the first six months of fiscal 2009, the Company invested approximately $48.3 million in its cable infrastructure including head-ends and upgrades and rebuilds.

Other

- Winter's BBM Canada survey conducted with the Portable People Meter ("PPM") shows that RYTHME FM has maintained its leadership position with audiences in the adult and female categories in the Montréal market. The other RYTHME FM stations and the 93^3 station in the Québec City continue to expand their audiences.

Discontinued Operations

In October 2007, the Board of Directors of TQS, an indirect subsidiary of the Company, engaged CIBC World Markets to advise on and assess strategic options for the TQS network in the face of financial difficulties. On December 18, 2007, the Québec Superior Court issued an order under the *Companies' Creditors Arrangement Act* (Canada) protecting TQS, its subsidiaries and its parent 3947424 Canada Inc. ("TQS Group") from claims by their creditors. On June 26, 2008, the Canadian Radio-television and Telecommunications Commission ("CRTC") approved the proposed transfer of ownership and control of TQS to Remstar Corporation Inc. ("Remstar") and on August 29, 2008, the transfer of ownership and control of TQS to Remstar was completed, which allowed the new ownership group to pursue the broadcasting activities of TQS.

Effective December 18, 2007, the Company has ceased to consolidate the financial statements of the TQS Group. Accordingly, the results of operations and cash flows for the three and six month periods ended February 29, 2008, have been reclassified as discontinued operations.

The results of the discontinued operations were as follows:

($000)	Quarters ended February 28, 2009 $	Quarters ended February 29, 2008 $	Six months ended February 28, 2009 $	Six months ended February 29, 2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	–	5,741	–	38,499
Operating costs	–	5,865	–	35,822
Operating income (loss) before amortization	–	(124)	–	2,677
Amortization	–	248	–	1,364
Operating income (loss)	–	(372)	–	1,313
Financial expense	–	53	–	291
Impairment of assets	–	–	–	30,298
Loss before income taxes and the following items	–	(425)	–	(29,276)
Income taxes	–	–	–	–
Non-controlling interest	–	–	–	(11,219)
Loss from discontinued operations	–	(425)	–	(18,057)

The cash flows of the discontinued operations were as follows:

($000)	Quarters ended February 28, 2009 $	Quarters ended February 29, 2008 $	Six months ended February 28, 2009 $	Six months ended February 29, 2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash flow from operating activities	–	1,770	–	(3,973)
Cash flow from investing activities	–	(48)	–	(133)
Cash flow from financing activities	–	(1,722)	–	4,106
Cash flow from discontinued operations	–	–	–	–

Continuing Operations

RGU growth in the cable sector

During the first six months ended February 28, 2009, the consolidated number of RGU increased by 78,340, or 2.9%, to reach 2,795,214 RGU, on target to attain the Company's RGU growth projections of 100,000 net additions issued on October 29, 2008 and revised on April 8, 2009, which represents approximately 3.7%, for the fiscal year ending August 31, 2009. Please consult the "Fiscal 2009 financial guidelines" section for further details.

Revenue and operating income from continuing operations before amortization growth

For the second quarter of fiscal 2009, revenue increased by $39.9 million, or 14.7%, to reach $311.8 million while operating income before amortization from continuing operations grew by $17.1 million, or 15.6%, to reach $126.7 million. For the first six months of the year, revenue increased by $88.1 million, or 16.5%, to reach $620.2 million while operating income before amortization from continuing operations grew by $41.7 million, or 19.9%, to reach $251.4 million. Due to the difficult environment in the Portuguese cable market, management has revised its guidelines for fiscal 2009 and now expects that revenue should reach $1,238 million, a decrease of $5 million compared to its original guidelines and operating income before amortization should decrease by $8 million to reach $505 million. Please consult the "Fiscal 2009 financial guidelines" section for further details.

Free cash flow

In the second quarter of fiscal 2009, COGECO generated free cash flow of $32.1 million compared to $19.4 million for the same period last year. For the six month period ended February 28, 2009, COGECO generated free cash flow of $53.9 million compared to $42.3 million in the prior year. These free cash flow increases resulted mainly from the cable sector and are attributable to an increase in cash flow from operations, resulting primarily from the improvement of the

Company's operating income before amortization, partly offset by an increase in capital expenditures and by the impact of the rapid appreciation of the US dollar over the Canadian dollar in the first six months of the year. Due to the difficult environment in the Portuguese market of the cable segment partly offset by the appreciation of the Euro currency over the Canadian dollar, management has revised downwards its guidelines for fiscal 2009, and now expects free cash flow to reach $85 million for fiscal 2009, a decrease of $10 million compared to the original guidelines issued. Please consult the "Fiscal 2009 financial guidelines" section for further details.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

In the second quarter of fiscal 2009, the competitive position of Cogeco Cable's subsidiary Cabovisão in the Iberian Peninsula further deteriorated due to the continuing unfavourable economic climate and recurring intense customer promotions and advertising initiatives from competitors in the Portuguese market at the end of the second quarter. Please refer to the "Cable sector" section for further details. In accordance with current accounting standards, management considers that the continued RGU and local currency revenue decline are more significant and persistent than expected, resulting in a decrease in the value of Cogeco Cable's investment in the Portuguese subsidiary. As a result, Cogeco Cable tested goodwill and all long-lived assets for impairment at February 28, 2009.

Goodwill has to be tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. Cogeco Cable has completed its impairment tests on goodwill and has concluded that goodwill was impaired at February 28, 2009. As a result, a non-cash impairment loss of $339.2 million was recorded in the second quarter. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows are based on internal forecasts and consequently, considerable management judgement is necessary to estimate future cash flows. Significant changes in assumptions could result in further impairments of goodwill.

Intangible assets with definite lives, such as customer relationships, must be tested for impairment by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flow to be generated by the asset or group of assets. Accordingly, Cogeco Cable has completed its impairment test on customer relationships at February 28, 2009, and has determined that the carrying value of customer relationships exceeds its fair value. As a result, a non-cash impairment loss of $60.4 million was recorded in the second quarter.

The impairment loss affected the Company's goodwill and customer relationship assets balances as follows at February 28, 2009:

($000)	$
	(unaudited)
Goodwill	339,206
Customer relationships	60,442
Future income taxes	(16,018)
Impairment loss net of related income taxes	383,630
Non-controlling interest	(259,679)
Impairment loss net of related income taxes and non-controlling interest	123,951

OPERATING RESULTS – CONSOLIDATED OVERVIEW

($000, except percentages)	Quarters ended			Six months ended		
	February 28, 2009 $	February 29, 2008[1] $	Change %	**February 28, 2009 $**	February 29, 2008[1] $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**311,825**	271,894	14.7	**620,200**	532,149	16.5
Operating costs	**185,162**	162,371	14.0	**368,833**	322,452	14.4
Operating income from continuing operations before amortization	**126,663**	109,523	15.6	**251,367**	209,697	19.9
Operating margin[2]	**40.6%**	40.3%		**40.5%**	39.4%	

(1) Certain comparative figures have been reclassified to conform to the current year's presentation. Financial information for the previous year has been restated to reflect the presentation of foreign exchange gains or losses as financial expense instead of operating costs.

(2) Operating margin does not have a standardized definition prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-GAAP financial measures" section.

Revenue

Fiscal 2009 second-quarter revenue improved, mainly in its cable sector, by $39.9 million, or 14.7%, to reach $311.8 million, and for the six month period, by $88.1 million, or 16.5%, to reach $620.2 million. Cable revenue, driven by an increased number of RGU combined with rate increases and the acquisition of MaXess Networx®, FibreWired Burlington Hydro Communications and Cogeco Data Services (the "recent acquisitions") in the second half of fiscal 2008 in Canadian operations, and by the appreciation of the Euro over the Canadian dollar in European operations, went up by $39.8 million, or 15%, and by $87.4 million, or 16.9%, respectively, in the second quarter and first six months of fiscal 2009.

Operating costs

Operating costs increased by $22.8 million, or 14%, to reach $185.2 million in the second quarter and by $46.4 million, or 14.4%, to reach $368.8 million in the first half of fiscal 2009 compared to the prior year. The increase in operating costs was mainly attributable to the cable sector, due to the servicing of additional RGU and the impact of the recent acquisitions in Canada, and in Europe due to the appreciation of the Euro over the Canadian dollar and an increase in the level of uncollectible customer accounts.

Operating income from continuing operations before amortization

Operating income from continuing operations before amortization grew, essentially by its cable segment, by $17.1 million, or 15.6%, to reach $126.7 million in the second quarter of fiscal 2009 compared to the corresponding period of the prior year, and for the six month period ended February 28, 2009, by $41.7 million, or 19.9%, to reach $251.4 million. The cable sector contributed to the growth by $16.8 million during the second quarter, and $39.2 million during the first half of the fiscal year.

FIXED CHARGES

($000, except percentages)	Quarters ended			Six months ended		
	February 28, 2009 $	February 29, 2008[1] $	Change %	**February 28, 2009 $**	February 29, 2008[1] $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Amortization	**66,785**	56,346	18.5	**130,848**	109,385	19.6
Financial expense	**18,028**	17,550	2.7	**41,806**	33,883	23.4

(1) Certain comparative figures have been reclassified to conform to the current year's presentation. Financial information for the previous year has been restated to reflect the presentation of foreign exchange gains or losses as financial expense instead of operating costs.

Fiscal 2009 second quarter and first six-month period, amortization amounted to $66.8 million and $130.8 million,

respectively, compared to $56.3 million and $109.4 million for the corresponding period the year before. The increase in amortization expense was mainly due the cable sector and attributable to additional capital expenditures arising from customer premise equipment acquisitions to sustain RGU growth, to the recent acquisitions in the Canadian operations and to the appreciation of the Euro currency over the Canadian dollar.

Second-quarter and first six-month period financial expense increased by $0.5 million and $7.9 million compared to the same periods in fiscal 2008 due to the rapid appreciation of the US dollar and the Euro over the Canadian dollar and the increase in the level of Indebtedness (defined as bank indebtedness, derivative financial instruments and long-term debt). More specifically, financial expense in the cable sector was adversely impacted by foreign exchange losses amounting to $0.6 million in the second quarter and $4.4 million in the first six months of fiscal 2009 as the majority of customer premise equipment is purchased and subsequently paid in US dollars. These losses were essentially due to the unusually high US dollar volatility, with the Bank of Canada closing rate fluctuating from CA$1.0620 per US dollar at August 31, 2008 to CA$1.2723 per US dollar at February 27, 2009, reaching a high of CA$1.2935 per US dollar on November 20, 2008. For the corresponding periods of the prior year, the cable subsidiary recorded a foreign exchange loss of $0.2 million and a foreign exchange gain of $0.9 million, respectively.

INCOME TAXES

Fiscal 2009 second-quarter income tax expense amounted to $0.2 million compared to a recovery of $14.4 million in fiscal 2008. For the first half of the year, income tax expense amounted to $10 million compared to a recovery of $5.1 million in the prior year. The income tax expenses for the current year include a future income tax recovery of $16 million related to the impairment loss recorded in the second quarter in the cable sector. Prior year income tax amounts include the impact of the reduction in corporate income tax rates announced on October 16, 2007 by the Canadian federal government in its Economic Statement and considered substantively enacted on December 14, 2007 (the “income tax adjustment”). The reduction of these corporate income tax rates reduced future income tax expense by $24.1 million in the second quarter and first six months of fiscal 2008. Excluding the effects of the impairment loss in the current year and the tax rate reductions in the prior year, income tax expense would have amounted to $16.2 million for the second quarter and $26 million for the first six months of fiscal 2009, compared to $9.7 million for the second quarter and $19 million for the first half of fiscal 2008. The increases in income tax expense for fiscal 2009 are mainly due to the increase in operating income before amortization surpassing that of the fixed charges.

NON-CONTROLLING INTEREST

The non-controlling interest represents a participation of approximately 67.7% in Cogeco Cable’s results. During the second quarter of fiscal 2009 the loss attributable to non-controlling interest amounted to $242.7 million, and $226.8 million for the six months ended February 28, 2009, due to the impairment loss recorded in the cable sector. The income attributable to non-controlling interest for the comparable periods of the prior year amounted to $33.8 million and $47.5 million, respectively.

NET INCOME (LOSS)

Fiscal 2009 second-quarter net loss amounted to $115.3 million, or $6.89 per share, compared to net income of $15.9 million, or $0.95 per share, for the same period last year. Net loss in the first six month period of fiscal 2009 amounted to $104.2 million, or $6.23 per share, compared to net income of $5.9 million, or $0.35 per share, for the same period last year. Fiscal 2009 net losses in the second quarter and first six months are due to the impairment loss of $399.6 million recorded in the second quarter of the year, as described in the “Impairment of goodwill and intangible assets” section. Net of related income taxes and non-controlling interest, the impairment loss reduced net income for the quarter and first six months by $124 million. The net income amounts of the 2008 fiscal year included an income tax recovery of $24.1 million resulting from the reduction of corporate income tax rates in the second quarter of fiscal 2008 as described in the “Income taxes” section, net of non-controlling interest of $16.2 million, for a net impact on income of $7.9 million, and losses from discontinued operations of $0.4 million and $18.1 million for the quarter and first six months of fiscal 2008 respectively. Excluding the effect of the above items[(1)], net income would have amounted to $8.7 million, or $0.52 per share[(1)], and $19.7 million, or $1.18 per share, for the quarter and first six months ended February 28, 2009, respectively, compared to $8.4 million, or $0.50 per share, representing increases of 3% and 4%, and $16.1 million, or $0.96 per share, representing increases of 22.7% and 22.9%, respectively, for the second quarter and first six months of the 2008 fiscal year. Net income progression has resulted mainly from the growth in the cable sector of operating income before amortization exceeding that of fixed charges from the Canadian operations, partly offset by the reduction in

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operating income before amortization, the increase in fixed charges and the unfavourable impact of the Euro currency over the Canadian dollar for the European operations in the cable sector.

CASH FLOW AND LIQUIDITY

($000)	Quarters ended February 28, 2009 $ (unaudited)	Quarters ended February 29, 2008 $ (unaudited)	Six months ended February 28, 2009 $ (unaudited)	Six months ended February 29, 2008 $ (unaudited)
Operating activities from continuing operations				
Cash flow from operations[1]	**100,351**	85,374	**195,977**	166,751
Changes in non-cash operating items	**20,129**	7,568	**(45,027)**	(27,205)
	120,480	92,942	**150,950**	139,546
Investing activities from continuing operations[2]	**(67,895)**	(64,743)	**(140,795)**	(123,072)
Financing activities from continuing operations[2]	**(36,365)**	(22,329)	**2,411**	(58,586)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**641**	355	**1,328**	202
Net change in cash and cash equivalents from continuing operations	**16,861**	6,225	**13,984**	(41,910)
Net change in cash and cash equivalents from discontinued operations	**–**	–	**–**	–
Cash and cash equivalents, beginning of period	**34,505**	18,144	**37,472**	66,279
Cash and cash equivalents, end of period	**51,366**	24,369	**51,366**	24,369

[1] Cash flow from operations does not have a standardized definition prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-GAAP financial measures" section.
[2] Excludes assets acquired under capital leases.

Fiscal 2009 second quarter cash flow from operations reached $100.4 million, 17.5% higher than the comparable period last year, primarily due to the increase in operating income before amortization. Changes in non-cash operating items generated greater cash inflows compared to the same period last year, mainly as a result of increases in accounts payable and accrued liabilities, and a slight decrease in accounts receivable in the second quarter of fiscal 2009 compared to an increase in accounts receivable in the second quarter of the prior year, partly offset by an increase in income taxes receivable.

In the first six months of fiscal 2009, cash flow from operations reached $196 million, 17.5% higher than the comparable period last year, primarily due to the increase in operating income before amortization, partly offset by the increase in financial expense and current income taxes. Changes in non-cash operating items generated greater cash outflows compared to the same period last year, mainly as a result of a decrease in income tax liabilities in the current year compared to an increase in the prior year and a higher increase in income taxes receivable in the first half of the year compared to the prior year, partly offset by a lower decrease in accounts payable and accrued liabilities and an increase in accounts receivable in the prior year.

In the second quarter of fiscal 2009, investing activities from continuing operations including assets acquired under capital leases stood at $67.9 million due to capital expenditures of $62.5 million and from an increase of $5.7 million in deferred charges and others in the cable sector. The capital expenditures, stemming essentially from the cable sector, increased compared to the same period last year due to the following factors:

- An increase in support capital spending due to improvements in the information systems to sustain the business activities and the acquisition of a new facility in the Canadian operations;
- An increase in scalable infrastructure capital spending mainly due to the timing of the expansion and head-end improvements, system powering and equipment reliability to sustain increased customer demand for HSI and Telephony services in Canada;
- An increase in line extensions due to the expansion of the networks in Canada;
- An increase from the appreciation of the US dollar and the Euro over the Canadian dollar;
- These increases were partly offset by a decrease in customer premise equipment spending which reflect lower RGU growth in Canadian operations and net RGU losses in European operations;
- A decrease in capital expenditures associated with network upgrades and rebuilds due to the timing of these initiatives.

In the first six months of fiscal 2009, investing activities from continuing operations including assets acquired under capital leases stood at $140.8 million due to capital expenditures of $129.1 million and from an increase of $12.9 million in deferred charges and others in the cable sector. The capital expenditures, stemming essentially from the cable sector, increased compared to the same period last year due to the following factors:

- An increase in support capital spending due to improvements in the information systems to sustain the business activities and the acquisition of a new facility in the Canadian operations, and to the acquisition of a power generator for Cogeco Data Services in the first quarter of the year;
- An increase in customer premise equipment capital spending resulting from RGU growth in Canadian operations fuelled in part by continued interest for the HD Television service, combined with the deployment of Digital Television in Portugal, net of RGU losses in the other services in European operations;
- An increase in scalable infrastructure capital spending mainly due to the timing of the expansion and head-end improvements, system powering and equipment reliability to sustain increased customer demand for HSI and Telephony services in Canada;
- An increase in line extensions due to the expansion of the networks in Canada;
- An increase from the appreciation of the US dollar and the Euro over the Canadian dollar;
- Partly offsetting these increases, capital expenditures associated with network upgrades and rebuilds decreased due to the timing of these initiatives.

Deferred charges and others are mainly attributable to reconnect costs in the cable sector. The increase in deferred charges and others for the second quarter amounted to $5.7 million compared to $6.2 million for the same period the year before, and to $12.9 million compared to $13.7 million for the first six months of the year. Slower RGU growth explained the lower increases recorded in fiscal 2009.

In the second quarter and first six months, the Company generated free cash flows amounting to $32.1 million and $53.9 million, respectively, compared to $19.4 million and $42.3 million for the same periods of the preceding year. These free cash flow increases over the comparable periods of the prior year are mainly due to the cable sector and attributable to an increase in cash flow from operations, resulting primarily from the improvement of the cable sudsidiary’s operating income before amortization, partly offset by an increase in capital expenditures. The aggregate amount of total capital expenditures and deferred charges increased by $2.3 million for the quarter ended February 28, 2009, and by $17.7 million for the first half of fiscal 2009 compared to the corresponding periods of the prior year due to the factors explained above.

In the second quarter of 2009, Indebtedness affecting cash decreased by $31.5 million due to the free cash flow of $32.1 million and the increase of non-cash operating items of $20.1 million, net of the increase in cash and cash equivalents of $16.9 million and the dividend payment of $1.3 million described below. For the same period of the prior year, Indebtedness affecting cash decreased by $18.2 million due to the free cash flow of $19.4 million, partly offset by a $1.2 million dividend payment described below.

During the second quarter of fiscal 2009, dividends of $0.08 per share for subordinate and multiple voting shares, totalling $1.3 million, were paid by the Company, compared to $0.07 per share, totalling $1.2 million in the second quarter of fiscal 2008. Dividends paid by a subsidiary to non-controlling interests amounted to $3.9 million during the second quarter of fiscal 2009, for consolidated dividend payments of $5.3 million.

In the first half of fiscal 2009, Indebtedness affecting cash increased by $12.3 million due to the reduction of non-cash operating items of $45 million, the increase in cash and cash equivalents of $13.9 million and the payment of dividends totalling $2.7 million, partly offset by the free cash flow of $53.9 million. Indebtedness was increased through the issuance on October 1, 2008, in the cable sector, of Senior Secured Notes, Series A and B and by an increase of $28.1 million in bank indebtedness, net of the repayment of US$150 million Senior Secured Notes Series A and the related derivative financial instrument of $56.2 million, both maturing on October 31, 2008, for a total of $238.7 million, and of net repayments on the cable subsidiary’s revolving loans of $23 million. For the same period of the prior year, Indebtedness affecting cash decreased by $52.6 million mainly due to the free cash flow of $42.3 million, the reduction of $41.9 million in cash and cash equivalents partly used to offset the $27.2 million reduction in non-cash operating items, partly offset by the dividend payment of $2.3 million described below.

During the first six months of fiscal 2009, quarterly dividends of $0.08 per share for subordinate and multiple voting shares, totalling $2.7 million, were paid by the Company, compared to quarterly dividends of $0.07 per share, totalling $2.3 million in the first half of the prior year. Dividends paid by a subsidiary to non-controlling interests amounted to $7.9 million, for consolidated dividend payments of $10.6 million in the six month period ended February 28, 2009.

At February 28, 2009, the Company had a working capital deficiency of $348.8 million compared to $611.8 million as at August 31, 2008. The decrease in the deficiency is mainly attributable to the cable sector and is due to the repayment of the US$150 million Senior Secured Notes, Series A and the related derivative financial instrument for a total of $238.7 million on October 31, 2008 using the proceeds of issuance of the Senior Secured Notes, Series A and B. As part of the usual conduct of its cable business, COGECO maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the cable subsidiary's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling Cogeco Cable to use cash and cash equivalents to reduce Indebtedness.

At February 28, 2009, Cogeco Cable had used $476.8 million of its $885 million Term Facility for a remaining availability of $408.2 million and the Company had drawn $12.3 million of its $50 million Term Facility, for a remaining availability of $37.7 million.

The assumptions used in the actuarial valuations performed for the year ended August 31, 2008 were adjusted to reflect the current rates of return and market conditions, and accordingly, the Company expects the payments required to fund the actuarial deficit of its defined benefit pension plans to be higher in fiscal 2009 than in fiscal 2008. Based on the August 31, 2008 actuarial valuations, the Company expects these payments to be approximately $1 million for the 2009 fiscal year.

Transfers of funds from non-wholly owned subsidiaries to COGECO are subject to approval by the subsidiaries' Board of Directors and may also be restricted under the terms and conditions of certain debt instruments. In accordance with applicable corporate and securities laws, significant transfers of funds from COGECO may be subject to approval by minority shareholders.

FINANCIAL POSITION

Since August 31, 2008, there have been major changes to the balances of “fixed assets”, “intangible assets”, “goodwill”, “accounts payable and accrued liabilities”, “future income tax assets” “income taxes receivable”, “income tax liabilities”, “future income tax liabilities”, “cash and cash equivalents”, “Indebtedness” and “non-controlling interest”.

The $28.1 million increase in fixed assets is mainly related to increases in capital expenditures to sustain RGU growth, to the recent acquisitions in Canada and to the appreciation of the Euro and the US dollar over the Canadian dollar in the cable sector. The $66.2 million and $326.1 million reductions in intangible assets and goodwill and the $14.2 million decrease in future income tax liabilities are due to the impairment loss recorded on the cable subsidiary's investment in Cabovisão in the second quarter of the year as described in the “Impairment of goodwill and intangible assets” section, net of the appreciation of the Euro over the Canadian dollar. The $25.9 million decrease in accounts payable and accrued liabilities and the $13.9 million increase in cash and cash equivalents are related to the timing of payments made to suppliers and to the fluctuations of the Euro over the Canadian dollar in the cable sector. The $5.7 million reduction in future income tax assets is due to the utilization of Ontario minimum tax credits and tax loss carry forwards to reduce current income taxes in the cable sector. The $6.6 million increase in income taxes receivable and the $9.6 million decrease in income tax liabilities are due to income tax payments relating to fiscal 2008 that were made by the cable subsidiary in the first quarter of fiscal 2009. Indebtedness has increased by $32.1 million as a result of the factors previously discussed in the “Cash Flow and Liquidity” section and the unfavourable impact of the appreciation of the US dollar and the Euro over the Canadian dollar, partly offset by the increase of $34.3 million in the fair value of the cross-currency swaps related to the Senior Secured Notes Series A issued on October 1, 2008. The $228.2 million decrease in non-controlling interest is due to the impairment loss recorded on the cable subsidiary's investment in Cabovisão in the second quarter of the year as described in the “Impairment of goodwill and intangible assets” section, net of improvements in the cable subsidiary's operating results excluding the impairment loss.

A description of COGECO's share data as at March 31, 2009 is presented in the table below:

	Number of shares/options	Amount ($000)
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,898,762	120,058
Options to purchase subordinate voting shares		
Outstanding options	123,358	
Exercisable options	123,358	

In the normal course of business, COGECO has incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. COGECO's obligations, discussed in the 2008 annual MD&A, have not

materially changed since August 31, 2008, except for the new financing in the cable sector discussed in the “Cash Flow and Liquidity” section.

DIVIDEND DECLARATION

At its April 8, 2009 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.08 per share for subordinate and multiple voting shares, payable on May 6, 2009, to shareholders of record on April 22, 2009. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Company based upon the Company’s financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, their amount and periodicity may vary.

FINANCIAL MANAGEMENT

On January 22, 2009, the Company’s cable subsidiary, Cogeco Cable, entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest rate swap to hedge the Term Loans has been fixed at 2.08% until their maturity at July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest rate swap of 2.08%, Cogeco Cable will continue to pay the applicable margin on these Term Loans in accordance with its Term Facility. Since the issuance on January 22, 2009, the fair value of interest rate swap liability increased by $1.3 million, which is recorded as a decrease of other comprehensive income net of income taxes of $0.4 million and non-controlling interest of $0.6 million.

On October 1, 2008, Cogeco Cable entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes, Series A maturing in October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at CA$1.0625 per US dollar. Since the issuance on October 1, 2008, amounts due under the US$190 million Senior Secured Notes Series A increased by $39.9 million due to the US dollar’s appreciation over the Canadian dollar. The fair value of cross-currency swaps increased by a net amount of $35.5 million, of which $39.9 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $4.3 million was recorded as a decrease of other comprehensive income, net of income taxes of $1.2 million and non-controlling interest of $2.1 million.

Cogeco Cable’s net investment in the self-sustaining foreign subsidiary, Cabovisão, is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the value of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. This debt is designated as a hedge of net investments in self-sustaining foreign subsidiaries and, accordingly, Cogeco Cable realized a foreign exchange gain of $11.4 million in the first six months of fiscal 2009, which is presented net of non-controlling interest of $7.7 million in other comprehensive income. The exchange rate used to convert the Euro into Canadian dollars for the balance sheet accounts as at February 28, 2009 was $1.6129 per Euro compared to $1.5580 per Euro as at August 31, 2008. The average exchange rates prevailing during the second quarter and first six months used to convert the operating results of the European operations were $1.6265 and $1.5864 per Euro, respectively, compared to $1.4741 and $1.4430 per Euro for the same periods of the 2008 fiscal year.

The following table shows the Canadian dollar impact of a 10% change in the average exchange rate of the Euro currency into Canadian dollars on European operating results in the cable sector for the first six months ended February 28, 2009:

Six months ended February 28, 2009	As reported	Exchange rate impact
($000)	$	$
	(unaudited)	(unaudited)
Revenue	123,304	12,330
Operating income before amortization	38,678	3,868

The Company is also impacted by foreign currency exchange rates, primarily changes in the values of the US dollar relative to the Canadian dollar with regards to purchases of equipment, as the majority of customer premise equipment in the cable sector is purchased and subsequently paid in US dollars. Please consult the “Fixed charges” section of this MD&A and the Foreign Exchange Risk section in note 14 of the consolidated financial statements for further details.

CABLE SECTOR

CUSTOMER STATISTICS

		Net additions (losses)				% of Penetration[1]	
		Quarters ended		Six months ended			
	February 28, 2009	**February 28, 2009**	February 29, 2008	**February 28, 2009**	February 29, 2008	**February 28, 2009**	February 29, 2008
RGU	**2,795,214**	**25,626**	56,196	**78,340**	139,220	**–**	–
Basic Cable service customers	**1,144,074**	**(9,953)**	4,593	**(9,155)**	17,590	**–**	–
HSI service customers[2]	**650,098**	**3,030**	17,154	**17,330**	46,254	**58.8**	56.1
Digital Television service customers	**514,917**	**25,102**	17,879	**48,719**	34,132	**45.5**	49.1
Telephony service customers[3]	**486,125**	**7,447**	16,570	**21,446**	41,244	**46.5**	43.1

(1) As a percentage of Basic Cable service customers in areas served.
(2) Customers subscribing to the HSI service without the Basic Cable service totalled 85,487 as at February 28, 2009 compared to 81,745 at February 29, 2008.
(3) Customers subscribing to the Telephony service without the Basic Cable service totalled 31,109 as at February 28, 2009 compared to 22,054 at February 29, 2008.

In the cable sector, second-quarter and first six months RGU net additions were lower than for the same periods last year and reflect an early sign of maturation in some services for the Canadian operations and the difficult economic environment in Portugal. The number of net losses for Basic Cable stood at 9,953 customers for the quarter and 9,155 customers for the first six months, compared to net additions of 4,593 and 17,590 customers, respectively, for the same periods of the prior year. This decrease is due to net customer losses in the European operations reflecting a continuing unfavourable economic environment in the Iberian Peninsula, recurring intense customer promotions and advertising initiatives from competitors for their new respective third leg of the triple-play service during the latter part of the second quarter in the Portuguese market, net of increases in Canadian operations stemming from continuous improvements to the service offering, targeted marketing activities and an upswing in subscription activity in border markets due to the impending over-the-air digital conversion in the United States. The number of net additions to HSI service stood at 3,030 customers for the quarter and 17,330 customers for the first six months, compared to 17,154 and 46,254 customers, respectively, for the same periods last year. The growth in HSI customer net additions continues to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities in Canadian operations offset by net customer losses in European operations due to the factors mentioned above. The Digital Television service net additions stood at 25,102 and 48,719 customers, for the quarter and first six months ended February 28, 2009, respectively, compared to 17,879 and 34,132 customers for the same periods in the prior year due to targeted marketing initiatives in the second half of fiscal 2008 and in 2009 to improve market penetration and to the continuing strong interest for the HD Television service in Canadian operations, as well as the launch of the Digital Television service in Portugal in the third quarter of fiscal 2008. In the quarter and first six months, Telephony customers grew by 7,447 and 21,446 customers to reach 486,125 at February 28, 2009, compared to a growth of 16,570 and 41,244 customers for the same periods of the prior year. The lower growth is mostly attributable to the increased penetration in areas where the service is already offered and to fewer new areas where the service was launched in Canadian operations offset by net customer losses in European operations due to the unfavourable economic environment. Telephony service coverage in Canada, as a percentage of homes passed, has now reached 89% compared to 80% at February 29, 2008. The service is offered in all of the Company's territories in Portugal.

In addition to the launch of new channels and retention strategies during the quarter in the European operations, new marketing and other operating initiatives are in the process of being implemented, the result of which should help in reducing customer attrition in the upcoming quarters.

OPERATING RESULTS

($000, except percentages)	Quarters ended February 28, 2009 $	February 29, 2008[1] $	Change %	Six months ended February 28, 2009 $	February 29, 2008[1] $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**304,920**	265,102	15.0	**604,358**	516,935	16.9
Operating costs	**176,421**	152,765	15.5	**350,155**	302,261	15.8
Management fees – COGECO Inc.	**3,038**	3,679	(17.4)	**9,019**	8,714	3.5
Operating income from continuing operations before amortization	**125,461**	108,658	15.5	**245,184**	205,960	19.0
Operating margin	**41.1%**	41.0%		**40.6%**	39.8%	

(1) Certain comparative figures have been reclassified to conform to the current year's presentation. Financial information for the previous year has been restated to reflect the presentation of foreign exchange gains or losses as financial expense instead of operating costs.

Revenue

Fiscal 2009 second-quarter consolidated revenue improved by $39.8 million, or 15%, to reach $304.9 million, and first six month consolidated revenue by $87.4 million, or 16.9%, to reach $604.4 million, when compared to the prior year. Driven by an increased number of RGU combined with rate increases and the acquisition of MaXess Networx®, FibreWired Burlington Hydro Communications and Cogeco Data Services (the "recent acquisitions") in the second half of fiscal 2008, second-quarter Canadian operations revenue went up by $38.5 million, or 18.8%, and for the first six months by $79.6 million, or 19.8%.

Fiscal 2009 second-quarter European operations revenue increased by $1.3 million, or 2.2%, to reach $61.2 million, and first six month revenue by $7.8 million, or 6.7%, to reach $123.3 million, compared to the same period last year. The increase is due to the strength of the Euro against the Canadian dollar, despite a RGU loss in the first six months of the year. Revenue from the European operations in the local currency for the second quarter amounted to €37.6 million, a decrease of €3 million, or 7.4%, and to €77.8 million, a decrease of €2.3 million, or 2.8% for the first six months.

Operating costs

For the second quarter and first six months of fiscal 2009, operating costs, excluding management fees payable to COGECO Inc., increased by $23.7 million and $47.9 million to reach $176.4 million and $350.2 million, respectively, increases of 15.5% and 15.8% compared to the prior year. Operating costs increased due to the servicing of additional RGU and the impact of the recent acquisitions in Canada, and in Europe due to the appreciation of the Euro over the Canadian dollar and an increase in the level of uncollectible customer accounts. Operating costs of the European operations in local current amounted to €26.7 million for the second quarter and €53.3 million for the first six months, increases of €0.9 million, or 3.5%, and €0.5 million, or 0.9% over the comparable periods of the prior year.

Operating income before amortization

Fiscal 2009 second quarter and first six-month operating income before amortization increased by $16.8 million, or 15.5%, to reach $125.5 million, and by $39.2 million, or 19%, to reach $245.2 million, respectively, mainly as a result of various rate increases, recent acquisitions, and RGU growth generating additional revenues in the Canadian operations which outpaced operating cost increases. Operating income before amortization for the Canadian operations rose by $20.9 million, or 24.1%, to reach $107.6 million in the second quarter, and by $39.9 million, or 23.9%, to reach $206.5 million in the first six months of fiscal 2009. Operating income before amortization for the European operations decreased to $17.8 million from $21.9 million, and to $38.7 million from $39.3 million in the first six months of fiscal 2009, representing decreases of 18.7% and 1.6%, respectively, and in the local currency, amounted to €10.9 million for the second quarter, a decrease of €3.9 million or 26.4%, and to €24.4 million, a decrease of €2.7 million, or 10.1% for the first half of the year.

Cogeco Cable's second quarter operating margin remained essentially the same at 41.1% compared to 41% for the same period of the prior year. The operating margin in Canada improved to 44.2% from 42.3% which offset the decrease in the European operating margin to 29.1% from 36.6%. For the first six months of fiscal 2009, the consolidated operating margin improved to 40.6% from 39.8% with the Canadian operating margin improving to 42.9% from 41.5% and the European operating margin decreasing to 31.4% from 34% the year before.

FISCAL 2009 FINANCIAL GUIDELINES

As a result of the continuing unfavourable economic climate and the renewal of marketing initiatives from competitors in the Portuguese market of the cable sector, the Company's subsidiary, Cogeco Cable, recorded a non-cash impairment loss amounting to $399.6 million on its net investment in its Portuguese subsidiary, Cabovisão, in the second quarter of fiscal 2009. Net of related income taxes and non-controlling interest, the impairment loss had an unfavourable impact of $124 million on net income in the second quarter of 2009. For further details, please see the "Impairment of goodwill and intangible assets" section. Furthermore, the European operations financial results in the cable sector have been revised downwards to take into consideration the current situation in the Portuguese market described above and the exchange rate used for the fiscal 2009 revised projections for the European operations has been increased to $1.60 per Euro compared to $1.50 per Euro for the original guidelines.

Finally, the Canadian operations of the cable sector and the radio activities continue to show solid results and management expects to meet their initial projections for the 2009 fiscal year.

Consolidated

(in millions of dollars)	Revised projections April 8, 2009 Fiscal 2009 $	Projections Fiscal 2009 $
Financial guidelines		
Revenue	1,238	1,243
Operating income before amortization	505	513
Net income (loss)	(87)	35
Free cash flow	85	95

Cable sector

(in millions of dollars, except net customer additions and operating margin)	Revised projections April 8, 2009 Fiscal 2009 $	Projections Fiscal 2009 $
Financial guidelines		
Revenue	1,205	1,210
Operating income before amortization	500	508
Operating margin	42%	42%
Financial expense	70	70
Amortization	270	275
Current income taxes	50	50
Capital expenditures and deferred charges	300	300
Free cash flow	80	90
Net customer additions guidelines		
RGU	100,000	100,000

Other sector

(in millions of dollars)	Revised projections April 8, 2009 Fiscal 2009 $	Projections Fiscal 2009 $
Financial guidelines		
Revenue	33	33
Operating income before amortization	5	5

UNCERTAINTIES AND MAIN RISK FACTORS

There has been no significant change in the uncertainties and main risk factors faced by the Company since August 31, 2008, except as described below. A detailed description of the uncertainties and main risk factors faced by COGECO can be found in the 2008 annual MD&A.

Cogeco Cable's footprint includes certain regions in Ontario (Burlington and Windsor) and in Portugal (Palmela) where the automobile industry is a significant driver of economic activity. The sharp downturn experienced by the automobile industry in recent months may have an adverse impact on the level of economic activity and consumer expenditures on goods and services within those communities. In previous recessionary periods, demand for cable telecommunications services has generally proved to be resilient. However, there is no assurance that demand will remain resilient in a prolonged global recession.

Despite Cogeco Cable's strong balance sheet and the proactive management of debt maturities, the present situation in financial markets and the credit crisis may result in reduced availability of capital in both the debt and equity markets in the coming years. As Cogeco Cable's current credit facilities and other sources of financing reach their respective maturities, the terms of bank and other debt facilities may be less favourable upon renewal.

Market conditions may also have an impact on the Company's defined benefit pension plans as there is no assurance that the actual rate of return on plan assets will approximate the assumed rate of return used in the most recent actuarial valuation. Market driven changes may impact the assumptions used in future actuarial valuations and could result in the Company being required to make contributions in the future that differ significantly from the current contributions to the Company's defined benefit pension plans.

The Company is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and the collection or repayment of these instruments which could result in a significant impact on the Company's financial expense. At February 28, 2009, 76% of Cogeco Cable's debt is at fixed interest rates.

The current volatility of currency exchange and interest rate in the financial markets is unusually high and could lead to an increase in the level of risk on hedging instruments to which Cogeco Cable is a party should one or more of the counterparts to these instruments become financially distressed and unable to meet their obligations.

It is anticipated that digital terrestrial television services will be launched in Portugal in the second half of the current year. This development may result in some attrition of Basic Cable television service customers, and consequently have an adverse impact on RGU in the cable sector.

ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in COGECO's accounting policies, estimates and future accounting pronouncements since August 31, 2008, except as described below. A description of the Company's policies and estimates can be found in the 2008 annual MD&A.

Capital disclosures and financial instruments

Effective September 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*.

Capital disclosures

Section 1535 of the CICA Handbook requires that an entity disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance. These new disclosures are included in note 14 of the Company's interim consolidated financial statements.

Financial instruments

Section 3862 on financial instrument disclosures requires the disclosure of information about the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, gains and losses, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classification and measurements of the Company's financial instruments. The new disclosures pursuant to these new Sections are included in note 14 of the Company's interim consolidated financial statements.

Credit risk and fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board issued EIC Abstract 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*, which establishes guidance requiring an entity to consider its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009 and is applicable to the Company for its second quarter of fiscal 2009 with retrospective application, without restatement of prior periods, to the beginning of its current fiscal year. The adoption of this new abstract during the second quarter decreased derivative financial instruments assets by $3.5 million, decreased future income tax liabilities by $1 million, decreased non-controlling interest by $1.8 million and decreased accumulated other comprehensive income by $0.8 million at December 1, 2008 and had no significant impact on the consolidated balance sheet at September 1, 2008.

General standards of financial statement presentation

The CICA amended Section 1400 of the CICA Handbook, *General Standards of Financial Statement Presentation*, to include a requirement for management to make an assessment of the entity's ability to continue as a going concern when preparing financial statements. These changes, including the related disclosure requirements, were adopted by the Company on September 1, 2008 and had no impact on the interim consolidated financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

Business combinations, consolidated financial statements and non-controlling interests

During January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which replaces Section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*. These new Sections harmonize significant aspects of Canadian accounting standards with the International Financial Reporting Standards ("IFRS") that will be mandated for entities with fiscal year beginning on or after January 1, 2011.

Section 1582 requires that all business acquisitions be measured at the fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date, and expands the definition of a business subject to an acquisition. The Section also establishes new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. Furthermore, under this new guidance, acquisition costs, which were previously included as a component of the consideration given, and any negative goodwill resulting from the allocation of the purchase price, which was allocated as a reduction of non-current assets acquired under the previous standard, will be recorded in earnings in the current period. This new Section will be applied prospectively and will only impact the Company's consolidated financial statements for future acquisitions concluded in periods subsequent to the date of adoption.

Sections 1601 and 1602 dealing with consolidated financial statements require an entity to measure non-controlling interest upon acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

The new standards will apply as of the beginning of the first annual reporting period beginning on or after January 1, 2011, with simultaneous early adoption permitted. Early adoption may reduce the amount of restatement required upon conversion to IFRS. The Company is currently assessing the impact of these new Sections on its consolidated financial statements.

Harmonization of Canadian and International accounting standards

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards ("IFRS") for publicly accountable entities.

In April 2008, the CICA published an exposure draft as guidance which requires the transition to IFRS to replace Canadian GAAP as currently employed by Canadian publicly accountable enterprises. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Company expects that its first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Company has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, who oversees the IFRS implementation project on behalf of the Board of Directors. The Company will be assisted by external advisors as required.

The implementation project consists of three primary phases, which may occur concurrently as IFRS are applied to specific areas of operations:

- Scoping and diagnostic phase —This phase involves performing a high-level impact assessment to identify key areas that are expected to be impacted by the transition to IFRS. The result of these procedures is the ranking of IFRS impacts in order of priority in order to assess the timing and complexity of transition efforts that will be required in subsequent phases.
- Impact analysis, evaluation and design phase — In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority, with project teams established as deemed necessary. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy choices permitted under IFRS and the development of draft IFRS financial statement content.
- Implementation and review phase — This phase includes execution of changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across the organization, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS in business processes, eliminating any unnecessary data collection processes and finally the approval by the Audit Committee of the IFRS financial statements. Implementation also involves delivery of further training to staff as revised systems begin to take effect.

The Company completed the scoping and diagnostic phase in February 2009, and is now conducting the impact analysis, evaluation and design phase. As implications of the conversion are identified, information technology and data system impacts as well as impacts on business activities will be assessed. The Company's analysis of IFRS and comparison with currently applied accounting principles has identified a number of differences that may require information system changes or which are likely to have a material impact on the financial statements of the Company.

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Company's consolidated financial statements. The list below should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas that the Company believes to be the most significant; however, analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. We note that the regulatory bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. The standards listed below are those existing based on current Canadian GAAP and IFRS. At this stage, the Company is not able to reliably quantify the impacts expected on its consolidated financial statements for these differences. They are as follows:

- Presentation of Financial Statements (IAS 1)
- Income Taxes (IAS 12)
- Property, Plant and Equipment (IAS 16)
- Revenue (IAS 18)
- Impairment of Assets (IAS 36)
- Business Combinations (IFRS 3)

Furthermore, IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS which may differ from the requirements of the sections listed above. The Company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances. The Company has not yet determined the aggregate financial impact of adopting IFRS 1 on its consolidated financial statements.

The conversion project is progressing according to the plan established by management.

NON-GAAP FINANCIAL MEASURES

This section describes non-GAAP financial measures used by COGECO throughout this MD&A. It also provides reconciliations between these non-GAAP measures and the most comparable GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP and may not be comparable with similar measures presented by other companies. These measures include "cash flow from operations from continuing operations", "free cash flow", "operating income from continuing operations before amortization", "operating margin", "net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations", and "earnings per share excluding the impairment loss, the income tax adjustment and the loss from discontinued operations".

Cash flow from operations from continuing operations and free cash flow

Cash flow from operations from continuing operations is used by COGECO's management and investors to evaluate cash flows generated by operating activities excluding the impact of changes in non-cash operating items. This allows the Company to isolate the cash flows from operating activities from the impact of cash management decisions. Cash flow from operations from continuing operations is subsequently used in calculating the non-GAAP measure "free cash flow". Free cash flow is used by COGECO's management and investors to measure COGECO's ability to repay debt, distribute capital to its shareholders and finance its growth.

The most comparable Canadian GAAP financial measure is cash flow from operating activities from continuing operations. Cash flow from operations from continuing operations is calculated as follows:

	Quarters ended		Six months ended	
($000)	**February 28, 2009 $**	February 29, 2008 $	**February 28, 2009 $**	February 29, 2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash flow from operating activities from continuing operations	**120,480**	92,942	**150,950**	139,546
Changes in non-cash operating items	**(20,129)**	(7,568)	**45,027**	27,205
Cash flow from operations from continuing operations	**100,351**	85,374	**195,977**	166,751

Free cash flow is calculated as follows:

	Quarters ended		Six months ended	
($000)	**February 28, 2009 $**	February 29, 2008 $	**February 28, 2009 $**	February 29, 2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash flow from operations from continuing operations	**100,351**	85,374	**195,977**	166,751
Acquisition of fixed assets	**(62,161)**	(58,533)	**(127,870)**	(109,346)
Increase in deferred charges	**(5,779)**	(6,094)	**(12,986)**	(13,611)
Assets acquired under capital leases – as per note 12 b)	**(322)**	(1,373)	**(1,261)**	(1,446)
Free cash flow	**32,089**	19,374	**53,860**	42,348

Operating income from continuing operations before amortization and operating margin

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

The most comparable Canadian GAAP financial measure is operating income from continuing operations. Operating income from continuing operations before amortization and operating margin are calculated as follows:

	Quarters ended		Six months ended	
($000, except percentages)	**February 28, 2009 $**	February 29, 2008[(1)] $	**February 28, 2009 $**	February 29, 2008[(1)] $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Operating income from continuing operations	**59,878**	53,177	**120,519**	100,312
Amortization	**66,785**	56,346	**130,848**	109,385
Operating income from continuing operations before amortization	**126,663**	109,523	**251,367**	209,697
Revenue	**311,825**	271,894	**620,200**	532,149
Operating margin	**40.6%**	40.3%	**40.5%**	39.4%

(1) Certain comparative figures have been reclassified to conform to the current year's presentation. Financial information for the previous year has been restated to reflect the presentation of foreign exchange gains or losses as financial expense instead of operating costs.

Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations and earnings per share excluding the impairment loss, the income tax adjustment and the loss from discontinued operations

Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations and earnings per share excluding the impairment loss, the income tax adjustment and the loss from discontinued operations are used by COGECO's management and investors to evaluate what would have been the net income and earnings per share excluding these adjustments. This allows the Company to isolate the unusual adjustments in order to evaluate the net income and earnings per share from ongoing activities.

The most comparable Canadian GAAP financial measures are net income and earnings per share. These above-mentioned non-GAAP financial measures are calculated as follows:

	Quarters ended		Six months ended	
	February 28,	February 29,	**February 28,**	February 29,
($000)	**2009** **$**	2008 $	**2009** **$**	2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net income (loss)	**(115,291)**	15,890	**(104,238)**	5,914
Adjustments:				
Impairment loss net of related income taxes and non-controlling interest	**123,951**	–	**123,951**	–
Income tax adjustment net of non-controlling interest	**–**	(7,909)	**–**	(7,909)
Loss from discontinued operations	**–**	425	**–**	18,057
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations	**8,660**	8,406	**19,713**	16,062
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,741,230**	16,673,921	**16,740,692**	16,673,286
Effect of dilutive stock options	**9,963**	74,013	**15,175**	78,084
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,751,193**	16,747,934	**16,755,867**	16,751,370
Earnings per share excluding the impairment loss, the income tax adjustment and the loss from discontinued operations				
Basic	**0.52**	0.50	**1.18**	0.96
Diluted	**0.52**	0.50	**1.18**	0.96

ADDITIONAL INFORMATION

This MD&A was prepared on April 8, 2009. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Inc.
Montréal, Québec
April 9, 2009

Supplementary Quarterly Financial Information (unaudited)

Quarters ended	February 28/29,		November 30,		August 31,		May 31,	
($000, except percentages and per share data)	**2009**	2008[1]	**2008**	2007[1]	2008[1]	2007[1]	2008[1]	2007[1]
	$	$	**$**	$	$	$	$	$
Revenue	**311,825**	271,894	**308,375**	260,255	292,873	251,300	283,878	249,424
Operating income from continuing operations before amortization[2]	**126,663**	109,523	**124,704**	100,174	122,019	100,755	117,206	94,533
Operating margin[2]	***40.6%***	*40.3%*	***40.4%***	38.5%	*41.7%*	40.1%	*41.3%*	*37.9%*
Amortization	**66,785**	56,346	**64,063**	53,039	61,775	54,723	58,564	47,725
Operating income from continuing operations	**59,878**	53,177	**60,641**	47,135	60,244	46,032	58,642	46,808
Financial expense	**18,028**	17,550	**23,778**	16,333	19,066	19,084	17,748	20,345
Impairment of goodwill and intangible assets	**399,648**	–	**–**	–	–	–	–	–
Income taxes	**175**	(14,426)	**9,848**	9,277	9,849	(7,480)	10,285	8,055
Loss (gain) on dilution	**22**	(25)	**26**	107	19	(27,011)	3	64
Non-controlling interest	**(242,704)**	33,763	**15,936**	13,762	21,559	24,240	21,068	13,318
Income from continuing operations	**(115,291)**	16,315	**11,053**	7,656	9,656	37,097	9,538	5,025
Loss from discontinued operations	**–**	(425)	**–**	(17,632)	–	(6,713)	–	(1,966)
Net income (loss)	**(115,291)**	15,890	**11,053**	(9,976)	9,656	30,384	9,538	3,059
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations[2][3]	**8,660**	8,406	**11,053**	7,656	9,656	5,309	9,538	5,025
Cash flow from operations from continuing operations[2]	**100,351**	85,374	**95,626**	81,377	99,969	78,153	96,068	76,862
Cash flow from operating activities from continuing operations	**120,480**	92,942	**30,470**	46,604	146,052	107,155	112,893	51,669
Free cash flow[2]	**32,089**	19,374	**21,771**	22,974	20,981	9,131	37,107	19,052
Earnings (loss) per share								
Basic								
Income from continuing operations	**(6.89)**	0.98	**0.66**	0.46	0.58	2.23	0.57	0.30
Loss from discontinued operations	**–**	(0.03)	**–**	(1.06)	–	(0.40)	–	(0.12)
Net income (loss)	**(6.89)**	0.95	**0.66**	(0.60)	0.58	1.83	0.57	0.18
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations[2][3]	**0.52**	0.50	**0.66**	0.46	0.58	0.32	0.57	0.30
Diluted								
Income from continuing operations	**(6.89)**	0.97	**0.66**	0.46	0.58	2.21	0.57	0.30
Loss from discontinued operations	**–**	(0.03)	**–**	(1.06)	–	(0.40)	–	(0.12)
Net income (loss)	**(6.89)**	0.95	**0.66**	(0.60)	0.58	1.81	0.57	0.18
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations[2][3]	**0.52**	0.50	**0.66**	0.46	0.58	0.32	0.57	0.30

(1) Certain comparative figures have been reclassified to conform to the current year's presentation. Financial information for the four quarters of fiscal 2008 and third and fourth quarters of fiscal 2007 reflects the presentation of foreign exchange gains or losses as financial expense instead of operating costs.

(2) The indicated terms do not have standardized definitions prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-GAAP financial measures" section of the Management's discussion and analysis.

(3) Net income for the quarter ended August 31, 2007 has been adjusted to remove a $27 million gain on dilution resulting from shares issued by a subsidiary and income tax adjustments of $4.8 million, net of non-controlling interest, related to the recognition of benefits stemming from prior years' income tax losses and minimum income tax paid, and a reduction of Canadian federal enacted income tax rates in addition to the adjustments described in the "Non-GAAP financial measures" section of the Management's discussion and analysis.

The cable sector's operating results are not generally subject to material seasonal fluctuations. However, the loss in Basic Cable service customers is usually greater, and the addition of HSI service customers is generally lower in the third quarter, mainly because students leave their campus at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal.

COGECO INC.

Customer Statistics

	February 28, 2009	August 31, 2008
Homes Passed		
Ontario	**1 039 955**	1 029 121
Québec	**509 701**	502 490
Canada	**1 549 656**	1 531 611
Portugal	**902 570**	895 923
Total	**2 452 226**	2 427 534
Revenue Generating Units		
Ontario	**1 458 928**	1 387 054
Québec	**646 020**	604 854
Canada	**2 104 948**	1 991 908
Portugal	**690 266**	724 966
Total	**2 795 214**	2 716 874
Basic Cable Service Customers		
Ontario	**602 552**	596 229
Québec	**265 330**	260 865
Canada	**867 882**	857 094
Portugal	**276 192**	296 135
Total	**1 144 074**	1 153 229
Discretionnary Service Customers		
Ontario	**496 416**	493 858
Québec	**223 190**	215 820
Canada	**719 606**	709 678
Portugal	**-**	-
Total	**719 606**	709 678
Pay TV Service Customers		
Ontario	**108 279**	97 753
Québec	**51 639**	47 075
Canada	**159 918**	144 828
Portugal	**70 710**	57 715
Total	**230 628**	202 543
High Speed Internet Service Customers		
Ontario	**371 572**	352 553
Québec	**131 922**	120 914
Canada	**503 494**	473 467
Portugal	**146 604**	159 301
Total	**650 098**	632 768
Digital Television Service Customers		
Ontario	**313 886**	288 345
Québec	**164 773**	153 401
Canada	**478 659**	441 746
Portugal	36 258	24 452
Total	**514 917**	466 198
Telephony Service Customers		
Ontario	**170 918**	149 927
Québec	**83 995**	69 674
Canada	**254 913**	219 601
Portugal	**231 212**	245 078
Total	**486 125**	464 679

COGECO INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

(In thousands of dollars, except per share data)		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Revenue	**311,825**	271,894	**620,200**	532,149
Operating costs	**185,162**	162,371	**368,833**	322,452
Operating income from continuing operations before amortization	**126,663**	109,523	**251,367**	209,697
Amortization (note 3)	**66,785**	56,346	**130,848**	109,385
Operating income from continuing operations	**59,878**	53,177	**120,519**	100,312
Financial expense (note 4)	**18,028**	17,550	**41,806**	33,883
Impairment of goodwill and intangible assets (note 5)	**399,648**	—	**399,648**	—
Income (loss) from continuing operations before income taxes and the following items	**(357,798)**	35,627	**(320,935)**	66,429
Income taxes (note 6)	**175**	(14,426)	**10,023**	(5,149)
Loss (gain) on dilution resulting from shares issued by a subsidiary	**22**	(25)	**48**	82
Non-controlling interest	**(242,704)**	33,763	**(226,768)**	47,525
Income (loss) from continuing operations	**(115,291)**	16,315	**(104,238)**	23,971
Loss from discontinued operations (note 15)	—	(425)	—	(18,057)
Net income (loss)	**(115,291)**	15,890	**(104,238)**	5,914
Earnings (loss) per share (note 7)				
Basic				
Income (loss) from continuing operations	**(6.89)**	0.98	**(6.23)**	1.44
Loss from discontinued operations	—	(0.03)	—	(1.08)
Net income (loss)	**(6.89)**	0.95	**(6.23)**	0.35
Diluted				
Income (loss) from continuing operations	**(6.89)**	0.97	**(6.23)**	1.43
Loss from discontinued operations	—	(0.03)	—	(1.08)
Net income (loss)	**(6.89)**	0.95	**(6.23)**	0.35

COGECO INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

	Three months ended		Six months ended	
(In thousands of dollars)	**February 28, 2009**	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	$	$
Net income (loss)	**(115,291)**	15,890	**(104,238)**	5,914
Other comprehensive income				
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax expense of $1,401,000 and $3,836,000 and non-controlling interest of $4,907,000 and $20,606,000 (income tax recovery of $44,000 and $1,187,000 and non-controlling interest of $1,013,000 and $5,513,000 in 2008)	**2,342**	(485)	**9,842**	(2,638)
Reclassification to net income of realized losses (gains) on derivative financial instruments designated as cash flow hedges, net of income tax expenses of $902,000 and $5,225,000 and non-controlling interest of $3,929,000 and $23,140,000 (income tax recovery of $319,000 and $1,664,000 and non-controlling interest of $1,367,000 and $6,159,000 in 2008)	**(1,876)**	654	**(11,055)**	2,947
Unrealized gain on translation of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $12,339,000 and $16,453,000 ($9,505,000 and $16,499,000 in 2008)	**5,890**	4,545	**7,856**	7,891
Unrealized losses on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $6,469,000 and $8,742,000 ($6,012,000 and $10,325,000 in 2008)	**(3,088)**	(2,875)	**(4,174)**	(4,938)
	3,268	1,839	**2,469**	3,262
Comprehensive income (loss)	**(112,023)**	17,729	**(101,769)**	9,176

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

		Six months ended
(In thousands of dollars)	**February 28, 2009**	February 29, 2008
	$	$
Balance at beginning, as previously reported	**295,808**	274,946
Changes in accounting policies	**—**	424
Balance at beginning, as restated	**295,808**	275,370
Net income (loss)	**(104,238)**	5,914
Dividends on multiple voting shares	**(295)**	(258)
Dividends on subordinate voting shares	**(2,384)**	(2,076)
Balance at end	**188,891**	278,950

COGECO INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(In thousands of dollars)	**February 28, 2009**	August 31, 2008
	$	$
Assets		
Current		
Cash and cash equivalents	**51,366**	37,472
Accounts receivable	**65,944**	64,910
Income taxes receivable	**10,170**	3,569
Prepaid expenses	**13,115**	13,271
Future income tax assets	**4,254**	8,661
	144,849	127,883
Investments	**739**	739
Fixed assets	**1,289,666**	1,261,610
Deferred charges	**58,200**	57,841
Intangible assets (note 8)	**1,050,162**	1,116,382
Goodwill (note 8)	**161,669**	487,805
Derivative financial instruments	**34,285**	—
Future income tax assets	**5,922**	7,221
	2,745,492	3,059,481
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**38,420**	10,302
Accounts payable and accrued liabilities	**233,094**	259,038
Income tax liabilities	**11,229**	20,793
Deferred and prepaid income	**32,496**	32,859
Derivative financial instruments	**—**	79,791
Current portion of long-term debt (note 9)	**178,445**	336,858
	493,684	739,641
Long-term debt (note 9)	**1,013,535**	737,055
Deferred and prepaid income and other liabilities	**12,636**	11,859
Pension plan liabilities and accrued employees benefits	**11,278**	9,645
Future income tax liabilities	**242,086**	256,307
Non-controlling interest	**655,739**	883,948
	2,428,958	2,638,455
Shareholders' equity		
Capital stock (note 10)	**120,070**	120,049
Treasury shares (note 10)	**(1,847)**	(1,522)
Contributed surplus	**1,987**	1,727
Retained earnings	**188,891**	295,808
Accumulated other comprehensive income (note 11)	**7,433**	4,964
	316,534	421,026
	2,745,492	3,059,481

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(In thousands of dollars)	Three months ended February 28, 2009	Three months ended February 29, 2008	Six months ended February 28, 2009	Six months ended February 29, 2008
	$	$	**$**	$
Cash flow from operating activities				
Income (loss) from continuing operations	**(115,291)**	16,315	**(104,238)**	23,971
Adjustments for:				
Amortization (note 3)	**66,785**	56,346	**130,848**	109,385
Amortization of deferred transaction costs	**634**	751	**1,351**	1,473
Impairment of goodwill and intangible assets (note 5)	**399,648**	—	**399,648**	—
Future income taxes (note 6)	**(10,086)**	(22,918)	**(7,262)**	(17,740)
Non-controlling interest	**(242,704)**	33,763	**(226,768)**	47,525
Loss (gain) on dilution resulting from shares issued by a subsidiary	**22**	(25)	**48**	82
Stock-based compensation	**775**	682	**864**	1,070
Loss (gain) on disposal of fixed assets	**(19)**	(105)	**204**	237
Other	**587**	565	**1,282**	748
	100,351	85,374	**195,977**	166,751
Changes in non-cash operating items (note 12 a))	**20,129**	7,568	**(45,027)**	(27,205)
Cash flow from operating activities from continuing operations	**120,480**	92,942	**150,950**	139,546
Cash flow from operating activities from discontinued operations (note 15)	**—**	1,770	**—**	(3,973)
	120,480	94,712	**150,950**	135,573
Cash flow from investing activities				
Acquisition of fixed assets (note 12 b))	**(62,161)**	(58,533)	**(127,870)**	(109,346)
Increase in deferred charges	**(5,779)**	(6,094)	**(12,986)**	(13,611)
Other	**45**	(116)	**61**	(115)
Cash flow from investing activities from continuing operations	**(67,895)**	(64,743)	**(140,795)**	(123,072)
Cash flow from investing activities from discontinued operations (note 15)	**—**	(48)	**—**	(133)
	(67,895)	(64,791)	**(140,795)**	(123,205)
Cash flow from financing activities				
Increase in bank indebtedness	**4,659**	17,570	**28,118**	17,776
Net repayments under the term facilities	**(35,243)**	(35,104)	**(29,949)**	(69,135)
Issuance of long-term debt, net of transaction costs	**—**	—	**254,771**	51
Repayments of long-term debt and settlement of derivative financial instruments	**(880)**	(644)	**(240,627)**	(1,276)
Issue of subordinate voting shares	**21**	61	**21**	61
Acquisition of treasury shares	**(325)**	—	**(325)**	(468)
Dividends on multiple voting shares	**(148)**	(129)	**(295)**	(258)
Dividends on subordinate voting shares	**(1,192)**	(1,038)	**(2,384)**	(2,076)
Issue of shares by a subsidiary to non-controlling interest	**686**	236	**964**	3,292
Dividends paid by a subsidiary to non-controlling interest	**(3,943)**	(3,281)	**(7,883)**	(6,553)
Cash flow from financing activities from continuing operations	**(36,365)**	(22,329)	**2,411**	(58,586)
Cash flow from financing activities from discontinued operations (note 15)	**—**	(1,722)	**—**	4,106
	(36,365)	(24,051)	**2,411**	(54,480)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**641**	355	**1,328**	202
Net change in cash and cash equivalents	**16,861**	6,225	**13,894**	(41,910)
Cash and cash equivalents at beginning	**34,505**	18,144	**37,472**	66,279
Cash and cash equivalents at end	**51,366**	24,369	**51,366**	24,369

See supplemental cash flow information in note 12.

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1. Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, present fairly the financial position of COGECO Inc. ("the Company") at February 28, 2009 and August 31, 2008 as well as its results of operations and its cash flows for the three and six month periods ended February 28, 2009 and February 29, 2008.

While management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with COGECO Inc.'s annual consolidated financial statements for the year ended August 31, 2008. These unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except for the adoption of the new accounting policies described below.

Adoption of new accounting policies

Capital disclosures and financial instruments

Effective September 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*.

Capital disclosures

Section 1535 of the CICA Handbook requires that an entity disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance. These new disclosures are included in note 14.

Financial instruments

Section 3862 on financial instrument disclosures requires the disclosure of information about the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, gains and losses, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classification and measurements of the Company's financial instruments. The new disclosures pursuant to these new Sections are included in note 14.

General standards of financial statement presentation

The CICA amended Section 1400 of the CICA Handbook, *General Standards of Financial Statement Presentation*, to include a requirement for management to make an assessment of the entity's ability to continue as a going concern when preparing financial statements. These changes, including the related disclosure requirements, were adopted by the Company on September 1, 2008 and had no impact on the interim consolidated financial statements.

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1. Basis of Presentation (continued)

Credit risk and fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board issued EIC Abstract 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*, which establishes guidance requiring an entity to consider its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009 and is applicable to the Company for its second quarter of fiscal 2009 with retrospective application, without restatement of prior periods, to the beginning of its current fiscal year. The adoption of this new abstract during the second quarter decreased derivative financial instruments assets by $3.5 million, decreased future income tax liabilities by $1 million, decreased non-controlling interest by $1.8 million and decreased accumulated other comprehensive income by $0.8 million at December 1, 2008 and had no significant impact on the consolidated balance sheet at September 1, 2008.

Future accounting pronouncement

Business combinations, consolidated financial statements and non-controlling interests

During January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which replaces Section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*. These new Sections harmonize significant aspects of Canadian accounting standards with the International Financial Reporting Standards ("IFRS") that will be mandated for entities for fiscal year beginning on or after January 1, 2011.

Section 1582,requires that all business acquisition be measured at the fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the entity interest in the acquiree is owned at the acquisition date, and expands the definition of a business subject to an acquisition. The Section also establishes new guidance on the measurement of consideration given and the recognition and measurement of assets acquired and liabilities assumed in a business combination. Furthermore, under this new guidance, acquisition costs, which were previously included as a component of the consideration given, and any negative goodwill resulting from the allocation of the purchase price, which was allocated as a reduction of non-current assets acquired under the previous standard, will be recorded in earnings in the current period. This new Section will be applied prospectively and will only impact the Company's consolidated financial statements for future acquisitions concluded in periods subsequent to the date of adoption.

Sections 1601 and 1602 dealing with consolidated financial statements require an entity to measure non-controlling interest upon acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity.

The new standards will apply as of the beginning of the first annual reporting period beginning on or after January 1, 2011, with simultaneous early adoption permitted. Early adoption may reduce the amount of restatement required upon conversion to IFRS. The Company is currently assessing the impact of these new Sections on its consolidated financial statements.

1. Basis of Presentation (continued)

Harmonization of Canadian and International accounting standards

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the IFRS for publicly accountable entities.

In April 2008, the CICA published an exposure draft as guidance which requires the transition to IFRS to replace Canadian GAAP as currently employed by Canadian publicly accountable enterprises. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Company expects that its first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Company has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, who oversees the IFRS implementation project on behalf of the Board of Directors. The Company will be assisted by external advisors as required.

The implementation project consists of three primary phases, which may occur concurrently as IFRS are applied to specific areas of operations:

- Scoping and diagnostic phase — This phase involves performing a high-level impact assessment to identify key areas that are expected to be impacted by the transition to IFRS. The result of these procedures is the ranking of IFRS impacts in order of priority to assess the timing and complexity of transition efforts that will be required in subsequent phases.
- Impact analysis, evaluation and design phase — In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority, with project teams established as deemed necessary. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy choices permitted under IFRS and the development of draft IFRS financial statement content.
- Implementation and review phase — This phase includes execution of changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across the organization, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS in business processes, eliminating any unnecessary data collection processes and finally the approval by the Audit Committee of the IFRS consolidated financial statements. Implementation also involves additional staff training with the deployment of revised systems.

The Company completed the scoping and diagnostic phase in February 2009, and is now conducting the impact analysis, evaluation and design phase. As implications of the conversion are identified, the impact on information technology, data system and business activities will be assessed. The Company's analysis of the IFRS and the comparison with currently applied accounting principles has identified a number of differences that may require information system changes or which are likely to have a material impact on the consolidated financial statements of the Company.

1. Basis of Presentation (continued)

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Company's consolidated financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. We note that the regulatory bodies that promulgate the Canadian GAAP and the IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. The future impacts of the IFRS will also depend on the particular circumstances prevailing in those years. The standards listed below are those existing based on current Canadian GAAP and IFRS. At this stage, the Company is not able to reliably quantify the expected impacts of these differences on its consolidated financial statements. They are as follows:

- Presentation of Financial Statements (IAS 1)
- Income Taxes (IAS 12)
- Property, Plant and Equipment (IAS 16)
- Revenue (IAS 18)
- Impairment of Assets (IAS 36)
- Business Combinations (IFRS 3)

Furthermore, IFRS 1, First-Time Adoption of International Financial Reporting Standards, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS which may differ from the requirements of the sections listed above. The Company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances. The Company has not yet determined the aggregate financial impact of adopting IFRS 1 on its consolidated financial statements.

The conversion project is progressing according to the established plan.

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2. Segmented Information

The principal financial information per business segment is presented in the tables below:

	Cable		Other and eliminations		Consolidated	
Three months ended	**February 28, 2009 $**	February 29, 2008 $	**February 28, 2009 $**	February 29, 2008 $	**February 28, 2009 $**	February 29, 2008 $
Revenue	**304,920**	265,102	**6,905**	6,792	**311,825**	271,894
Operating costs	**179,459**	156,444	**5,703**	5,927	**185,162**	162,371
Operating income from continuing operations before amortization	**125,461**	108,658	**1,202**	865	**126,663**	109,523
Amortization	**66,644**	55,989	**141**	357	**66,785**	56,346
Operating income from continuing operations	**58,817**	52,669	**1,061**	508	**59,878**	53,177
Financial expense	**17,988**	17,136	**40**	414	**18,028**	17,550
Impairment of goodwill and intangible assets	**399,648**	—	**—**	—	**399,648**	—
Income taxes	**(250)**	(14,378)	**425**	(48)	**175**	(14,426)
Loss (gain) on dilution resulting from shares issued by a subsidiary	**22**	(25)	**—**	—	**22**	(25)
Non-controlling interest	**(242,704)**	33,763	**—**	—	**(242,704)**	33,763
Income (loss) from continuing operations	**(115,887)**	16,173	**596**	142	**(115,291)**	16,315
Loss from discontinued operations	**—**	—	**—**	(425)	**—**	(425)
Total assets [(1)]	**2,703,164**	3,019,155	**42,328**	40,326	**2,745,492**	3,059,481
Fixed assets [(1)]	**1,286,150**	1,257,965	**3,516**	3,645	**1,289,666**	1,261,610
Intangible assets [(1)]	**1,024,822**	1,091,042	**25,340**	25,340	**1,050,162**	1,116,382
Goodwill [(1)]	**161,669**	487,805	**—**	—	**161,669**	487,805
Acquisition of fixed assets [(2)]	**62,342**	59,874	**141**	32	**62,483**	59,906

(1) At February 28, 2009 and August 31, 2008.
(2) Includes capital leases that are excluded from the consolidated statements of cash flows.

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2. Segmented Information (continued)

	Cable		Other and eliminations		Consolidated	
Six months ended	**February 28, 2009 $**	February 29, 2008 $	**February 28, 2009 $**	February 29, 2008 $	**February 28, 2009 $**	February 29, 2008 $
Revenue	**604,358**	516,935	**15,842**	15,214	**620,200**	532,149
Operating costs	**359,174**	310,975	**9,659**	11,477	**368,833**	322,452
Operating income from continuing operations before amortization	**245,184**	205,960	**6,183**	3,737	**251,367**	209,697
Amortization	**130,566**	108,676	**282**	709	**130,848**	109,385
Operating income from continuing operations	**114,618**	97,284	**5,901**	3,028	**120,519**	100,312
Financial expense	**41,382**	33,013	**424**	870	**41,806**	33,883
Impairment of goodwill and intangible assets	**399,648**	—	**—**	—	**399,648**	—
Income taxes	**8,606**	(6,003)	**1,417**	854	**10,023**	(5,149)
Loss on dilution resulting from shares issued by a subsidiary	**48**	82	**—**	—	**48**	82
Non-controlling interest	**(226,768)**	47,525	**—**	—	**(226,768)**	47,525
Income (loss) from continuing operations	**(108,298)**	22,667	**4,060**	1,304	**(104,238)**	23,971
Loss from discontinued operations	**—**	—	**—**	(18,057)	**—**	(18,057)
Total assets [(1)]	**2,703,164**	3,019,155	**42,328**	40,326	**2,745,492**	3,059,481
Fixed assets [(1)]	**1,286,150**	1,257,965	**3,516**	3,645	**1,289,666**	1,261,610
Intangible assets [(1)]	**1,024,822**	1,091,042	**25,340**	25,340	**1,050,162**	1,116,382
Goodwill [(1)]	**161,669**	487,805	**—**	—	**161,669**	487,805
Acquisition of fixed assets [(2)]	**128,948**	110,601	**183**	191	**129,131**	110,792

(1) At February 28, 2009 and August 31, 2008.
(2) Includes capital leases that are excluded from the consolidated statements of cash flows.

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2. Segmented Information (continued)

The following tables set out certain geographic market information based on client location:

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Revenue				
Canada	**250,585**	211,960	**496,896**	416,623
Europe	**61,240**	59,934	**123,304**	115,526
	311,825	271,894	**620,200**	532,149

	February 28, 2009	August 31, 2008
	$	$
Fixed assets		
Canada	**979,510**	944,328
Europe	**310,156**	317,282
	1,289,666	1,261,610
Intangible assets		
Canada	**1,050,162**	1,052,608
Europe	**—**	63,774
	1,050,162	1,116,382
Goodwill		
Canada	**116,890**	116,890
Europe	**44,779**	370,915
	161,669	487,805

3. Amortization

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Fixed assets	**56,650**	47,972	**111,056**	92,994
Deferred charges	**6,071**	5,826	**11,859**	11,400
Intangible assets	**4,064**	2,548	**7,933**	4,991
	66,785	56,346	**130,848**	109,385

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4. Financial expense

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Interest on long-term debt	**17,029**	16,989	**37,299**	33,832
Foreign exchange losses (gains)	**619**	177	**4,403**	(858)
Amortization of deferred transaction costs	**407**	407	**814**	814
Other	**(27)**	(23)	**(710)**	95
	18,028	17,550	**41,806**	33,883

5. Impairment of goodwill and intangible assets

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Impairment of goodwill	**339,206**	—	**339,206**	—
Impairment of intangible assets	**60,442**	—	**60,442**	—
	399,648	—	**399,648**	—

In the second quarter of fiscal 2009, the competitive position of Cabovisão in the Iberian Peninsula further deteriorated due to the continuing unfavourable economic climate and recurring intense customer promotions and advertising initiatives from competitors in the Portuguese market at the end of the second quarter. In accordance with current accounting standards, management considers that the continued RGU and local currency revenue decline, are more significant and persistent than expected, resulting in a decrease in the value of the Company's subsidiary's investment in the Portuguese subsidiary. As a result, the Company's subsidiary tested goodwill and all long-lived assets for impairment at February 28, 2009.

Goodwill has to be tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The Company's subsidiary has completed its impairment tests on goodwill and has concluded that goodwill was impaired at February 28, 2009. As a result, an impairment loss of $339.2 million was recorded in the second quarter. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows are based on internal forecasts and consequently, considerable management judgement is necessary to estimate future cash flows. Significant changes in assumptions could result in further impairments of goodwill.

Intangible assets with definite lives, such as customer relationships, must be tested for impairment by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flow to be generated by the asset or group of assets. Accordingly, the Company's subsidiary has completed its impairment test on customer relationships at February 28, 2009, and has determined that the carrying value of customer relationships exceeds its fair value. As a result, an impairment loss of $60.4 million was recorded in the second quarter.

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6. Income Taxes

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Current	**10,261**	8,492	**17,285**	12,591
Future	**(10,086)**	(22,918)	**(7,262)**	(17,740)
	175	(14,426)	**10,023**	(5,149)

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

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Income (loss) before income taxes	**(357,798)**	35,627	**(320,935)**	66,429
Combined income tax rate	**32.49 %**	32.82 %	**32.48 %**	33.38 %
Income taxes at combined income tax rate	**(116,249)**	11,694	**(104,283)**	22,175
Adjustments for loss or income subject to lower or higher tax rates	**(686)**	37	**(880)**	(350)
Decrease in future income taxes as a result of decreases in substantively enacted tax rates	**—**	(24,146)	**—**	(24,146)
Decrease in income tax recovery arising from the non-deductible impairment of goodwill	**89,890**	—	**89,890**	—
Decrease in income tax recovery arising from non-deductible expenses	**157**	180	**274**	304
Effect of foreign income tax rate differences	**25,632**	(2,213)	**24,028**	(3,377)
Other	**1,431**	22	**994**	245
Income taxes at effective income tax rate	**175**	(14,426)	**10,023**	(5,149)

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7. Earnings (Loss) per Share

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

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Income (loss) from continuing operations	**(115,291)**	16,315	**(104,238)**	23,971
Loss from discontinued operations	—	(425)	—	(18,057)
Net income (loss)	**(115,291)**	15,890	**(104,238)**	5,914
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,741,230**	16,673,921	**16,740,836**	16,673,286
Effect of dilutive stock options [1]	—	74,013	—	78,084
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,741,230**	16,747,934	**16,740,836**	16,751,370
Earnings (loss) per share				
Basic				
Income (loss) from continuing operations	**(6.89)**	0.98	**(6.23)**	1.44
Loss from discontinued operations	—	(0.03)	—	(1.08)
Net income (loss)	**(6.89)**	0.95	**(6.23)**	0.35
Diluted				
Income (loss) from continuing operations	**(6.89)**	0.97	**(6.23)**	1.43
Loss from discontinued operations	—	(0.03)	—	(1.08)
Net income (loss)	**(6.89)**	0.95	**(6.23)**	0.35

[1] The weighted average dilutive number of subordinate voting shares, which were anti-dilutive for the three and six month periods ended February 28, 2009, amounted to 9,963 and 15,175. For the three and six month periods ended February 28, 2009, 32,782 stock options (33,182 and 16,591 in 2008) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

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8. Goodwill and Intangible Assets

	February 28, 2009	August 31, 2008
	$	$
Customer relationships	**35,270**	101,490
Broadcasting licenses	**25,120**	25,120
Customer base	**989,772**	989,772
	1,050,162	1,116,382
Goodwill	**161,669**	487,805
	1,211,831	1,604,187

a) Intangible assets

During the first six months, intangible assets variations were as follows:

	Customer relationships	Broadcasting licenses	Customer Base	Total
	$	$	$	$
Balance at August 31, 2008	**101,490**	**25,120**	**989,772**	**1,116,382**
Amortization	**(7,933)**	—	—	**(7,933)**
Foreign currency translation adjustment	**2,155**	—	—	**2,155**
Impairment (note 5)	**(60,442)**	—	—	**(60,442)**
Balance at February 28, 2009	**35,270**	**25,120**	**989,772**	**1,050,162**

b) Goodwill

During the first six months, goodwill variation was as follows:

	$
Balance at August 31, 2008	**487,805**
Foreign currency translation adjustment	**13,070**
Impairment (note 5)	**(339,206)**
Balance at February 28, 2009	**161,669**

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9. Long-Term Debt

	Maturity	Interest rate	**February 28, 2009**	August 31, 2008
		%	**$**	$
Parent company				
Term Facility	2011 [1]	3.85 [2]	**11,808**	18,748
Obligations under capital leases	2013	6.61 – 9.29	**108**	77
Subsidiaries				
Term Facility				
Term loan – €94,096,350	2011	2.31 [2][5]	**151,173**	145,832
Term loan – €17,358,700	2011	2.31 [2][5]	**27,862**	26,881
Revolving loan – €117,500,000 (€126,000,000 at August 31, 2008)	2011	2.44 [2]	**189,516**	196,308
Revolving loan	2011	1.86 [2]	**84,839**	94,375
Senior Secured Debentures Series 1	2009	6.75	**149,931**	149,814
Senior Secured Notes				
Series A – US$150 million	2008	6.83 [3]	**—**	159,233
Series B	2011	7.73	**174,434**	174,338
Senior Secured Notes [4]				
Series A – US$190 million	2015	7.00	**240,180**	—
Series B	2018	7.60	**54,560**	—
Senior Unsecured Debenture	2018	5.94	**99,777**	99,768
Obligations under capital leases	2013	6.47 – 9.93	**7,754**	8,492
Other	—	—	**38**	47
			1,191,980	1,073,913
Less current portion			**178,445**	336,858
			1,013,535	737,055

[1] In December 2008, the Term Facility has been extended for an additional year.

[2] Average interest rate on debt at February 28, 2009, including stamping fees.

[3] Cross-currency swap agreements have resulted in an effective interest rate of 7.254% on the Canadian dollar equivalent of the US denominated debt of the Company's subsidiary, Cogeco Cable Inc.

[4] On October 1, 2008, the Company's subsidiary, Cogeco Cable Inc., issued US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018, net of transaction costs of $2.1 million. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. The Company's subsidiary has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US$190 million, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625.

[5] On January 22, 2009, the Company's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity of July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest swap rate of 2.08%, the Company's subsidiary will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility.

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10. Capital Stock

Authorized, an unlimited number

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

Multiple voting shares, 20 votes per share.

Subordinate voting share, 1 vote per share.

	February 28, 2009	August 31, 2008
	$	$
Issued		
1,842,860 multiple voting shares	**12**	12
14,898,762 subordinate voting shares (14,897,586 at August 31, 2008)	**120,058**	120,037
	120,070	120,049

During the first six months, subordinate voting share transactions were as follows:

	Number of shares	**Amount**
		$
Balance at August 31, 2008	**14,897,586**	**120,037**
Shares issued for cash under the Employee Stock Purchase Plan	**1,176**	**21**
Balance at February 28, 2009	**14,898,762**	**120,058**

Stock-based plans

The Company offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives, which are described in the Company's annual consolidated financial statements. During the first six months of 2009 and 2008, no stock options were granted to employees by COGECO Inc. However, the Company's subsidiary, Cogeco Cable Inc., granted 133,381 stock options (99,084 in 2008) with an exercise price of $34.46 ($45.59 to $49.82 in 2008), of which 29,711 stock options (22,683 in 2008) were granted to COGECO Inc.'s employees. The Company records compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $174,000 and $275,000 ($587,000 and $907,000 in 2008) was recorded for the three and six month periods ended February 28, 2009.

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10. Capital Stock (continued)

The fair value of stock options granted by the Company's subsidiary, Cogeco Cable Inc., for the six months period ended February 28, 2009 was $8.96 ($12.86 in 2008) per option. The fair value was estimated at the grant date for purposes of determining the stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2009	2008
	%	%
Expected dividend yield	**1.40**	0.90
Expected volatility	**29**	27
Risk-free interest rate	**4.22**	4.25
Expected life in years	**4.0**	4.0

At February 28, 2009, the Company had outstanding stock options providing for the subscription of 123,358 subordinate voting shares. These stock options can be exercised at various prices ranging from $20.95 to $37.50 and at various dates up to October 19, 2011.

The Company also offers a senior executives and designated employee incentive unit plan (the "Incentive Share Unit Plan") which is described in the Company's annual consolidated financial statements. During the first six months, the Company granted 17,702 Incentive Share Units (12,852 in 2008). These shares were purchased for a cash consideration of $325,000 ($468,000 in 2008) and are held in trust for participants until they are completely vested. The trust, considered as a variable interest entity, is consolidated in the Company's financial statements with the value of the acquired shares presented as treasury shares in reduction of capital stock. A compensation expense of $130,000 and $238,000 ($95,000 and $163,000 in 2008) was recorded for the three and six month periods ended February 28, 2009 related to this plan.

The Company and its subsidiary, Cogeco Cable Inc., offer deferred share unit plans ("DSU Plans") which are described in the Company's annual consolidated financial statements. During the first six months, 11,113 and 6,282 deferred share units were awarded to the participants in connection with the DSU Plans by the Company and its subsidiary, respectively. Expenses of $471,000 and $351,000 were recorded for the three and six month periods ended February 28, 2009 for the liabilities related to these plans.

11. Accumulated Other Comprehensive Income

	Translation of a net investment in self-sustaining foreign subsidiaries	Cash flow hedges	Total
	$	$	$
Balance at August 31, 2008	**5,064**	**(100)**	**4,964**
Other comprehensive income (loss)	**3,682**	**(1,213)**	**2,469**
Balance at February 28, 2009	**8,746**	**(1,313)**	**7,433**

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12. Statements of Cash Flows

a) Changes in non-cash operating items

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Accounts receivable	**2,695**	(2,380)	**(494)**	(4,279)
Income taxes receivable	**(3,637)**	380	**(6,522)**	1,207
Prepaid expenses	**(1,163)**	(640)	**174**	1,196
Accounts payable and accrued liabilities	**15,646**	6,428	**(28,998)**	(32,366)
Income tax liabilities	**7,416**	5,908	**(9,585)**	8,190
Deferred and prepaid income and other liabilities	**(828)**	(2,128)	**398**	(1,153)
	20,129	7,568	**(45,027)**	(27,205)

b) Other information

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Fixed asset acquisitions through capital leases	**322**	1,373	**1,261**	1,446
Interest paid	**12,219**	11,550	**33,970**	32,744
Income taxes paid	**6,479**	2,662	**33,395**	3,140

13. Employees Future Benefits

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

		Three months ended		Six months ended
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Contributory defined benefit pension plans	**747**	658	**1,494**	1,316
Defined contribution pension plan and collective registered retirement savings plans	**903**	714	**1,826**	1,422
	1,650	1,372	**3,320**	2,738

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14. Financial and Capital Management

a) Financial management

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

Credit risk

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

Credit risk from the derivative financial instruments arises from the possibility that counterparts to the cross-currency swap and interest rate swap agreements may default on their obligations in instances where these agreements have positive fair values for the Company. The Company reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Company assesses the creditworthiness of the counterparts in order to minimize the risk of counterparts default under the agreements. At February 28, 2009, management believes that the credit risk relating to its swaps is minimal, since the lowest credit rating of the counterparts to the agreements is A^{-}.

Cash and cash equivalents consist mainly of highly liquid investments, such as money market deposits. The Company has deposited the cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, the Company's credit exposure is higher but it is difficult to predict the impact this could have on the Company's accounts receivable balances. To mitigate such risk, the Company continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new major customer. At February 28, 2009, no customer balance represents a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Company believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Company has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Company has a large and diversified clientele dispersed throughout in it's market area in Canada and Portugal, there is no significant concentration of credit risk. The following table provides further details on the Company's accounts receivable balances:

	February 28, 2009	August 31, 2008
	$	$
Trade accounts receivable	**78,181**	73,160
Allowance for doubtful accounts	**(17,164)**	(13,181)
	61,017	59,979
Other accounts receivable	**4,927**	4,931
	65,944	64,910

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14. Financial and Capital Management (continued)

The following table provides further details on trade accounts receivable, net of allowance for doubtful accounts. Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of Cogeco Cable Inc.'s customers are billed in advance and are required to pay before their services are rendered. The Company considers amount outstanding at the due date as trade accounts receivable past due.

	February 28, 2009	August 31, 2008
	$	$
Net trade accounts receivable not past due	**43,302**	43,659
Net trade accounts receivable past due	**17,715**	16,320
	61,017	59,979

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At February 28, 2009, the available amount of the Company's Term Facilities was $445.9 million. Management believes that the committed Term Facilities will, until their maturities in July 2011 and December 2011, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

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

	2009 (six months)	2010 (twelve months)	2011 (twelve months)	2012 (twelve months)	2013 (twelve months)	Thereafter	Total
	$	$	$	$	$	$	$
Bank indebtedness	38,420	—	—	—	—	—	38,420
Accounts payable and accrued liabilities	233,094	—	—	—	—	—	233,094
Long-term debt [(1)]	175,311	42,180	386,829	187,000	—	396,737	1,188,057
Derivative financial instruments							
Cash outflows (Canadian dollar)	—	—	—	—	—	201,875	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	—	—	—	—	—	(241,737)	(241,737)
Obligations under capital leases [(2)]	2,349	3,216	2,013	1,281	69	—	8,928
	449,174	45,396	388,842	188,281	69	356,875	1,428,637

[(1)] Principal excluding obligations under capital leases.
[(2)] Including interest.

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14. Financial and Capital Management (continued)

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that are due for each of the next five years and thereafter, based on the principal and interest rate prevailing on the current debt at February 28 and their respective maturities:

	2009 (six months)	2010 (twelve months)	2011 (twelve months)	2012 (twelve months)	2013 (twelve months)	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	28,175	50,718	49,091	29,427	27,038	83,214	267,663
Interest payments on derivative financial instruments	9,787	18,880	17,523	14,614	14,614	30,445	105,863
Interest receipts on derivative financial instruments	(10,490)	(20,412)	(19,302)	(16,922)	(16,922)	(35,253)	(119,301)
	27,472	49,186	47,312	27,119	24,730	78,406	254,225

Interest rate risk

The Company is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At February 28, 2009, all of the Company's long-term debt was at fixed rate, except for the Company's Term Facilities. On January 22, 2009, the Company's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity of July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest swap rate of 2.08%, the Company subsidiary will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility. The Company's subsidiary elected to apply cash flow hedge accounting on this derivative financial instrument. The sensitivity of the Company's annual financial expense to a variation of 1% in the interest rate applicable to the Term Facilities is approximately $2.9 million based on the current debt at February 28, 2009 and taking into consideration the effect of the interest rate swap agreement.

Foreign exchange risk

The Company is exposed to foreign exchange risk related to its long-term debt denominated in US dollars. In order to mitigate this risk, the Company has established guidelines whereby currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Company's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Company's subsidiary elected to apply cash flow hedge accounting on these derivative financial instruments.

14. Financial and Capital Management (continued)

The Company is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At February 28, 2009, bank indebtedness denominated in US dollars amounted to US$1,451,000 (US$286,000 at August 31, 2008) while accounts payable denominated in US dollars amounted to US$7,580,000 (US$16,121,000 at August 31, 2008). At February 28, 2009, Euro-denominated cash and cash equivalents amounted to €736,000 (€219,000 at August 31, 2008) while accounts payable denominated in Euros amounted to €134,000 (€163,000 at August 31, 2008). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant, except for the unusual high volatility of the US dollar compared to the Canadian dollar during the first six months of fiscal 2009. During the six month period ended February 28, 2009, the exchange rate increased from $1.0620 at August 31, 2008, to $1.2723 at February 27, 2009, reaching a high of $1.2935 on November 20, 2008. The impact of a 10% change in the foreign exchange rates (US dollar and Euros) would change financial expense by approximately $1.1 million.

Furthermore, the Company's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão-Televisão por Cabo, S.A. was borrowed directly in Euros. At February 28, 2009, the net investment amounted to €196,758,000 (€446,051,000 at August 31, 2008) while long-term debt denominated in Euros amounted to €228,955,000 (€237,455,000 at August 31, 2008). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at February 28, 2009 was $1.6129 per Euro compared to $1.5580 per Euro at August 31, 2008. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change financial expense by approximately $1 million and other comprehensive income by approximately $1.7 million.

Fair value

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

		February 28, 2009		August 31, 2008
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt	**1,191,980**	**1,161,464**	1,073,913	1,068,469

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14. Financial and Capital Management (continued)

b) Capital management

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

The capital structure of the Company is composed of shareholders' equity, bank indebtedness, long-term debt and assets or liabilities related to derivative financial instruments.

The provisions under the Term Facilities provide for restrictions on the operations and activities of the Company. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total Indebtedness. At February 28, 2009, the Company was in compliance with all debt covenants and was not subject to any other externally imposed capital requirements.

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

	February 28, 2009	August 31, 2008
Net indebtedness [1] / Shareholders' equity	**3.6**	2.7
Net indebtedness [1] / Operating income before amortization [2]	**2.3**	2.5
Operating income before amortization / Financial expense [3]	**2.9**	6.3

[1] Net indebtedness is defined as the total of bank indebtedness, long-term debt and derivative financial instrument liability, less cash and cash equivalents and assets related to derivative financial instruments.
[2] Calculation based on operating income before amortization for the last twelve month period ended February 28, 2009.
[3] Calculation based on operating income before amortization for the six month period ended February 28, 2009 and twelve month period ended August 31, 2008.

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15. Discontinued Operations

In October 2007, the Board of Directors of TQS, an indirect subsidiary of the Company, engaged CIBC World Markets to advise on and assess strategic options for the TQS network in the face of financial difficulties. On December 18, 2007, the Québec Superior Court issued an order under the *Companies' Creditors Arrangement Act* (Canada) protecting TQS, its subsidiaries and its parent 3947424 Canada Inc. ("TQS Group") from claims by their creditors. On June 26, 2008, the Canadian Radio-television and Telecommunications Commission ("CRTC") approved the proposed transfer of ownership and control of TQS to Remstar Corporation Inc. ("Remstar") and on August 29, 2008, the transfer of ownership and control of TQS to Remstar was completed, which allowed the new ownership group to pursue the broadcasting activities of TQS.

Effective December 18, 2007, the Company has ceased to consolidate the financial statements of the TQS Group. Accordingly, the results of operations and cash flows for the three month period ended November 30, 2007, has been reclassified as discontinued operations. The results of the discontinued operations were as follows:

	Three months ended		Six months ended	
	February 28, 2009	February 29, 2008	**February 28, 2009**	February 29, 2008
	$	$	**$**	$
Revenue	—	5,741	—	38,499
Operating costs	—	5,865	—	35,822
Operating income (loss) before amortization	—	(124)	—	2,677
Amortization	—	248	—	1,364
Operating income (loss)	—	(372)	—	1,313
Financial expense	—	53	—	291
Impairment of assets	—	—	—	30,298
Loss before income taxes and the following items	—	(425)	—	(29,276)
Income taxes	—	—	—	—
Non-controlling interest	—	—	—	(11,219)
Loss from discontinued operations	—	(425)	—	(18,057)

16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation to reflect the reclassification of foreign exchange gains or losses from operating costs to financial expense.