SHAREHOLDERS' REPORT

Second quarter ended February 28, 2010

COGECO CABLE

FINANCIAL HIGHLIGHTS

	Quarters ended February 28,			Six months ended February 28,		
	2010	2009[1]	Change	2010	2009[1]	Change
($000, except percentages and per share data)	$	$	%	$	$	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Operations						
Revenue	320,397	304,920	5.1	637,762	604,358	5.5
Operating income before amortization[2]	122,613	122,303	0.3	245,219	238,033	3.0
Operating margin[2]	38.3%	40.1%	–	38.4%	39.4%	–
Operating income	56,774	59,105	(3.9)	113,815	114,089	(0.2)
Impairment of goodwill and intangible assets	–	399,648	–	–	399,648	–
Net income (loss)	29,789	(358,324)	–	86,455	(335,379)	–
Adjusted net income [2]	29,789	25,306	17.7	56,673	48,251	17.5
Cash Flow						
Cash flow from operating activities	114,037	115,282	(1.1)	110,419	139,763	(21.0)
Cash flow from operations[2]	118,318	95,928	23.3	248,547	183,545	35.4
Free cash flow[2]	43,939	30,965	41.9	105,947	48,762	–
Financial Condition[3]						
Total assets	–	–	–	2,621,394	2,630,912	(0.4)
Indebtedness[4]	–	–	–	1,056,184	1,054,506	0.2
Shareholders' equity	–	–	–	1,076,588	1,007,384	6.9
RGU growth	68,782	60,410	13.9	158,567	113,124	40.2
Per Share Data[5]						
Earnings (loss) per share						
Basic	0.61	(7.38)	–	1.78	(6.91)	–
Diluted	0.61	(7.38)	–	1.78	(6.91)	–
Adjusted earnings per share [2]						
Basic	0.61	0.52	17.3	1.17	0.99	18.2
Diluted	0.61	0.52	17.3	1.16	0.99	17.2

[1] Certain comparative figures have been restated to reflect the application of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064. Please refer to the "Accounting policies and estimates" section of the Management's discussion and analysis for more details.

[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] At February 28, 2010 and August 31, 2009.

[4] Indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments.

[5] Per multiple and subordinate voting share.

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 Cable's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Cable believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the 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 Corporation's expectations. It is impossible for Cogeco Cable to predict with certainty the impact that the current economic downturn may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Corporation's 2009 annual Management's Discussion and Analysis (MD&A)) that could cause actual results to differ materially from what Cogeco Cable currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresee. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

This analysis should be read in conjunction with the Corporation's consolidated financial statements, and the notes thereto, prepared in accordance with Canadian Generally Accepted Accounting Principles and the MD&A included in the Corporation's 2009 Annual Report. Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

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

CORPORATE STRATEGIES AND OBJECTIVES

Cogeco Cable Inc.'s ("Cogeco Cable" or the "Corporation") objectives are to improve profitability and create shareholder value. The strategies for reaching those objectives are sustained growth through the diversification and the improvement of products, services, clientele and territories, as well as the continuous improvement of networks and equipment and tight controls over costs and business processes. The Corporation measures its performance, with regard to these objectives by monitoring operating income before amortization[(1)] , operating margin[(1)], revenue-generating units ("RGU") growth[(2)] and free cash flow[(1)].

During the first six months of fiscal 2010, the Corporation invested approximately $67.8 million in its network infrastructure and equipment to upgrade its capacity, improve its robustness and extend its territories in order to better serve and increase its service offerings for new and existing clientele.

RGU growth and penetration of service offerings

During the first six months ended February 28, 2010, the number of RGU increased by 158,567, or 5.5%, to reach 3,050,805 RGU. In light of the strong RGU growth during the first six months of fiscal 2010, the Corporation has revised its guidelines to 200,000 net additions, or approximately 6.9% when compared to August 31, 2009, from 150,000 RGU as issued on January 12, 2010. Please consult the "Fiscal 2010 financial guidelines" section for further details.

Operating income before amortization and operating margin

Second-quarter operating income before amortization remained essentially the same at $122.6 million and operating margin decreased to 38.3% from 40.1%. In the first half of fiscal 2010, operating income before amortization grew by $7.2 million, or 3%, to reach $245.2 million, however the Corporation's operating margin decreased to 38.4% from 39.4%. Management maintains its revised projection of $505 million in operating income before amortization and an operating margin of approximately 39.1% for the 2010 fiscal year issued on January 12, 2010.

Free cash flow

For the three-month period ended February 28, 2010, Cogeco Cable generated free cash flow of $43.9 million compared to $31 million for the second quarter of the previous fiscal year, representing an increase of $13 million, or 41.9%. Free cash flow growth for the quarter is mainly due to an increase in cash flow from operations[(1)], including the reduction in current income taxes stemming from modifications made to the corporate structure, partly offset by an increase in capital expenditures. In the first six months, the Corporation generated free cash flow of $105.9 million, an increase of $57.2 million over the free cash flow of $48.8 million generated in the first half of fiscal 2009. Management expects to achieve its revised free cash flow guidelines of $135 million for the 2010 fiscal year.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

During the second quarter of fiscal 2009, the competitive position of Cabovisão – Televisão por Cabo, S.A. ("Cabovisão") in the Iberian Peninsula further deteriorated due to the continuing difficult competitive environment and recurring intense promotions and advertising initiatives from competitors in the Portuguese market. Please refer to "European operations" section for further details. In accordance with current accounting standards, management considered that the continued customer, local currency revenue and operating income before amortization decline were more severe and persistent than expected, resulting in a decrease in the value of the Corporation's investment in the Portuguese subsidiary. As a result, the Corporation tested goodwill and all long-lived assets for impairment at February 28, 2009.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned 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 impairment loss is measured as the amount by which the carrying

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(1) 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.

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

(1) The indicated terms do not have standardized definitions 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.

amount of the reporting unit's goodwill exceeds its fair value. The Corporation completed its impairment tests on goodwill and 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 of the 2009 fiscal year. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgement was necessary to estimate future cash flows. Significant future changes in circumstances could result in further impairments of goodwill.

Intangible assets with finite useful 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. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. Accordingly, the Corporation completed its impairment test on customer relationships at February 28, 2009, and determined that the carrying value of customer relationships exceeded its fair value. As a result, a non-cash impairment loss of $60.4 million was recorded in the second quarter of the 2009 fiscal year.

The impairment loss affected the Corporation's financial results as follows during the second quarter of fiscal 2009:

($000)	$
Impairment of goodwill	339,206
Impairment of customer relationships	60,442
Future income taxes	(16,018)
Impairment loss net of related income taxes	383,630

OPERATING RESULTS – CONSOLIDATED OVERVIEW

	Quarters ended February 28,			Six months ended February 28,		
	2010	2009[1]	Change	2010	2009[1]	Change
($000, except percentages)	$	$	%	$	$	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	320,397	304,920	5.1	637,762	604,358	5.5
Operating costs	195,106	179,579	8.6	383,524	357,306	7.3
Management fees - COGECO Inc.	2,678	3,038	(11.8)	9,019	9,019	–
Operating income before amortization	122,613	122,303	0.3	245,219	238,033	3.0
Operating margin	38.3%	40.1%		38.4%	39.4%	

(1) Certain comparative figures have been restated to reflect the application of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

Revenue

Fiscal 2010 second-quarter revenue improved by $15.5 million, or 5.1%, to reach $320.4 million, and first six-month revenue amounted to $637.8 million, an increase of $33.4 million, or 5.5%, when compared to the prior year. Driven by increased RGU, the introduction of HSI usage billing, the revenue related to the additional levy amounting to 1.5% of gross Cable Television service revenue imposed by the Canadian Radio-television and Telecommunications Commission ("CRTC") in order to finance the new Local Programming Improvement Fund ("LPIF") for the benefit of conventional television broadcasters operating local stations in Canada, and rate increases implemented at the end of fiscal 2009, second-quarter and first six-month Canadian operations revenue went up by $27.8 million and $54.7 million, respectively, both representing 11.4%, over the comparable periods of the prior year.

Fiscal 2010 second-quarter and first six months European operations revenue decreased by $12.3 million, or 20%, and by $21.3 million, or 17.3%, respectively, when compared to the same periods of the prior year. The decreases were mainly due to a lower number of Basic Cable service customers compared to the same periods of fiscal 2009 year, to the impact of retention strategies implemented in the second half of the prior year in order to reduce customer attrition, and to a decrease in the value of the Euro compared to the Canadian dollar.

Operating costs

For the second quarter and first six months of fiscal 2010, operating costs, excluding management fees payable to COGECO Inc., increased by $15.5 million and $26.2 million, respectively, to reach $195.1 million and $383.5 million, increases of 8.6% and 7.3% compared to the prior year. Operating costs in the Canadian operations increased due to the servicing of additional RGU, the launch of new HD channels and the additional levy amounting to 1.5% of gross Cable Television service revenue imposed by the CRTC in order to finance the new LPIF. In Europe, operating costs decreased due to the decline of the value of the Euro over the Canadian dollar which surpassed increases in operating costs related to marketing initiatives and the launch of new channels net of the impact of cost reduction initiatives implemented by Cabovisão, such as a headcount reduction plan.

Operating income before amortization and operating margin

Fiscal 2010 second-quarter operating income before amortization remained essentially the same at $122.6 million, and increased by $7.2 million, or 3%, to reach $245.2 million for the first six months as a result of RGU growth, the introduction of HSI usage billing and rate increases generating additional revenues, net of the increases in operating costs described above. Cogeco Cable's second-quarter operating margin decreased to 38.3% from 40.1% in the comparable period of the prior year. For the first six months, the Corporation's operating margin decreased to 38.4% from 39.4%.

The operating margin for the second quarter in Canada decreased to 42.2% from 42.9%, and the European operating margin for the same period decreased to 16.4% from 29.1%. In the first six months, the Canadian operations' operating margin increased to 42.4% from 41.5%, which partly offset the decrease in the European operating margin to 17.8% from 31.3% during that period.

RELATED PARTY TRANSACTIONS

Cogeco Cable is a subsidiary of COGECO Inc., which holds 32.3% of the Corporation's equity shares, representing 82.7% of the votes attached to the Corporation's voting shares. Under a management agreement, the Corporation pays COGECO Inc. monthly management fees equal to 2% of its total revenue, capped annually and subject to an adjustment based on the increase in the Consumer Price Index in Canada, for certain executive, administrative, legal, regulatory, strategic and financial planning and additional services. Accordingly, for fiscal 2010, management fees have been set at a maximum of $9 million, which has been reached in the second quarter of the fiscal year. For fiscal 2009, management fees were capped at $9 million, and were fully paid in the first six months of the year.

Cogeco Cable granted 33,266 stock options to COGECO Inc.'s employees during the first six months of fiscal 2010, compared to 29,711 for the same period last year. During the second quarter and first six months, Cogeco Cable charged COGECO Inc. amounts of $0.1 million and $0.2 million, respectively, with regards to Cogeco Cable's options granted to COGECO Inc.'s employees, essentially the same amounts as in the comparable periods of the prior year. Details regarding the management agreement and stock options granted to COGECO Inc.'s employees are provided in the Corporation's 2009 Annual Report.

Effective October 29, 2009, Cogeco Cable established an incentive share unit plan for senior executives and designated employees. During the first six months, the Corporation granted 9,981 Incentive Share Units to COGECO Inc.'s employees and charged COGECO Inc. an amount of $37,000, $28,000 of which was charged in the second quarter, with regards to the Corporation's Incentive Share Units granted to COGECO Inc.'s employees.

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

FIXED CHARGES

	Quarters ended February 28,			Six months ended February 28,		
	2010	2009[1]	Change	2010	2009[1]	Change
($000, except percentages)	$	$	%	$	$	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Amortization	65,839	63,198	4.2	131,404	123,944	6.0
Financial expense	15,033	17,988	(16.4)	31,174	41,382	(24.7)

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

Second-quarter 2010 amortization amounted to $65.8 million, compared to $63.2 million for the same period of the prior year. For the first six months, amortization amounted to $131.4 million in fiscal 2010 compared to $123.9 million in fiscal 2009. The increases are mainly due to additional capital expenditures arising from customer premise equipment acquisitions to sustain RGU growth.

Financial expense amounted to $15 million in the second quarter and $31.2 million in the first half of the year, compared to $18 million and $41.4 million in the prior year. The financial expense of the current year includes foreign exchange gains of $0.4 million and $0.9 million for the quarter and first six months, compared to foreign exchange losses of $0.6 million and $4.4 million in the prior year. The losses in the prior year were essentially due to the unusually high and sudden US dollar volatility, as the majority of customer premise equipment is purchased and subsequently paid in US dollars. The remaining decreases of $1.9 million and $4.9 million, respectively, are due to interest rate reductions and a decrease in Indebtedness (defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments) when compared with the comparable periods of the previous fiscal year.

INCOME TAXES

Fiscal 2010 second-quarter income tax expense amounted to $12 million, compared to a recovery of $0.2 million in the prior year, and for the first six months, the income tax recovery amounted to $3.8 million compared to an expense of $8.4 million in the prior year. The income tax recovery in the first six months of fiscal 2010 includes the impact of the reduction in corporate income tax rates announced on March 26, 2009 by the Ontario provincial government and considered substantively enacted on November 16, 2009 (the "reduction of Ontario provincial corporate income tax rates"). These lower corporate income tax rates reduced future income tax expense by $29.8 million in the first six months of fiscal 2010. The income tax amounts for the second quarter and first six months of the prior year include a future income tax recovery of $16 million related to the impairment loss recorded in the second quarter of fiscal 2009. Excluding the impact of the reduction of Ontario provincial corporate income tax rates in the current year and of the income tax recovery related to the impairment loss in the prior year, income tax expense would have amounted to $12 million and $26 million for the second quarter and first six months of fiscal 2010, respectively, compared to $15.8 million for the second quarter and $24.5 million for the first half of fiscal 2009. The decrease in income tax expense for the second quarter of fiscal 2010 is mainly due to the reduction of Ontario provincial corporate income tax rates. The increase in income tax expense for the first half of the fiscal year is mainly due to the improvement in operating income before amortization and a reduction in fixed charges.

NET INCOME

Fiscal 2010 second quarter net income amounted to $29.8 million, or $0.61 per share, compared to a net loss of $358.3 million, or $7.38 per share, for the same period in 2009. For the first half of fiscal 2010, net income amounted to $86.5 million, or $1.78 per share, compared to a net loss of $335.4 million, or $6.91 per share. Net income for the first six months of fiscal 2010 includes the reduction of Ontario provincial corporate income tax rates described above. Fiscal 2009 net losses were due to the impairment loss, net of related income taxes, of $383.6 million recorded in the second quarter, as described in the "Impairment of goodwill and intangible assets" section. Excluding the effect of the reduction of Ontario provincial income tax rates in the current year and the impairment loss recorded in the prior year, adjusted net income[1] would have amounted to $29.8 million, or $0.61 per share[1], and $56.7 million, or $1.17 per share, for the quarter and first six months ended February 28, 2010, respectively. These amounts represent increases of 17.7%

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and 17.3%, respectively, over adjusted net income of $25.3 million, or $0.52 per share for the quarter, and of 17.5% and 18.2% over adjusted net income of $48.3 million, or $0.99 per share for the first six months of fiscal 2009. Net income progression has resulted mainly from the decrease in the Ontario provincial corporate income tax rates, coupled with the growth in operating income before amortization and a reduction of fixed charges in the first six months of the fiscal year.

CASH FLOW AND LIQUIDITY

	Quarters ended February 28,		Six months ended February 28,	
($000)	2010 $	2009[1] $	2010 $	2009[1] $
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities				
Cash flow from operations[2]	118,318	95,928	248,547	183,545
Changes in non-cash operating items	(4,281)	19,354	(138,128)	(43,782)
	114,037	115,282	110,419	139,763
Investing activities[3]	(74,277)	(64,699)	(142,337)	(133,564)
Financing activities[3]	(44,528)	(34,623)	4,967	4,797
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(1,102)	641	(900)	1,328
Net change in cash and cash equivalents	(5,870)	16,601	(27,851)	12,324
Cash and cash equivalents, beginning of period	17,477	32,094	39,458	36,371
Cash and cash equivalents, end of period	11,607	48,695	11,607	48,695

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.
(2) 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.
(3) Excludes assets acquired under capital leases.

Fiscal 2010 second quarter cash flow from operations reached $118.3 million, 23.3% higher than the comparable period last year, primarily due to the reduction in current income taxes stemming from modifications to the corporate structure and the reduction in financial expense. Changes in non-cash operating items required cash outflows of $4.3 million, mainly as a result of increases in income taxes receivable and accounts receivable, partly offset by increases in accounts payable and accrued liabilities and deferred and prepaid revenue and other liabilities. In the prior year, the cash inflows of $19.4 million were mainly the result of increases in accounts payable and accrued liabilities and income tax liabilities.

For the first six months of fiscal 2010, cash flow from operations reached $248.5 million, 35.4% higher than the comparable period last year, primarily due to the reduction in current income taxes stemming from modifications to the corporate structure, the increase in operating income before amortization and the reduction in financial expense. Changes in non-cash operating items required cash outflows of $138.1 million, mainly as a result of decreases in accounts payable and accrued liabilities and income tax liabilities and increases in income taxes receivable and accounts receivable. In the prior year, the cash outflows of $43.8 million were mainly the result of decreases in accounts payable and accrued liabilities and in income tax liabilities and an increase in income taxes receivable.

Investing activities, including capital expenditures segmented according to the National Cable Television Association ("NCTA") standard reporting categories, are as follows:

	Quarters ended February 28,		Six months ended February 28,	
($000)	2010 $	2009[1] $	2010 $	2009[1] $
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer premise equipment [2]	26,630	23,308	60,105	55,132
Scalable infrastructure	17,513	15,050	30,340	27,592
Line extensions	6,354	5,290	11,788	9,577
Upgrade / Rebuild	15,215	10,246	25,685	20,688
Support capital	6,212	8,448	9,163	15,959
Total capital expenditures[3]	71,924	62,342	137,081	128,948
Increase in deferred charges and others	2,353	2,576	5,397	5,774
Total investing activities[3]	74,277	64,918	142,478	134,722

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.
(2) Includes mainly home terminal devices as well as new and replacement drops.
(3) Includes capital leases, which are excluded from the statements of cash flows.

Total capital expenditures amounted to $71.9 million and $137.1 million in the second quarter and first six months of fiscal 2010, respectively, representing increases of 15.4% and 6.3% when compared to the corresponding periods of the prior year, due to the following factors:

- An increase in customer premise equipment spending in the European operations in order to support the continued growth of Digital Television service customers, partly offset by a decrease in Canadian operations which reflects lower customer growth for this same service;
- An increase in scalable infrastructure spending in the Canadian operations to increase DOCSIS network bandwidth capacity in order to support the internet traffic growth;
- An increase in upgrade and rebuild to improve network capacity in new and existing areas served;
- A decrease in support capital spending as the prior year reflected improvements to the information systems to sustain the business activities, the acquisition of a new facility in the Canadian operations, and in the first six months, the acquisition of a power generator for the Canadian data communications subsidiary.

Deferred charges and others are mainly attributable to reconnect costs and additional service activation costs. For the second quarter and first six months, the increase in deferred charges and others amounted to $2.5 million and $5.5 million, essentially the same when compared to $2.4 million and $5.4 million for the second quarter and first half of the 2009 fiscal year.

In the second quarter and first six months, Cogeco Cable generated free cash flows of $43.9 million and $105.9 million, respectively, compared to $31 million and $48.8 million in the comparable periods of fiscal 2009, representing increases of $13 million and $57.2 million, respectively. The growth in free cash flow over the prior year is mainly due to an increase in cash flow from operations including the reduction in current income taxes stemming for modifications made to the corporate structure, partly offset by the increase in capital expenditures. The aggregate amount of total capital expenditures and deferred charges and others increased by $9.4 million for the quarter and by $7.8 million for the six months ended February 28, 2010 compared to the corresponding periods of the prior year due to the factors explained above.

In the second quarter of 2010, Indebtedness affecting cash decreased by $38 million mainly due to the free cash flow of $43.9 million and the reduction in cash and cash equivalents of $5.9 million, partly offset by the dividend payment of $6.8 million described below and the decrease in non-cash operating items of $4.3 million. Indebtedness mainly decreased through a net repayment of $36.5 million on the Corporation's revolving loans. In the second quarter of 2009, Indebtedness affecting cash decreased by $29.5 million due to the free cash flow of $31 million and the increase of non-cash operating items of $19.4 million, net of the increase in cash and cash equivalents of $16.6 million and a dividend payment of $5.8 million.

During the second quarter of fiscal 2010, a dividend of $0.14 per share was paid to the holders of subordinate and multiple voting shares, totalling $6.8 million, compared to a dividend of $0.12 per share, or $5.8 million the year before.

For the first six months of fiscal 2010, Indebtedness affecting cash increased by $20 million mainly due to the decrease in non-cash operating items of $138 million and the dividend payment of $13.6 million described below, partly offset by the free cash flow of $105.9 million and the decrease in cash and cash equivalents of $27.9 million. Indebtedness mainly increased through an increase of $43.7 million in bank indebtedness, partly offset by a net repayment of $21.6 million on the Corporation's revolving loans. During the first half of fiscal 2009, Indebtedness affecting cash increased by $15.5 million due to the reduction of non-cash operating items of $43.8 million, the increase in cash and cash equivalents of $12.3 million and the payment of dividends totalling $11.6 million, partly offset by the free cash flow of $48.8 million. For the first six months of fiscal 2009, Indebtedness was increased through the issuance of Senior Secured Notes for net proceeds of approximately $255 million, and by an increase of $24.3 million in bank indebtedness, net of the repayment of US$150 million Senior Secured Notes Series A and the related derivative financial instruments for a total of $238.7 million, and of net repayments on the Corporation's revolving loans of $23 million.

In the first six months of fiscal 2010, quarterly dividends of $0.14 per share were paid to the holders of subordinate and multiple voting shares, totalling $13.6 million, compared to quarterly dividends of $0.12 per share, or $11.6 million in the first half of fiscal 2009.

As at February 28, 2010, the Corporation had a working capital deficiency of $216 million compared to $240.9 million as at August 31, 2009. The decrease in the deficiency is mainly attributable to reductions in accounts payable and accrued liabilities due to the timing of supplier payments and in income tax liabilities stemming from income tax payments relating to the 2009 fiscal year, and to an increase in income taxes receivable as a result of modifications to the corporate structure. These decreases have been partially offset by the increase in bank indebtedness and the decreases in cash and cash equivalents resulting from the above mentioned payments, and by the increase in the current portion of future income tax liabilities also stemming from modifications to the corporate structure. As part of the usual conduct of its business, Cogeco Cable maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the Corporation's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

At February 28, 2010, the Corporation had used $194.7 million of its $862.5 million Term Facility for a remaining availability of $667.8 million.

FINANCIAL POSITION

Since August 31, 2009, there have been significant changes to the balances of "accounts receivable", "fixed assets", "goodwill", "accounts payable and accrued liabilities", "deferred and prepaid revenue", "income taxes receivable", "income tax liabilities", "future income tax liabilities", "bank indebtedness", "long-term debt", "derivative financial instruments" and "cash and cash equivalents".

The $10.1 million increase in accounts receivable is due to the increase in revenues and the timing of payments received from customers. The $12.2 million decrease in fixed assets is primarily due to the decline in the relative value of the Euro over the Canadian dollar, partly offset by the increase in capital expenditures previously discussed. The $7.3 million dollar decrease in goodwill is due to the utilization of pre-acquisition tax losses and the decline in the value of the Euro relative to the Canadian dollar. The $68.8 million decrease in accounts payable and accrued liabilities is related to the timing of payments made to suppliers. The increase of $7.4 million in deferred and prepaid revenue is mainly due to advance billing in the data telecommunications subsidiary for services to be provided in the remainder of the fiscal year. The increases of $30.8 million in income taxes receivable and $53.7 million in the current portion of future income tax liabilities are mainly due to modifications made to the corporate structure. The $40.3 million decrease in income tax liabilities is due to income tax payments made in the first half of fiscal 2010 relating to the 2009 fiscal year. The $28.7 million decrease in long-term future income tax liabilities is mainly due to reduction of Ontario provincial corporate income tax rates. The increases of $43.7 million in bank indebtedness and the decreases of $49.5 million in long-term debt, $27.9 million in cash and cash equivalents and $7.4 million in net derivative financial instruments are due to the factors previously discussed in the "Cash Flow and Liquidity" section combined with the fluctuations in foreign exchange and interest rates.

A description of Cogeco Cable's share data as of March 31, 2010 is presented in the table below:

	Number of shares/options	Amount ($000)
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	32,877,790	892,081
Options to purchase Subordinate voting shares		
Outstanding options	748,663	
Exercisable options	516,589	

In the normal course of business, Cogeco Cable has incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. Cogeco Cable's obligations, as discussed in the 2009 Annual Report, have not materially changed since August 31, 2009, except as mentioned below.

On March 4, 2010, the Corporation issued a letter of credit amounting to €2.2 million to guarantee the payment by Cabovisão of withholding taxes for the 2005 year assessed by the Portuguese tax authorities, which are currently being challenged by Cabovisão. Although the principal amount in dispute is fully recorded in the books of its subsidiary Cabovisão, the Corporation may be required to pay the amount following final judgement, up to a maximum aggregate amount of €2.2 million ($3.1 million), should Cabovisão fail to pay such required amount.

DIVIDEND DECLARATION

At its April 7, 2010 meeting, the Board of Directors of Cogeco Cable declared a quarterly eligible dividend of $0.14 per share for subordinate and multiple voting shares, payable on May 5, 2010, to shareholders of record on April 21, 2010. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

FINANCIAL MANAGEMENT

During fiscal 2009, the Corporation 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 and stood at €95.8 million at February 28, 2010. 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. In the first six months of the fiscal year, the fair value of interest rate swap decreased by $0.2 million, which is recorded as a decrease of other comprehensive income, net of income taxes.

In the previous fiscal year, 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 $1.0625 per US dollar. In the first half of the 2010 fiscal year, amounts due under the US$190 million Senior Secured Notes Series A decreased by $8.1 million due to the US dollar's depreciation compared to the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $7.2 million, resulting in an increase, net of income taxes, of $2.2 million recorded in other comprehensive income.

The Corporation'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 values 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 the net investment in self-sustaining foreign subsidiaries and accordingly, the Corporation realized a foreign exchange loss of $5 million in the first six months of fiscal 2010 which is presented in other comprehensive income. The exchange rate used to convert the Euro into Canadian dollars for the balance sheet accounts at February 28, 2010 was $1.4330 per Euro compared to $1.5698 per Euro at August 31, 2009. The average exchange rate prevailing during the second quarter and first six months used to convert the operating results of the European operations were $1.4905 per Euro and $1.5318 per Euro, respectively, compared to $1.6265 per Euro and $1.5864 per Euro for the same periods of the prior 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 for the six month period ended February 28, 2010:

Six months ended February 28, 2010	As reported	Exchange rate impact
($000)	$	$
	(unaudited)	(unaudited)
Revenue	101,972	10,197
Operating income before amortization	18,194	1,819
Net loss	(20,314)	(2,031)

The Corporation is also impacted by foreign currency exchange rates, primarily changes in the values of the US dollar relative to the Canadian dollar with regards to purchases of equipment, as the majority of customer premise equipment 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.

CANADIAN OPERATIONS

CUSTOMER STATISTICS

		Net additions (losses)				% of Penetration[1]	
	February 28,	Quarters ended February 28,		Six months ended February 28,		February 28,	
	2010	2010	2009	2010	2009	2010	2009
RGU	2,270,309	47,274	47,577	110,446	113,040	–	–
Basic Cable service customers	873,670	(54)	1,955	8,865	10,788	–	–
HSI service customers	543,626	11,068	10,518	28,574	30,027	64.9	60.7
Digital Television service customers	528,558	14,054	18,693	30,160	36,913	61.5	56.0
Telephony service customers	324,455	22,206	16,411	42,847	35,312	40.8	33.1

(1) As a percentage of Basic Cable service customers in areas served.

Fiscal 2010 second-quarter and first six-month RGU net additions were essentially the same as in the comparable periods of the prior year, and the Canadian operations continue to generate RGU growth despite early signs of maturation of some of its services. The net customer losses for Basic Cable service customers stood at 54 for the quarter, compared to net customer additions of 1,955 in the second quarter of the prior year. For the first six months, Basic Cable service customers grew by 8,865, compared to 10,788 in the prior year. Basic Cable service net additions in the first half of the fiscal year were mainly due to the beginning of the school year for college and university students and to expansions in the network. In the quarter, Telephony service customers grew by 22,206 compared to 16,411 for the same period last year, and the number of net additions to HSI service stood at 11,068 customers for the quarter, compared to 10,518 customers for the same period last year. For the first six months of the fiscal year, Telephony service customers grew by 42,847 and HSI service customer net additions amounted to 28,574, compared to 35,312 and 30,027 net additions, respectively, for the same period last year. HSI and Telephony net additions continue to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities. The Digital Television service net additions stood at 14,054 customers for the quarter and 30,160 customers for the first half of the year, compared to 18,693 and 36,913 customers for the three and six month periods of the prior year. Digital Television service net additions are due to targeted marketing initiatives to improve penetration and to the continuing interest for high definition ("HD") television service.

OPERATING RESULTS

($000, except percentages)	Quarters ended February 28, 2010 $	2009[1] $	Change %	Six months ended February 28, 2010 $	2009[1] $	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	271,430	243,680	11.4	535,790	481,054	11.4
Operating costs	154,157	136,157	13.2	299,746	272,634	9.9
Management fees – COGECO Inc.	2,678	3,038	(11.8)	9,019	9,019	–
Operating income before amortization	114,595	104,485	9.7	227,025	199,401	13.9
Operating margin	42.2%	42.9%		42.4%	41.5%	

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

Revenue

Second-quarter revenue rose by $27.8 million, or 11.4%, to reach $271.4 million, and first six-month revenue amounted to $535.8 million, $54.7 million, or 11.4%, higher than in the first half of the previous fiscal year, mainly due to RGU growth, the introduction of HSI usage billing, revenue related to the additional levy amounting to 1.5% of gross Cable Television service revenue imposed by the CRTC in order to finance the LPIF and the impact of rate increases implemented in the second half of fiscal 2009 in Ontario, averaging $1.00 per Basic Cable service customer.

Operating costs

For the three months ended February 28, 2010, operating costs excluding management fees payable to COGECO Inc. increased by $18 million, or 13.2%, to reach $154.2 million. Operating costs excluding management fees payable to COGECO Inc. amounted to $299.7 million in the first half of the fiscal year, an increase of $27.1 million, or 9.9% over the first six months of the prior year. The increase in operating costs is mainly attributable to servicing additional RGU, the launch of new HD channels and the additional levy amounting to 1.5% of gross Cable Television service revenue imposed by the CRTC in order to finance the LPIF.

Operating income before amortization

Operating income before amortization rose by $10.1 million, or 9.7%, to reach $114.6 million in the second quarter, and by $27.6 million, or 13.9% to reach $227 million for the first six months ended February 28, 2010. The operating income before amortization has risen due to the increased revenue in excess of the growth in operating costs. Cogeco Cable's Canadian operations' operating margin decreased slightly to 42.2% in the second quarter and increased to 42.4% in the first six months, compared to 42.9% and 41.5%, respectively, for the same periods in the prior year.

EUROPEAN OPERATIONS

CUSTOMER STATISTICS

	February 28, 2010	Net additions (losses) Quarters ended February 28, 2010	2009	Six months ended February 28, 2010	2009	% of Penetration[1] February 28, 2010	2009
RGU[2]	780,496	21,508	12,833	48,121	84	–	–
Basic Cable service customers	258,178	(740)	(11,908)	(1,302)	(19,943)	–	–
HSI service customers	154,616	5,793	(7,488)	11,002	(12,697)	59.9	53.1
Digital Television service customers[2]	131,056	12,189	41,193	28,303	46,590	50.8	25.7
Telephony service customers	236,646	4,266	(8,964)	10,118	(13,866)	91.7	83.7

(1) As a percentage of Basic Cable service customers in areas served.

(2) The number of Digital Television service customers in the second quarter of fiscal 2009 has been restated in order to conform to the presentation adopted in the Canadian operations. This restatement increased the number of net additions to the Digital Television service customers and RGU for the second quarter and first six months of the previous year by 34,784.

In the first six months of fiscal 2010, the Basic Cable service customer base has begun to stabilize and reflect the benefits of the Corporation's customer retention and acquisition strategies launched at the end of the 2009 fiscal year in order to reduce the customer attrition brought on by the difficult competitive landscape in Portugal and the economic environment in the Iberian Peninsula throughout the previous fiscal year. Fiscal 2010 second quarter Basic Cable service customers decreased by 740 customers compared to a decrease of 11,908 customers in the comparable period of the prior year. In the first half of the fiscal year, Basic Cable customer losses amounted to 1,302 compared to 19,943 in the 2009 fiscal year. HSI service customers increased by 5,793 and 11,002 customers for the quarter and first six months, respectively, compared to decreases of 7,488 and 12,697 customers in the second quarter and first half of fiscal 2009. The number of Digital Television service customers grew by 12,189 customers in the second quarter and by 28,303 customers in the six months ended February 28, 2010, compared to 41,193 and 46,590 customers in the three and six months ended February 28 of the previous fiscal year. Telephony service customers increased by 4,266 customers in the quarter and 10,118 in the first half of fiscal 2010, compared to losses of 8,964 and 13,866 customers for the comparable periods of the preceding year.

OPERATING RESULTS

($000, except percentages)	Quarters ended February 28, 2010 $	2009[1] $	Change %	Six months ended February 28, 2010 $	2009[1] $	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	48,967	61,240	(20.0)	101,972	123,304	(17.3)
Operating costs	40,949	43,422	(5.7)	83,778	84,672	(1.1)
Operating income before amortization	8,018	17,818	(55.0)	18,194	38,632	(52.9)
Operating margin	16.4%	29.1%		17.8%	31.3%	

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

Revenue

In the second quarter and first six months of fiscal 2010 revenue decreased by $12.3 million, or 20%, and by $21.3 million, or 17.3%, respectively, at $49 million for the quarter and $102 million for the six months, due to lower Basic Cable service customers compared to the same period of last year, the impact of retention strategies implemented in the second half of fiscal 2009 in order to reduce customer attrition and the decline of the Euro in relation to the Canadian dollar. Revenue from the European operations in the local currency for the second quarter amounted to €32.8 million, a decrease of €4.8 million, or 12.7%, when compared to the same period of the prior year. For the first six months revenue amounted to €66.5 million, representing a decrease of €11.2 million, or 14.4%, when compared to the first half of fiscal 2009.

Operating costs

For the quarter and six months ended February 28, 2010, operating costs decreased by $2.5 million, or 5.7%, at $40.9 million, and by $0.9 million, or 1.1%, at $83.8 million when compared to the prior year. The decrease in operating costs is mainly due to the decline of the value of the Euro over the Canadian dollar which surpassed increases in operating costs related to marketing initiatives and the launch of new channels net of the impact of cost reduction initiatives implemented by Cabovisão, such as a headcount reduction plan. Operating costs from the European operations for the second quarter in the local currency amounted to €27.5 million, an increase of €0.8 million, or 2.9% when compared to the prior year. For the first half of fiscal 2010 operating costs amounted to €54.7 million, €1.4 million, or 2.5% higher than in the previous fiscal year.

Operating income before amortization

Operating income before amortization decreased to $8 million in the second quarter from $17.8 million for the same period of the prior year, representing a decrease of $9.8 million, or 55%, mainly due to decreases in revenue which outpaced the decreases in operating costs. For the first six months, operating income before amortization decreased by $20.4 million, or 52.9%, at $18.2 million. European operations' operating margin decreased for the second quarter to 16.4% from 29.1% in the prior year, and for the first six months to 17.8% from 31.3% in fiscal 2009. Operating income before amortization in the local currency amounted to €5.4 million for the second quarter compared to €10.9 million in the same period of the prior year, and €11.8 million in the first six months, compared to €24.4 million in the first six months of fiscal 2009, representing decreases of 50.9% and 51.6%, respectively.

FISCAL 2010 FINANCIAL GUIDELINES

In light of the strong RGU growth during the first six months of fiscal 2010, the Corporation has revised its guidelines to 200,000 net additions, or approximately 6.9% when compared to August 31, 2009, from 150,000 RGU as issued on January 12, 2010. The increase in RGU growth will stem primarily from the growth in Digital Television service customers and promotional activities.

While the increase in RGU will generate additional revenue and require increases in operating and capital expenses, the anticipated decrease in the value of the Euro over the Canadian dollar is expected to offset the increases in the Corporation's financial guidelines, and accordingly, management has not revised the financial projections for the 2010 fiscal year.

CONTROLS AND PROCEDURES

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

The CEO and CFO, supported by management, evaluated the design of the Corporation's disclosure controls and procedures and internal controls over financial reporting as of February 28, 2010, and have concluded that they were adequate. Furthermore, no changes to the internal controls over financial reporting occurred during the quarter ended February 28, 2010.

UNCERTAINTIES AND MAIN RISK FACTORS

Except as mentioned below, there has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2009. A detailed description of the uncertainties and main risk factors faced by Cogeco Cable can be found in the 2009 Annual Report.

The CRTC recently published its broadcasting regulatory policy on a group-based approach to the licensing of private television services. This policy contemplates the establishment of a new right for private local television stations to negotiate with cable and satellite broadcasting distribution undertakings (“BDU”s) a value for carriage of their signal (“VFS”). The VFS regime would also establish a new right for private local television stations that elect to negotiate VFS to withhold carriage of their signal and require deletion on other signals distributed by BDUs of the programs for which they own exclusive broadcasting rights. The VFS regime, which may lead to various forms of compensation, including monetary compensation, is however predicated on the Federal Court of Appeal issuing a favourable legal ruling. The CRTC is also considering the offering of discrete small basic packages comprising only local and regional television signals at no charge in order to facilitate the transition to digital terrestrial television broadcasting scheduled to take place on August 31, 2011. Because the final outcome of these proceedings is uncertain, the Corporation is unable to estimate the potential impact of VFS at this time.

ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Cogeco Cable’s accounting policies, estimates and future accounting pronouncements since August 31, 2009, except as described below. A description of the Corporation’s policies and estimates can be found in the 2009 Annual Report.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new Section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remained unchanged from the standards included in the previous Section 3062. The new Section was applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of Section 3064 eliminated the deferral of new service launch costs which are now recognized as an expense when they are incurred. Reconnect and additional services activation costs are capitalized up to an amount not exceeding the revenue generated by the reconnect activity. Consequently, the Corporation adjusted opening retained earnings on a retroactive basis and the prior period comparative figures have been restated. The adoption of this new section had the following impacts on the Corporation’s consolidated financial statements:

Consolidated statement of income (loss)

Increase (decrease) *($000)*	Three months ended February 28, 2009 $	Six months ended February 28, 2009 $
	(unaudited)	(unaudited)
Operating costs	3,158	7,151
Amortization of deferred charges	(3,446)	(6,622)
Future income tax expense	43	(168)
Net loss	(245)	361

Consolidated balance sheets

Increase (decrease) *($000)*	August 31, 2009 $	September 1, 2008 $
	(unaudited)	(unaudited)
Deferred charges	(34,491)	(32,325)
Future income tax liabilities	(10,212)	(9,599)
Retained earnings	(24,279)	(22,726)

Future accounting pronouncements

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 Canadian publicly accountable entities. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation 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 Corporation 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, which oversees the IFRS implementation project on behalf of the Board of Directors. The Corporation is 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:

Phase	Area of impact	Key activities	Status
Scoping and diagnostic	Pervasive	Perform a high-level impact assessment to identify key areas that are expected to be impacted by the transition to IFRS. Rank IFRS impacts in order of priority to assess the timing and complexity of transition efforts that will be required in subsequent phases.	Completed
Impact analysis, evaluation and design	For each area identified in the scoping and diagnostic phase	Identify the specific changes required to existing accounting policies. Analyse policy choices permitted under IFRS.	Completed
		Present analysis and recommendations on accounting policy choices to the audit committee.	In progress – to be completed in fiscal 2010
	Pervasive	Identify impacts on reporting systems and business processes. Prepare draft IFRS consolidated financial statement content.	In progress – to be completed in fiscal 2010
		Identify impacts on internal controls over financial reporting and other business processes.	To be completed in fiscal 2010
Implementation and review	For each area identified in the scoping and diagnostic phase	Test and execute changes to information systems and business processes.	In progress – to be completed by fiscal 2011
		Obtain formal approval of required accounting policy changes and selected accounting policy choices.	To be completed in fiscal 2010
		Communicate impact on accounting policies and business processes to external stakeholders.	To be completed by fiscal 2011
	Pervasive	Gather financial information necessary for opening balance sheet and comparative IFRS financial statements. Update and test internal control processes over financial reporting and other business processes.	To be completed in fiscal 2011
		Collect financial information necessary to compile IFRS-compliant financial statements. Provide training to employees and end-users across the organization. Prepare IFRS compliant financial statements. Obtain the approval from the Audit Committee of the IFRS consolidated financial statements.	To be completed by fiscal 2012
		Continually review IFRS and implement changes to the standards as they apply to the Corporation.	To be completed throughout transition and post-conversion periods

The Corporation's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan and the Corporation expects to meet its target date for migration. Please refer to the 2009 Annual Report for more details.

NON-GAAP FINANCIAL MEASURES

This section describes non-GAAP financial measures used by Cogeco Cable 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 therefore, may not be comparable to similar measures presented by other companies. These measures include “cash flow from operations”, “free cash flow”, “operating income before amortization”, “operating margin”, “adjusted net income” and “adjusted earnings per share”.

Cash flow from operations and free cash flow

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

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

	Quarters ended February 28,		Six months ended February 28,	
	2010	2009[1]	2010	2009[1]
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities	114,037	115,282	110,419	139,763
Changes in non-cash operating items	4,281	(19,354)	138,128	43,782
Cash flow from operations	118,318	95,928	248,547	183,545

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

Free cash flow is calculated as follows:

	Quarters ended February 28,		Six months ended February 28,	
	2010	2009[1]	2010	2009[1]
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operations	118,318	95,928	248,547	183,545
Acquisition of fixed assets	(71,924)	(62,123)	(136,940)	(127,790)
Increase in deferred charges	(2,455)	(2,621)	(5,519)	(5,835)
Assets acquired under capital leases – as per note 12 c)	–	(219)	(141)	(1,158)
Free cash flow	43,939	30,965	105,947	48,762

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

Operating income before amortization and operating margin

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

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

	Quarters ended February 28,		Six months ended February 28,	
	2010	2009[1]	2010	2009[1]
($000, except percentages)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating income	56,774	59,105	113,815	114,089
Amortization	65,839	63,198	131,404	123,944
Operating income before amortization	122,613	122,303	245,219	238,033
Revenue	320,397	304,920	637,762	604,358
Operating Margin	38.3%	40.1%	38.4%	39.4%

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

Adjusted net income and adjusted earnings per share

Adjusted net income and adjusted earnings per share are used by Cogeco Cable's management and investors to evaluate what would have been the net income and earnings per share excluding unusual adjustments. This allows the Corporation 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. Adjusted net income and adjusted earnings per share are calculated as follows:

	Quarters ended February 28,		Six months ended February 28,	
	2010	2009[1]	2010	2009[1]
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income (loss)	29,789	(358,324)	86,455	(335,379)
Adjustments:				
Reduction of Ontario provincial corporate income tax rates	–	–	(29,782)	–
Impairment loss net of related taxes	–	383,630	–	383,630
Adjusted net income	29,789	25,306	56,673	48,251
Weighted average number of multiple voting and subordinate voting shares outstanding	48,507,599	48,540,013	48,528,628	48,531,846
Effect of dilutive stock options	175,639	158,317	121,857	185,596
Effect of dilutive incentive share units	55,094	–	31,573	–
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	48,738,332	48,698,330	48,682,058	48,717,442
Adjusted earnings per share				
Basic	0.61	0.52	1.17	0.99
Diluted	0.61	0.52	1.16	0.99

(1) Certain comparative figures have been restated to reflect the application of the CICA Handbook Section 3064. Please refer to the "Accounting policies and estimates" section for more details.

ADDITIONAL INFORMATION

This MD&A was prepared on April 7, 2010. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

/s/ Jan Peeters	/s/ Louis Audet
Jan Peeters	Louis Audet
Chairman of the Board	President and Chief Executive Officer

Cogeco Cable Inc.
Montréal, Québec
April 8, 2010

Supplementary Quarterly Financial Information
(unaudited)

Quarters ended	February 28,		November 30,		August 31,		May 31,	
($000, except percentages and per share data)	2010	2009[1]	2009	2008[1]	2009[1]	2008[1][2]	2009[1]	2008[1][2]
	$	$	$	$	$	$	$	$
Revenue	320,397	304,920	317,365	299,438	307,807	284,908	305,672	274,944
Operating income before amortization[3]	122,613	122,303	122,606	115,730	143,892	117,538	125,951	112,925
Operating margin[3]	*38.3%*	*40.1%*	*38.6%*	*38.6%*	*46.7%*	*41.3%*	*41.2%*	*41.1%*
Operating income	56,774	59,105	57,041	54,984	75,624	58,802	62,086	57,552
Impairment of goodwill and intangible assets	–	399,648	–	–	–	–	–	–
Income taxes	11,952	(207)	(15,766)	8,645	22,005	9,617	26,357	10,443
Net income (loss)	29,789	(358,324)	56,666	22,945	44,698	30,433	32,453	29,735
Adjusted net income[3]	29,789	25,306	26,884	22,945	26,123	30,433	27,665	29,735
Cash flow from operating activities	114,037	115,282	(3,618)	24,481	175,450	139,286	99,956	108,232
Cash flow from operations[3]	118,318	95,928	130,229	87,617	108,631	95,085	92,030	91,262
Free cash flow[3]	43,939	30,965	62,008	17,797	14,759	21,075	31,891	36,901
Earnings (loss) per share[4]								
Basic	0.61	(7.38)	1.17	0.47	0.92	0.63	0.67	0.61
Diluted	0.61	(7.38)	1.16	0.47	0.92	0.62	0.67	0.61
Adjusted earnings per share[3][4]								
Basic	0.61	0.52	0.55	0.47	0.54	0.63	0.57	0.61
Diluted	0.61	0.52	0.55	0.47	0.54	0.62	0.57	0.61

(1) Certain comparative figures have been restated to reflect the application of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064. Please refer to the "Accounting policies and estimates" section of the Management's discussion and analysis for more details.
(2) Certain comparative figures have been reclassified to reflect the reclassification of foreign exchange gains or losses from operating costs to financial expense.
(3) 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.
(4) Per multiple and subordinate voting share.

SEASONAL VARIATIONS

Cogeco Cable'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 second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television seasons, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal. Furthermore, the third and fourth quarter's operating margin is usually higher as no management fees are paid to COGECO Inc. Under the Management Agreement, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount. As the maximum amount was reached in the second quarters of fiscal 2010 and 2009, Cogeco Cable will pay no management fees in the second half of fiscal 2010, and paid no management fees in the second half of the prior year. For further details, please consult the "Related party transactions" section of the Management's discussion and analysis.

Customer Statistics
(unaudited)

	February 28, 2010	August 31, 2009
Homes passed		
Ontario	1,057,267	1,049,818
Québec	519,957	515,327
Canada	1,577,224	1,565,145
Portugal[1]	905,244	905,129
Total	2,482,468	2,470,274
Homes connected[2]		
Ontario	671,305	658,690
Québec	289,757	285,944
Canada	961,062	944,634
Portugal	267,353	269,022
Total	1,228,415	1,213,656
Revenue-generating units		
Ontario	1,556,786	1,483,324
Québec	713,523	676,539
Canada	2,270,309	2,159,863
Portugal	780,496	732,375
Total	3,050,805	2,892,238
Basic Cable service customers		
Ontario	603,134	597,651
Québec	270,536	267,154
Canada	873,670	864,805
Portugal	258,178	259,480
Total	1,131,848	1,124,285
High Speed Internet service customers		
Ontario	394,375	374,906
Québec	149,251	140,146
Canada	543,626	515,052
Portugal	154,616	143,614
Total	698,242	658,666
Digital Television service customers		
Ontario	346,003	326,227
Québec	182,555	172,171
Canada	528,558	498,398
Portugal	131,056	102,753
Total	659,614	601,151
Telephony service customers		
Ontario	213,274	184,540
Québec	111,181	97,068
Canada	324,455	281,608
Portugal	236,646	226,528
Total	561,101	508,136

(1) The Corporation is currently assessing the number of homes passed.
(2) Includes Basic Cable service customers and HSI and Telephony service customers who do not subscribe to other cable services.

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

(In thousands of dollars, except per share data)	Three months ended February 28, 2010	Three months ended February 28, 2009	Six months ended February 28, 2010	Six months ended February 28, 2009
	$	$	**$**	$
		(restated, see note 1)		(restated, see note 1)
Revenue				
Service	**316,430**	302,409	**631,763**	599,802
Equipment	**3,967**	2,511	**5,999**	4,556
	320,397	304,920	**637,762**	604,358
Operating costs	**195,106**	179,579	**383,524**	357,306
Management fees – COGECO Inc.	**2,678**	3,038	**9,019**	9,019
Operating income before amortization	**122,613**	122,303	**245,219**	238,033
Amortization (note 3)	**65,839**	63,198	**131,404**	123,944
Operating income	**56,774**	59,105	**113,815**	114,089
Financial expense (note 4)	**15,033**	17,988	**31,174**	41,382
Impairment of goodwill and intangible assets (note 5)	**—**	399,648	**—**	399,648
Income (loss) before income taxes	**41,741**	(358,531)	**82,641**	(326,941)
Income taxes (note 6)	**11,952**	(207)	**(3,814)**	8,438
Net income (loss)	**29,789**	(358,324)	**86,455**	(335,379)
Earnings (loss) per share (note 7)				
Basic	**0.61**	(7.38)	**1.78**	(6.91)
Diluted	**0.61**	(7.38)	**1.78**	(6.91)

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Three months ended February 28,		Six months ended February 28,	
(In thousands of dollars)	**2010**	2009	**2010**	2009
	$	$	**$**	$
		(restated, see note 1)		(restated, see note 1)
Net income (loss)	**29,789**	(358,324)	**86,455**	(335,379)
Other comprehensive income (loss)				
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $333,000 and $2,474,000 (income tax expense of $1,401,000 and $3,836,000 in 2009)	**(1,155)**	7,249	**(4,924)**	30,449
Reclassification to net income of realized losses (gains) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $79,000 and $1,086,000 (income tax expense of $902,000 and $5,225,000 in 2009)	**510**	(5,805)	**6,989**	(34,196)
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries	**(26,316)**	18,229	**(23,590)**	24,309
Unrealized gains (losses) on translation of long-term debt designated as hedge of a net investment in self-sustaining foreign subsidiaries	**20,664**	(9,557)	**18,573**	(12,916)
	(6,297)	10,116	**(2,952)**	7,646
Comprehensive income (loss)	**23,492**	(348,208)	**83,503**	(327,733)

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(unaudited)

(In thousands of dollars)	Six months ended February 28, **2010** **$**	2009 $ (restated, see note 1)
Balance at beginning, as reported	**17,172**	297,150
Changes in accounting policies (note 1)	**(24,279)**	(22,726)
Balance at beginning, as restated	**(7,107)**	274,424
Net income (loss)	**86,455**	(335,379)
Dividends on multiple voting shares	**(4,394)**	(3,766)
Dividends on subordinate voting shares	**(9,203)**	(7,883)
Balance at end	**65,751**	(72,604)

COGECO CABLE INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(In thousands of dollars)	**February 28, 2010**	August 31, 2009
	$	$
		(restated, see note 1)
Assets		
Current		
Cash and cash equivalents (note 12 b))	**11,607**	39,458
Accounts receivable	**70,187**	60,051
Income taxes receivable	**35,479**	4,700
Prepaid expenses	**15,310**	14,337
Future income tax assets	**6,968**	4,275
	139,551	122,821
Fixed assets	**1,290,033**	1,302,238
Deferred charges	**23,268**	24,052
Intangible assets (note 8)	**1,020,046**	1,022,434
Goodwill (note 8)	**146,411**	153,695
Derivative financial instruments	**—**	4,236
Future income tax assets	**2,085**	1,436
	2,621,394	2,630,912
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**43,673**	—
Accounts payable and accrued liabilities	**175,416**	244,173
Income tax liabilities	**768**	41,020
Deferred and prepaid revenue	**41,510**	33,877
Current portion of long-term debt (note 9)	**40,524**	44,674
Future income tax liabilities	**53,667**	—
	355,558	363,744
Long-term debt (note 9)	**964,475**	1,009,788
Derivative financial instruments	**5,330**	2,168
Deferred and prepaid revenue and other liabilities	**12,660**	12,900
Pension plan liabilities and accrued employees benefits	**3,663**	3,113
Future income tax liabilities	**203,120**	231,815
	1,544,806	1,623,528
Shareholders' equity		
Capital stock (note 10)	**988,683**	990,061
Contributed surplus	**5,525**	4,849
Retained earnings (deficit)	**65,751**	(7,107)
Accumulated other comprehensive income (note 11)	**16,629**	19,581
	1,076,588	1,007,384
	2,621,394	2,630,912

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands of dollars)	Three months ended February 28, 2010 $	2009 $ (restated, see note 1)	Six months ended February 28, 2010 $	2009 $ (restated, see note 1)
Cash flow from operating activities				
Net income (loss)	**29,789**	(358,324)	**86,455**	(335,379)
Adjustments for:				
Amortization (note 3)	**65,839**	63,198	**131,404**	123,944
Amortization of deferred transaction costs and discounts on long-term debt	**760**	643	**1,508**	1,291
Impairment of goodwill and intangible assets (note 5)	**—**	399,648	**—**	399,648
Future income taxes	**21,388**	(9,836)	**27,809**	(7,136)
Stock-based compensation	**441**	377	**900**	433
Losses (gains) on disposal of fixed assets	**(36)**	(5)	**62**	218
Other	**137**	227	**409**	526
	118,318	95,928	**248,547**	183,545
Changes in non-cash operating items (note 12 a))	**(4,281)**	19,354	**(138,128)**	(43,782)
	114,037	115,282	**110,419**	139,763
Cash flow from investing activities				
Acquisition of fixed assets (note 12 c))	**(71,924)**	(62,123)	**(136,940)**	(127,790)
Increase in deferred charges	**(2,455)**	(2,621)	**(5,519)**	(5,835)
Other	**102**	45	**122**	61
	(74,277)	(64,699)	**(142,337)**	(133,564)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	**(663)**	2,629	**43,673**	24,260
Net decrease under the term facility	**(36,495)**	(31,300)	**(21,579)**	(23,003)
Issuance of long-term debt, net of discounts and transaction costs	**—**	—	**—**	254,771
Repayment of long-term debt and settlement of derivative financial instruments	**(854)**	(812)	**(2,069)**	(240,546)
Issue of subordinate voting shares	**283**	686	**283**	964
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 10)	**—**	—	**(1,744)**	—
Dividends on multiple voting shares	**(2,197)**	(1,883)	**(4,394)**	(3,766)
Dividends on subordinate voting shares	**(4,602)**	(3,943)	**(9,203)**	(7,883)
	(44,528)	(34,623)	**4,967**	4,797
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(1,102)**	641	**(900)**	1,328
Net change in cash and cash equivalents	**(5,870)**	16,601	**(27,851)**	12,324
Cash and cash equivalents at beginning	**17,477**	32,094	**39,458**	36,371
Cash and cash equivalents at end	**11,607**	48,695	**11,607**	48,695

See supplemental cash flow information in note 12.

COGECO CABLE INC.
Notes to Consolidated Financial Statements
February 28, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

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 ("GAAP"), present fairly the financial position of Cogeco Cable Inc. ("the Corporation") as at February 28, 2010 and August 31, 2009 as well as its results of operations and its cash flows for the three and six month periods ended February 28, 2010 and 2009.

While management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with Cogeco Cable Inc.'s annual consolidated financial statements for the year ended August 31, 2009. 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.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new Section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remained unchanged from the standards included in the previous Section 3062. The new Section was applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of Section 3064 eliminated the deferral of new service launch costs which are now recognized as an expense when they are incurred. Reconnect and additional services activation costs are capitalized up to an amount not exceeding the revenue generated by the reconnect activity. Consequently, the Corporation adjusted opening retained earnings on a retroactive basis and the prior period comparative figures have been restated. The adoption of this new section had the following impacts on the Corporation's consolidated financial statements:

Consolidated statement of income (loss)

Increase (decrease)	Three months ended February 28, 2009 $	Six months ended February 28, 2009 $
Operating costs	3,158	7,151
Amortization of deferred charges	(3,446)	(6,622)
Future income tax expense	43	(168)
Net loss	(245)	361

Consolidated balance sheets

Increase (decrease)	August 31, 2009 $	September 1, 2008 $
Deferred charges	(34,491)	(32,325)
Future income tax liabilities	(10,212)	(9,599)
Retained earnings	(24,279)	(22,726)

COGECO CABLE INC.

Notes to Consolidated Financial Statements
February 28, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

2. Segmented Information

The Corporation's activities are comprised of Cable Television, High Speed Internet ("HSI"), Telephony and other telecommunications services. The Corporation considers its Cable Television, HSI, Telephony and other telecommunications activities as a single operating segment. The Corporation's activities are carried out in Canada and in Europe.

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

	Canada		Europe		Consolidated	
Three months ended February 28,	**2010**	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$
		(restated)		(restated)		(restated)
Revenue	**271,430**	243,680	**48,967**	61,240	**320,397**	304,920
Operating costs	**154,157**	136,157	**40,949**	43,422	**195,106**	179,579
Management fees − COGECO Inc.	**2,678**	3,038	**—**	—	**2,678**	3,038
Operating income before amortization	**114,595**	104,485	**8,018**	17,818	**122,613**	122,303
Amortization	**46,803**	41,707	**19,036**	21,491	**65,839**	63,198
Operating income (loss)	**67,792**	62,778	**(11,018)**	(3,673)	**56,774**	59,105
Financial expense (revenue)	**16,205**	18,088	**(1,172)**	(100)	**15,033**	17,988
Impairment of goodwill and intangible assets	**—**	—	**—**	399,648	**—**	399,648
Income taxes	**13,177**	15,596	**(1,225)**	(15,803)	**11,952**	(207)
Net income (loss)	**38,410**	29,094	**(8,621)**	(387,418)	**29,789**	(358,324)
Total assets (1)	**2,312,240**	2,262,639	**309,154**	368,273	**2,621,394**	2,630,912
Fixed assets (1)	**1,034,277**	1,011,767	**255,756**	290,471	**1,290,033**	1,302,238
Intangible assets (1)	**1,020,046**	1,022,434	**—**	—	**1,020,046**	1,022,434
Goodwill (1)	**116,243**	116,243	**30,168**	37,452	**146,411**	153,695
Acquisition of fixed assets (2)	**55,703**	54,447	**16,221**	7,895	**71,924**	62,342

(1) At February 28, 2010 and August 31, 2009.
(2) Includes capital leases that are excluded from the consolidated statements of cash flows.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
February 28, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

2. Segmented Information (continued)

	Canada		Europe		Consolidated	
Six months ended February 28,	**2010**	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$
		(restated)		(restated)		(restated)
Revenue	**535,790**	481,054	**101,972**	123,304	**637,762**	604,358
Operating costs	**299,746**	272,634	**83,778**	84,672	**383,524**	357,306
Management fees − COGECO Inc.	**9,019**	9,019	**—**	—	**9,019**	9,019
Operating income before amortization	**227,025**	199,401	**18,194**	38,632	**245,219**	238,033
Amortization	**92,217**	81,911	**39,187**	42,033	**131,404**	123,944
Operating income (loss)	**134,808**	117,490	**(20,993)**	(3,401)	**113,815**	114,089
Financial expense (revenue)	**32,080**	41,493	**(906)**	(111)	**31,174**	41,382
Impairment of goodwill and intangible assets	**—**	—	**—**	399,648	**—**	399,648
Income taxes	**(4,041)**	25,773	**227**	(17,335)	**(3,814)**	8,438
Net income (loss)	**106,769**	50,224	**(20,314)**	(385,603)	**86,455**	(335,379)
Total assets [(1)]	**2,312,240**	2,262,639	**309,154**	368,273	**2,621,394**	2,630,912
Fixed assets [(1)]	**1,034,277**	1,011,767	**255,756**	290,471	**1,290,033**	1,302,238
Intangible assets [(1)]	**1,020,046**	1,022,434	**—**	—	**1,020,046**	1,022,434
Goodwill [(1)]	**116,243**	116,243	**30,168**	37,452	**146,411**	153,695
Acquisition of fixed assets [(2)]	**107,851**	110,198	**29,230**	18,750	**137,081**	128,948

[(1)] At February 28, 2010 and August 31, 2009.
[(2)] Includes capital leases that are excluded from the consolidated statements of cash flows.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
February 28, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

3. Amortization

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Fixed assets	**61,963**	56,514	**123,528**	110,784
Deferred charges	**2,681**	2,620	**5,488**	5,227
Intangible assets	**1,195**	4,064	**2,388**	7,933
	65,839	63,198	**131,404**	123,944

4. Financial expense

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Interest on long-term debt	**15,731**	16,863	**31,550**	36,890
Foreign exchange losses (gains)	**(391)**	619	**(879)**	4,403
Amortization of deferred transaction costs	**407**	407	**814**	814
Other	**(714)**	99	**(311)**	(725)
	15,033	17,988	**31,174**	41,382

COGECO CABLE INC.
Notes to Consolidated Financial Statements
February 28, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

5. Impairment of goodwill and intangible assets

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Impairment of goodwill	—	339,206	—	339,206
Impairment of intangible assets	—	60,442	—	60,442
	—	399,648	—	399,648

During the second quarter of fiscal 2009, the competitive position of Cabovisão-Televisâo por Cabo, S.A. (“Cabovisão”) in the Iberian Peninsula further deteriorated due to the continuing difficult competitive environment and recurring intense promotions and advertising initiatives from competitors in the Portuguese market. In accordance with current accounting standards, management considered that the continued customer, local currency revenue and operating income before amortization decline were more severe and persistent than expected, resulting in a decrease in the value of the Corporation’s investment in the Portuguese subsidiary. As a result, the Corporation tested goodwill and all long-lived assets for impairment at February 28, 2009.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned 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 impairment loss is measured as the amount by which the carrying amount of the reporting unit’s goodwill exceeds its fair value. The Corporation completed its impairment tests on goodwill and 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 of fiscal 2009. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgement was necessary to estimate future cash flows. Significant future changes in circumstances could result in further impairments of goodwill.

Intangible assets with finite useful 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. The impairment loss is measured as the amount by which the asset’s carrying amount exceeds its fair value. Accordingly, the Corporation completed its impairment test on customer relationships at February 28, 2009, and 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 of fiscal 2009.

At August 31, 2009, the Corporation tested the value of goodwill for impairment and concluded that no impairment existed.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
February 28, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

6. Income Taxes

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Current	**(9,436)**	9,629	**(31,623)**	15,574
Future	**21,388**	(9,836)	**27,809**	(7,136)
	11,952	(207)	**(3,814)**	8,438

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

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Income (loss) before income taxes	**41,741**	(358,531)	**82,641**	(326,941)
Combined income tax rate	**31.51%**	32.56%	**31.51 %**	32.56 %
Income taxes at combined income tax rate	**13,152**	(116,738)	**26,040**	(106,453)
Adjustment for losses or income subject to lower or higher tax rates	**(3,251)**	(331)	**(5,629)**	(558)
Decrease in future income taxes as a result of decrease in substantively enacted tax rates	—	—	**(29,782)**	—
Decrease in income tax recovery arising from the non-deductible impairment of goodwill	—	89,890	—	89,890
Utilization of pre-acquisition tax losses	—	—	**4,432**	—
Income taxes arising from non-deductible expenses	**100**	95	**303**	172
Effect of foreign income tax rate differences	**1,877**	25,632	**2,124**	24,028
Other	**74**	1,245	**(1,302)**	1,359
Income taxes at effective income tax rate	**11,952**	(207)	**(3,814)**	8,438

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7. Earnings (loss) per Share

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

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Net income (loss)	**29,789**	(358,324)	**86,455**	(335,379)
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,507,599**	48,540,013	**48,528,628**	48,531,846
Effect of dilutive stock options [(1)]	**175,639**	—	**121,857**	—
Effect of dilutive incentive share units	**55,094**	—	**31,573**	—
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,738,332**	48,540,013	**48,682,058**	48,531,846
Earnings (loss) per share				
Basic	**0.61**	(7.38)	**1.78**	(6.91)
Diluted	**0.61**	(7.38)	**1.78**	(6.91)

[(1)] For the three and six month periods ended February 28, 2010, 103,549 and 224,905 stock options (240,859 and 175,178 in 2009) were excluded from the calculation of diluted earnings (loss) per share as the exercise price of the options was greater than the average share price of the subordinate voting shares. Furthermore, the weighted average dilutive potential number of subordinate voting shares, which were anti-dilutive for the three and six month periods ended February 28, 2009 amounted to 158,317 and 185,596.

8. Goodwill and Other Intangible Assets

	February 28, 2010	August 31, 2009
	$	$
Customer relationships	**30,494**	32,882
Customer base	**989,552**	989,552
	1,020,046	1,022,434
Goodwill	**146,411**	153,695
	1,166,457	1,176,129

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8. Goodwill and Other Intangible Assets (continued)

a) Intangible assets

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

	Customer relationships	Customer base	Total
	$	$	$
Balance as at August 31, 2009	32,882	989,552	1,022,434
Amortization	(2,388)	—	(2,388)
Balance as at February 28, 2010	30,494	989,552	1,020,046

b) Goodwill

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

	$
Balance as at August 31, 2009	153,695
Recognition of pre-acquisition tax losses	(4,432)
Foreign currency translation adjustment	(2,852)
Balance as at February 28, 2010	146,411

On November 25, 2009, the Corporation’s subsidiary, Cabovisão, received approval to its request for preservation of tax losses for the years preceding the 2006 taxation year. Accordingly, the recognition of these pre-acquisition tax losses in the three month period ended November 30, 2009, has reduced goodwill by approximately $4.4 million.

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9. Long-Term Debt

	Maturity	Interest rate	**February 28, 2010**	August 31, 2009
		%	**$**	$
Parent company				
Term Facility				
Term loan – €78,413,625	2011	1.19 (1)(2)	**112,080**	122,674
Term loan – €17,358,700	2011	1.19 (1)(2)	**24,795**	27,142
Revolving loan – €25,000,000 (€40,000,000 at August 31, 2009)	2011	1.19 (1)	**35,825**	62,792
Senior Secured Notes Series B	2011	7.73	**174,634**	174,530
Senior Secured Notes				
Series A – US$190,000,000	2015	7.00 (3)	**198,629**	206,606
Series B	2018	7.60	**54,592**	54,576
Senior Secured Debentures Series 1	2014	5.95	**297,079**	296,860
Senior Unsecured Debenture	2018	5.94	**99,796**	99,786
Subsidiaries				
Obligations under capital leases	2013	6.61 – 9.93	**7,569**	9,496
			1,004,999	1,054,462
Less current portion			**40,524**	44,674
			964,475	1,009,788

(1) Interest rate on debt as at February 28, 2010, including stamping fees.

(2) On January 21, 2009, the Corporation 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 on 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 Corporation will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility.

(3) Cross-currency swap agreements have resulted in an effective interest rate of 7.24% on the Canadian dollar equivalent of the US denominated debt.

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10. Capital Stock

Authorized, an unlimited number

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

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

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

Issued

	February 28, 2010	August 31, 2009
	$	$
15,691,100 multiple voting shares	**98,346**	98,346
32,877,790 subordinate voting shares (32,867,426 at August 31, 2009)	**892,081**	891,715
	990,427	990,061
55,094 subordinate voting shares held in trust under the Incentive Share Unit Plan	**(1,744)**	—
	988,683	990,061

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

	Number of shares	**Amount**
		$
Balance at August 31, 2009	**32,867,426**	**891,715**
Shares issued for cash under the Employee Stock Option Plan	**10,364**	**283**
Compensation expense previously recorded in contributed surplus for options exercised	**—**	**83**
Balance at February 28, 2010	**32,877,790**	**892,081**

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10. Capital Stock (continued)

Stock-based plans

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan, which has been modified effective January 1st, 2010. The new plan is accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation contributes 25% of the employee contributions. The subscriptions are made monthly and employee shares are purchased on the stock market.

The Corporation also offers, for certain executives a Stock Option Plan, which is described in the Corporation's annual consolidated financial statements. During the first six months of 2010, the Corporation granted 66,174 stock options (133,381 in 2009) with an exercise price ranging from $31.82 to $38.86 ($34.46 in 2009) of which 33,266 stock options (29,711 in 2009) were granted to COGECO Inc.'s employees. These options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. During the three and six month periods ended February 28, 2010, the Corporation charged COGECO Inc. amounts of $62,000 and $177,000 ($79,000 and $91,000 in 2009) with regards to the Corporation's options granted to COGECO Inc.'s employees. As a result, compensation expense of $157,000 and $379,000 ($95,000 and $184,000 in 2009) were recorded for the three and six month periods ended February 28, 2010.

The weighted average fair value of stock options granted for the six month period ended February 28, 2010 was $8.11 ($8.96 in 2009) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2010	2009
	%	%
Expected dividend yield	**1.49**	1.40
Expected volatility	**29**	29
Risk-free interest rate	**2.67**	4.22
Expected life in years	**4.8**	4.0

At February 28, 2010, the Corporation had outstanding stock options providing for the subscription of 749,476 subordinate voting shares. These stock options can be exercised at various prices ranging from $7.05 to $49.82 and at various dates up to January 18, 2020.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding as at February 28, 2010:

Outstanding, beginning of year	**716,745**
Granted	**66,174**
Exercised	**(10,364)**
Forfeited / Cancelled	**(23,079)**
Outstanding, end of year	**749,476**
Exercisable, end of year	**516,954**

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10. Capital Stock (continued)

Effective October 29, 2009, the Corporation established a senior executive and designated employee incentive share unit plan. According to the plan, senior executives and designated employees periodically receive a given number of units (“Incentive Share Unit”) which entitle the participant to receive subordinate voting shares of the Corporation after three years less one day from the date of grant. During the first six months of 2010, the Corporation granted 63,666 Incentive Share Units of which 9,981 Incentive Share Units were granted to COGECO Inc.’s employees. The Corporation establishes the value of the compensation related to the Incentive Share Units granted based on the fair value of the Corporation’s subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years. A Trust was created for the purpose of purchasing these shares on the stock market in order to guard against stock price fluctuation. The Corporation instructed the trustee to purchase 55,094 subordinate voting shares of the Corporation on the stock market. These shares were purchased for a cash consideration aggregating $1,744,000 and are held in trust for the participants until they are fully vested. The Trust, considered as a variable interest entity, is consolidated in the Corporation’s financial statements with the value of the acquired shares presented as subordinate voting shares held in trust under the Incentive Share Unit Plan in reduction of capital stock. Compensation expense of $122,000 and $166,000 were recorded for the three and six month periods ended February 28, 2010 related to this plan. During the three and six month period ended February 28, 2010, the Corporation charged COGECO Inc. amounts of $28,000 and $37,000 with regard to the Corporation’s Incentive Share Units granted to COGECO Inc.’s employees. Under the Incentive Share Units plan, the following Incentive Share Units were granted by the Corporation and are outstanding as at February 28, 2010:

Outstanding, beginning of year	—
Granted	**63,666**
Forfeited / Cancelled	**(1,230)**
Outstanding, end of year	**62,436**

The Corporation also offers a deferred share unit plan (“DSU Plan”) which is described in the Corporation’s annual consolidated financial statements. During the first six months of 2010, 4,422 (6,282 in 2009) deferred share units were awarded to the participants in connection with the DSU Plan. Compensation expense of $72,000 and $141,000 ($203,000 and $158,000 in 2009) were recorded for the three and six month periods ended February 28, 2010 for the liability related to this plan. Under the DSU Plan, the following DSUs were awarded by Cogeco Cable Inc. and are outstanding as at February 28, 2010:

Outstanding, beginning of year	**10,000**
Awarded	**4,422**
Distributed	**(2,181)**
Dividend equivalents	**82**
Outstanding, end of year	**12,323**

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11. Accumulated Other Comprehensive Income

	Translation of a net investment in self-sustaining foreign subsidiaries $	Cash flow hedges $	Total $
Balance as at August 31, 2009	**23,610**	**(4,029)**	**19,581**
Other comprehensive income (loss)	**(5,017)**	**2,065**	**(2,952)**
Balance as at February 28, 2010	**18,593**	**(1,964)**	**16,629**

12. Statements of Cash Flows

a) Changes in non-cash operating items

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Accounts receivable	**(7,844)**	2,257	**(11,096)**	692
Income taxes receivable	**(9,608)**	(3,083)	**(30,139)**	(6,916)
Prepaid expenses	**(348)**	(1,387)	**(1,522)**	10
Accounts payable and accrued liabilities	**8,227**	15,366	**(62,582)**	(28,093)
Income tax liabilities	**82**	7,029	**(40,197)**	(9,873)
Deferred and prepaid revenue and other liabilities	**5,210**	(828)	**7,408**	398
	(4,281)	19,354	**(138,128)**	(43,782)

b) Cash and cash equivalents

	February 28, 2010 **$**	August 31, 2009 $
Cash	**11,607**	23,760
Cash equivalents (1)	**—**	15,698
	11,607	39,458

(1) €10,000,000, 0.67%, maturing on September 14, 2009 at August 31, 2009.

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12. Statements of Cash Flows (continued)

c) Other information

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Fixed asset acquisitions through capital leases	**—**	219	**141**	1,158
Financial expense paid	**10,676**	12,217	**31,614**	33,714
Income taxes paid	**940**	5,680	**39,564**	32,366

13. Employee Future Benefits

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

	Three months ended February 28,		Six months ended February 28,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Contributory defined benefit pension plans	**377**	346	**754**	692
Defined contribution pension plan and collective registered retirement savings plan	**1,080**	880	**2,175**	1,776
	1,457	1,226	**2,929**	2,468

14. Financial and Capital Management

a) Financial management

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

Credit risk

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

Credit risk from the derivative financial instruments arises from the possibility that counterparties 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 Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At February 28, 2010, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A".

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14. Financial and Capital Management (continued)

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

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, the Corporation's credit exposure is higher than usual but it is difficult to predict the impact this could have on the Corporation's account receivable balances. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new major customer. At February 28, 2010, no customer balance represents a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market area in Canada and Europe, there is no significant concentration of credit risk. The following table provides further details on the Corporation's accounts receivable balances:

	February 28, 2010	August 31, 2009
	$	$
Trade accounts receivable	**77,795**	67,848
Allowance for doubtful accounts	**(15,650)**	(16,399)
	62,145	51,449
Other accounts receivable	**8,042**	8,602
	70,187	60,051

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 the Corporation's customers are billed in advance and are required to pay before their services are rendered. The Corporation considers amount outstanding at the due date as trade accounts receivable past due.

	February 28, 2010	August 31, 2009
	$	$
Net trade accounts receivable not past due	**47,227**	39,892
Net trade accounts receivable past due	**14,918**	11,557
	62,145	51,449

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14. Financial and Capital Management (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At February 28, 2010, the available amount of the Corporation's Term Facility was $667.8 million. Management believes that the committed Term Facility will, until its maturity in July 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:

	2010	2011	2012	2013	2014	Thereafter	Total
	$	$	$	$	$	$	$
Bank indebtedness	43,673	—	—	—	—	—	43,673
Accounts payable and accrued liabilities	175,416	—	—	—	—	—	175,416
Long-term debt (1)	37,456	135,611	175,000	—	300,000	354,975	1,003,042
Derivative financial instruments							
Cash outflows (Canadian dollar)	—	—	—	—	—	201,875	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	—	—	—	—	—	(199,975)	(199,975)
Obligations under capital leases (2)	2,169	3,313	2,298	889	35	—	8,704
	258,714	138,924	177,298	889	300,035	356,875	1,232,735

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

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the current debt at February 28, 2010 and their respective maturities:

	2010	2011	2012	2013	2014	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	28,736	56,967	44,219	41,964	37,502	53,009	262,397
Interest payments on derivative financial instruments	9,158	17,199	14,614	14,614	14,614	15,832	86,031
Interest receipts on derivative financial instruments	(7,777)	(15,084)	(13,998)	(13,998)	(13,998)	(15,165)	(80,020)
	30,117	59,082	44,835	42,580	38,118	53,676	268,408

14. Financial and Capital Management (continued)

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At February 28, 2010, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Facility. However, on January 21, 2009, the Corporation 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 on 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 Corporation will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility. The Corporation elected to apply cash flow hedge accounting on this derivative financial instrument. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Facility is approximately $0.4 million based on the current debt at February 28, 2010 and taking into consideration the effect of the interest rate swap agreement.

Foreign exchange risk

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

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At February 28, 2010, bank indebtedness denominated in US dollars amounted to US$688,000 (cash and cash equivalents of US$5,555,000 at August 31, 2009) while accounts payable denominated in US dollars amounted to US$4,021,000 (US$14,997,000 at August 31, 2009). At February 28, 2010, Euro-denominated cash and cash equivalents amounted to €19,000 (bank indebtedness of €299,000 at August 31, 2009) while accounts payable denominated in Euros amounted to €12,000 (€26,000 at August 31, 2009). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% change in the foreign exchange rates (US dollar and Euro) would change financial expense by approximately $0.5 million.

Furthermore, the Corporation'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 was borrowed directly in Euros. At February 28, 2010, the net investment amounted to €169,541,000 (€183,220,000 at August 31, 2009) while long-term debt denominated in Euros amounted to €120,772,000 (€135,772,000 at August 31, 2009). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at February 28, 2010 was $1.433 per Euro compared to $1.5698 per Euro at August 31, 2009. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change financial expense by approximately $0.4 million and other comprehensive income by approximately $7 million.

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14. Financial and Capital Management (continued)

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

	February 28, 2010		August 31, 2009	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**1,004,999**	**1,096,589**	1,054,462	1,116,829

b) Capital management

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

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

The provisions under the Term Facility provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. At February 28, 2010, and August 31, 2009, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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14. Financial and Capital Management (continued)

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

	February 28, 2010	August 31, 2009 (restated)
Net indebtedness [(1)] / Shareholders' equity	**1.0**	1.0
Net indebtedness [(1)] / Operating income before amortization [(2)]	**2.0**	2.0
Operating income before amortization [(2)] / Financial expense [(2)]	**8.7**	7.3

(1) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.
(2) Calculation based on operating income before amortization and financial expense for the last twelve month period ended February 28, 2010, and August 31, 2009.

15. Subsequent event

On March 4, 2010, the Corporation issued a letter of credit amounting to €2.2 million to guarantee the payment by Cabovisão of withholding taxes for the 2005 year assessed by the Portuguese tax authorities, which are currently being challenged by Cabovisão. Even though the principal amount in dispute is fully recorded in the books of its subsidiary Cabovisão, the Corporation may be required to pay the amount following final judgement, up to a maximum aggregate amount of €2.2 million ($3.1 million), should Cabovisão fail to pay such required amount.