SHAREHOLDERS' REPORT

Third quarter ended May 31, 2010

FINANCIAL HIGHLIGHTS

	Quarters ended May 31,			Nine months ended May 31,		
	2010	2009[1]	Change	**2010**	2009[1]	Change
($000, except percentages and per share data)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Operations						
Revenue	**319,291**	305,672	4.5	**957,053**	910,030	5.2
Operating income before amortization[2]	**126,700**	125,951	0.6	**371,919**	363,984	2.2
Operating margin[2]	**39.7%**	41.2%	–	**38.9%**	40.0%	–
Operating income	**62,929**	62,086	1.4	**176,744**	176,175	0.3
Impairment of goodwill and intangible assets	**–**	–	–	**–**	(399,648)	–
Net income (loss)	**31,185**	32,453	(3.9)	**117,640**	(302,926)	–
Adjusted net income [2]	**31,185**	27,665	12.7	**87,858**	75,916	15.7
Cash Flow						
Cash flow from operating activities	**112,451**	99,956	12.5	**222,870**	239,719	(7.0)
Cash flow from operations[2]	**119,243**	92,030	29.6	**367,790**	275,575	33.5
Free cash flow[2]	**49,960**	31,891	56.7	**155,907**	80,653	93.3
Financial Condition[3]						
Total assets	**–**	–	–	**2,611,111**	2,630,912	(0.8)
Indebtedness[4]	**–**	–	–	**1,007,461**	1,054,506	(4.5)
Shareholders' equity	**–**	–	–	**1,098,343**	1,007,384	9.0
RGU growth	**64,241**	14,070	–	**222,808**	127,194	75.2
Per Share Data[5]						
Earnings (loss) per share						
Basic	**0.64**	0.67	(4.5)	**2.42**	(6.24)	–
Diluted	**0.64**	0.67	(4.5)	**2.42**	(6.24)	–
Adjusted earnings per share[2]						
Basic	**0.64**	0.57	12.3	**1.81**	1.56	16.0
Diluted	**0.64**	0.57	12.3	**1.80**	1.56	15.4

(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 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 May 31, 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")[(2)] growth and free cash flow[(1)].

During the first nine months of fiscal 2010, the Corporation invested approximately $103.6 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 nine months ended May 31, 2010, the number of RGU increased by 222,808, or 7.7%, to reach 3,115,046 RGU. Reflecting the usual seasonal slowdown 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, the Corporation expects a lower increase in RGU in the last quarter of the fiscal year. As a result of the RGU growth in the first nine months of the year, and despite the lower increase expected in the coming quarter, Cogeco Cable expects to surpass its revised fiscal 2010 guidelines of 200,000 net additions, a growth of approximately 6.9% when compared to August 31, 2009, as issued on April 7, 2010. RGU growth stems primarily from the Digital Television services and through promotional activities. While the increase in RGU will generate additional revenue, operating and capital expenses, the anticipated decrease in the value of the Euro over the Canadian dollar is expected to offset these increases. As a result, management has not revised the financial projections for the 2010 fiscal year.

For the 2011 fiscal year, Cogeco Cable expects to achieve RGU growth of approximately 250,000 customers. Please consult the fiscal 2011 preliminary projections in the "Fiscal 2011 preliminary financial guidelines" section for further details.

Operating income before amortization and operating margin

Third-quarter operating income before amortization increased by 0.6% to reach $126.7 million and operating margin decreased to 39.7% from 41.2%. In the first nine months of fiscal 2010, operating income before amortization grew by $7.9 million, or 2.2%, to reach $371.9 million, however the Corporation's operating margin decreased to 38.9% from 40%. 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. For fiscal 2011, the Corporation expects operating income before amortization to amount to $530 million and an operating margin of approximately 39.6%. Please consult the fiscal 2011 preliminary projections in the "Fiscal 2011 preliminary financial guidelines" section for further details.

Free cash flow

For the three-month period ended May 31, 2010, Cogeco Cable generated free cash flow of $50 million compared to $31.9 million for the third quarter of the previous fiscal year, representing an increase of $18.1 million, or 56.7%. Free cash flow growth for the quarter is mainly due to an increase in cash flow from operations[(1)], including the reduction in income tax payments stemming from modifications to the corporate structure, partly offset by an increase in capital expenditures. In the first nine months of fiscal 2010, the Corporation generated free cash flow of $155.9 million, an increase of $75.3 million over the free cash flow of $80.7 million generated in the comparable period of fiscal 2009. As a result of an increase in capital expenditures expected in the last quarter of fiscal 2010, Management maintains its revised free cash flow guidelines of $135 million for the 2010 fiscal year. In the 2011 fiscal year, Cogeco Cable expects to generate free cash flow of $55 million. Please consult the fiscal 2011 preliminary projections in the "Fiscal 2011 preliminary financial guidelines" section for further details.

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 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

---

(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.

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 May 31,			Nine months ended May 31,		
	2010	2009[1]	Change	**2010**	2009[1]	Change
($000, except percentages)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**319,291**	305,672	4.5	**957,053**	910,030	5.2
Operating costs	**192,591**	179,721	7.2	**576,115**	537,027	7.3
Management fees - COGECO Inc.	**–**	–	–	**9,019**	9,019	–
Operating income before amortization	**126,700**	125,951	0.6	**371,919**	363,984	2.2
Operating margin	**39.7%**	41.2%		**38.9%**	40.0	

(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 third-quarter revenue improved by $13.6 million, or 4.5%, to reach $319.3 million, and first nine-month revenue amounted to $957.1 million, an increase of $47 million, or 5.2%, when compared to the prior year. For further details on the Corporation's operating results, please refer to the "Canadian operations" and "European operations" sections.

Operating costs

For the third quarter and first nine months of fiscal 2010, operating costs, excluding management fees payable to COGECO Inc., increased by $12.9 million and $39.1 million, respectively, to reach $192.6 million and $576.1 million, increases of 7.2% and 7.3% compared to the prior year. For further details on the Corporation's operating results, please refer to the "Canadian operations" and "European operations" sections.

Operating income before amortization and operating margin

Fiscal 2010 third-quarter operating income before amortization slightly increased by 0.6% to reach $126.7 million, and increased by $7.9 million, or 2.2%, to $371.9 million for the first nine months of fiscal 2010. Cogeco Cable's third-quarter operating margin decreased to 39.7% from 41.2% in the comparable period of the prior year. For the first nine months, the Corporation's operating margin decreased to 38.9% from 40%. For further details on the Corporation's operating results, please refer to the "Canadian operations" and "European operations" sections.

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 half of the year.

Cogeco Cable granted 33,266 stock options to COGECO Inc.'s employees during the first nine months of fiscal 2010, compared to 29,711 for the same period last year. During the third quarter and first nine 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, 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 nine months, the Corporation granted 9,981 Incentive Share Units to COGECO Inc.'s employees and charged COGECO Inc. amounts of $27,000 and $64,000, respectively, in the third quarter and first nine months of fiscal 2010.

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

FIXED CHARGES

	Quarters ended May 31,			Nine months ended May 31,		
	2010	2009(1)	Change	**2010**	2009(1)	Change
($000, except percentages)	$	$	%	$	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Amortization	**63,771**	63,865	(0.1)	**195,175**	187,809	3.9
Financial expense	**16,684**	14,206	17.4	**47,858**	55,588	(13.9)

(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.

Third-quarter 2010 amortization amounted to $63.8 million, compared to $63.9 million for the same period of the prior year. For the first nine months, amortization amounted to $195.2 million compared to $187.8 million in fiscal 2009. The increase in the nine month period is mainly due to additional capital expenditures arising from customer premise equipment acquisitions to support RGU growth.

Financial expense amounted to $16.7 million in the third quarter and $47.9 million in the first nine months of the year, compared to $14.2 million and $55.6 million in the prior year. The financial expense for the third quarter of the current year includes a foreign exchange loss of $0.4 million, compared to a foreign exchange gain of $1.7 million in the third quarter of the prior year. For the first nine months, fiscal 2010 financial expense includes a foreign exchange gain of $0.5 million, compared to a foreign exchange loss of $2.7 million in the comparable period of the prior year. The variances in foreign exchange gains and losses are essentially due to the volatility in the relative values of the Euro and US dollar to the Canadian dollar, with the Euro affecting the financial results of the European operations, and the US dollar affecting mainly the Canadian operations as the majority of customer premise equipment is purchased and subsequently paid in US dollars. The remaining increase of $0.4 million in the third quarter is due to the timing of fluctuations in bank indebtedness, and the remaining decrease of $4.5 million in the first nine months of the fiscal year is 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 same periods of the previous fiscal year.

REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES

The Portuguese subsidiary, Cabovisão, had recorded contingent liabilities for withholding and stamp taxes relating to fiscal years prior to its acquisition by Cogeco Cable. At the date of acquisition, the amount accrued represented management's best estimate based on the available information. Management reviews its estimate periodically to take into consideration payments made relating to these contingencies as well as newly available information which would allow the Corporation to improve its previous estimate. During the third quarter of fiscal 2009, Cabovisão received a preliminary report from the Portuguese tax authorities with respect to some of the items included in the contingent liabilities. Accordingly, management reviewed its estimate of the contingent liabilities to reflect the new information available in this preliminary report, and determined that a reduction of €7 million, equivalent to $10.9 million, of the amount previously accrued was required at May 31, 2009, in order to reflect management's best estimate.

INCOME TAXES

Fiscal 2010 third-quarter income tax expense amounted to $15.1 million, compared to $26.4 million in the prior year, and for the first nine months, income tax expense amounted to $11.2 million compared to $34.8 million in the prior year. Income tax expense in the first nine 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 nine months of fiscal 2010. The income tax expense for the quarter and first nine months of fiscal 2009 was unfavourably impacted by a non-cash income tax expense of $6.1 million resulting from the utilization of Cabovisão's pre-acquisition income tax losses following the receipt of preliminary tax audit reports for those fiscal years. The income tax amount for the first nine months of the prior year was further impacted by 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 utilization of Cabovisão's pre-acquisition income tax losses and the income tax recovery related to the impairment loss in the prior year, income tax expense would have amounted to $15.1 million and $41 million for the third quarter and first nine months of fiscal 2010, respectively, compared to $20.2 million for the third quarter and $44.7 million for the first nine months of fiscal 2009. The decreases in income tax expense for the third quarter and first nine months of fiscal 2010 are mainly due to the previously announced annual declines in the enacted Canadian federal and provincial income tax rates, partly offset by the improvement in operating income before amortization.

NET INCOME

Fiscal 2010 third quarter net income amounted to $31.2 million, or $0.64 per share, compared to $32.5 million, or $0.67 per share, for the same period in 2009. For the first nine months of fiscal 2010, net income amounted to $117.6 million, or $2.42 per share, compared to a net loss of $302.9 million, or $6.24 per share. Net income for the first nine months of fiscal 2010 includes the reduction of Ontario provincial corporate income tax rates described above. Net income for the third quarter and first nine months of the previous fiscal year were favourably impacted by a $10.9 million reduction of withholding and stamp tax contingent liability, and unfavourably affected by a non-cash income tax expense of $6.1 million resulting from the utilization of Cabovisão's pre-acquisition income tax losses following the receipt of preliminary tax audit reports for those fiscal years, both described above. The net loss in the first nine months of fiscal 2009 was 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 above items, adjusted net income[1] would have amounted to $31.2 million, or $0.64 per share[1], and $87.9 million, or $1.81 per share, for the quarter and first nine months ended May 31, 2010, respectively. These amounts represent increases of 12.7% and 12.3%, respectively, over adjusted net income of $27.7 million, or $0.57 per share for the quarter, and of 15.7% and 16% over adjusted net income of $75.9 million, or $1.56 per share for the first nine months of fiscal 2009. Net income progression has resulted mainly from the decrease in the Canadian federal and provincial corporate income tax rates coupled with the growth in operating income before amortization in the first nine months of the fiscal year.

CASH FLOW AND LIQUIDITY

	Quarters ended May 31,		Nine months ended May 31,	
($000)	**2010** **$**	2009[1] $	**2010** **$**	2009[1] $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Operating activities				
Cash flow from operations	**119,243**	92,030	**367,790**	275,575
Changes in non-cash operating items	**(6,792)**	7,926	**(144,920)**	(35,856)
	112,451	99,956	**222,870**	239,719
Investing activities[2]	**(69,260)**	(58,779)	**(211,597)**	(192,343)
Financing activities[2]	**(39,946)**	(45,494)	**(34,979)**	(40,697)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(846)**	(1,866)	**(1,746)**	(538)
Net change in cash and cash equivalents	**2,399**	(6,183)	**(25,452)**	6,141
Cash and cash equivalents, beginning of period	**11,607**	48,695	**39,458**	36,371
Cash and cash equivalents, end of period	**14,006**	42,512	**14,006**	42,512

(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) Excludes assets acquired under capital leases.

Fiscal 2010 third quarter cash flow from operations reached $119.2 million, 29.6% higher than the comparable period last year, primarily due to the reduction in income tax payments stemming from modifications to the corporate structure. Changes in non-cash operating items required cash outflows of $6.8 million, mainly as a result of an increase in income taxes receivable and a decrease in accounts payable and accrued liabilities, partly offset by a decrease in accounts receivable. In the prior year, the cash inflows of $7.9 million were mainly the result of an increase in income tax liabilities, partly offset by a decrease in accounts payable and accrued liabilities.

For the first nine months of fiscal 2010, cash flow from operations reached $367.8 million, 33.5% higher than the comparable period last year, primarily due to the reduction in income tax payments stemming from modifications to the corporate structure and the reduction in financial expense. Changes in non-cash operating items required cash outflows of $144.9 million, mainly as a result of decreases in accounts payable and accrued liabilities and in income tax liabilities, combined with increases in income taxes receivable and accounts receivable, partly offset by an increase in deferred and prepaid revenue and other liabilities. In the prior year, the cash outflows of $35.9 million were mainly as a result of a decrease in accounts payable and accrued liabilities and an increase in income taxes receivable, partly offset by an increase in income tax liabilities.

(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.

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

	Quarters ended May 31,		Nine months ended May 31,	
($000)	**2010** **$**	2009[1] $	**2010** **$**	2009[1] $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Customer premise equipment[2]	**16,890**	19,948	**76,995**	75,080
Scalable infrastructure	**14,151**	15,734	**44,491**	43,326
Line extensions	**6,916**	5,002	**18,704**	14,579
Upgrade / Rebuild	**14,687**	12,853	**40,372**	33,541
Support capital	**14,105**	4,126	**23,268**	20,085
Total capital expenditures[3]	**66,749**	57,663	**203,830**	186,611
Increase in deferred charges and others	**2,511**	2,278	**7,908**	8,052
Total investing activities[3]	**69,260**	59,941	**211,738**	194,663

(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 $66.7 million in the third quarter of fiscal 2010, an increase of 15.8% when compared to $57.7 million in the third quarter of the prior year due to the following factors:

- An increase in upgrade and rebuild and in line extensions in the Canadian operations to improve network capacity in existing areas served and to extend territories in new areas;
- An increase in support capital spending due to the acquisition of new facilities in the Canadian operations;
- Decreases in customer premise equipment spending in the Canadian operations due to the timing of equipment purchases, and in the European operations due to the depreciation of the value of the Euro relative to the Canadian dollar, which offset an increase in customer premise equipment spending in the European operations in order to support the continued growth of Digital Television service customers.

Total capital expenditures amounted to $203.8 million in the first nine months of fiscal 2010, 9.2% higher than total capital expenditures of $186.6 million in the corresponding period of the prior year due to the following factors:

- 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 and in line extensions in the Canadian operations to improve network capacity in existing areas served and to extend territories in new areas;
- An increase in support capital spending due to the acquisition of new facilities in the Canadian operations.

Deferred charges and others are mainly attributable to reconnect costs and additional service activation costs. For the third quarter and first nine months, the increase in deferred charges and others amounted to $2.5 million and $7.9 million, essentially the same when compared to $2.3 million and $8.1 million for the third quarter and first nine months of the 2009 fiscal year.

In the third quarter and first nine months, Cogeco Cable generated free cash flows of $50 million and $155.9 million, respectively, compared to $31.9 million and $80.7 million in the comparable periods of fiscal 2009, representing increases of $18.1 million and $75.3 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 income tax payments stemming from modifications to the corporate structure, partly offset by the increase in capital expenditures.

In the third quarter of 2010, Indebtedness affecting cash decreased by $32.9 million mainly due to the free cash flow of $50 million, partly offset by the dividend payment of $6.8 million described below, the cash outflows of $6.8 million from the changes in non-cash operating items and the increase in cash and cash equivalents of $2.4 million. Indebtedness mainly decreased through a net repayment of $33.2 million on the Corporation's revolving loans. In the third quarter of 2009, Indebtedness affecting cash decreased by $39.7 million mainly due to the free cash flow of $31.9 million, the cash inflows of $7.9 million from the changes in non-cash operating items, and the decrease in cash and cash equivalents of $6.2 million, net of the dividend payment of $5.8 million described below. Indebtedness mainly decreased through the net repayments on the Corporation's revolving loans of $56.5 million, net of an increase of $17.7 million in bank indebtedness.

During the third 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 nine months of fiscal 2010, Indebtedness affecting cash decreased by $12.9 million mainly due to the free cash flow of $155.9 million and the decrease in cash and cash equivalents of $25.5 million, partly offset by the cash outflows of $144.9 million from the changes in non-cash operating items and the dividend payment of $20.4 million described below. Indebtedness mainly decreased through a net repayment of $54.7 million on the Corporation's revolving loans, partly offset by an increase of $44.7 million in bank indebtedness. During the first nine months of fiscal 2009, Indebtedness affecting cash decreased by $24.2 million mainly due to the free cash flow of $80.7 million, partly offset by the cash outflows of $35.9 million from the changes in non-cash operating items, the payment of dividends totalling $17.5 million described below and the $6.1 million increase in cash and cash equivalents. Indebtedness decreased through the repayment of Senior Secured Notes Series A and the related derivative financial instrument, both maturing on October 31, 2008, for a total of $238.7 million, and of net repayments on the Corporation's revolving loans of $79.5 million, net of the issuance of Senior Secured Notes, Series A and Series B for net proceeds of approximately $255 million, and by an increase of $41.9 million in bank indebtedness.

In the first nine months of fiscal 2010, quarterly dividends of $0.14 per share were paid to the holders of subordinate and multiple voting shares, totalling $20.4 million, compared to quarterly dividends of $0.12 per share, or $17.5 million in the first nine months of fiscal 2009.

As at May 31, 2010, the Corporation had a working capital deficiency of $172.7 million compared to $240.9 million at August 31, 2009. The decrease in the deficiency is mainly attributable to reductions in accounts payable and accrued liabilities and in income tax liabilities, combined with a decrease in the current portion of long-term debt as a result of the new Term Revolving Facility described in the “Financial position” section. The working capital deficiency was further reduced by an increase in income taxes receivable. These improvements have been partially offset by increases in the current portion of future income tax liabilities and bank indebtedness, and by the decrease in cash and cash equivalents. 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 May 31, 2010, the Corporation had used $161.7 million of its $862.5 million Term Facility for a remaining availability of $700.8 million.

FINANCIAL POSITION

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

The $33.3 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 net of the amortization expense for the first nine months of the fiscal year. The $10.4 million dollar decrease in goodwill is due to the decline in the value of the Euro relative to the Canadian dollar. The $80.6 million decrease in accounts payable and accrued liabilities is related to the timing of payments made to suppliers. The increase of $8 million in deferred and prepaid revenue is mainly due to advance billing in the data telecommunications subsidiary for services to be provided in the coming months. The increases of $36.5 million in income taxes receivable, $16.2 million in the future income tax assets and of $59.3 million in 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 increase of $44.7 million in bank indebtedness and the decreases of $101.8 million in long-term debt and $25.5 million in cash and cash equivalents are due to the factors previously discussed in the “Cash Flow and Liquidity” section combined with the fluctuations in foreign exchange rates.

A description of Cogeco Cable’s share data as of June 30, 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	734,032	
Exercisable options	523,083	

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 ($2.8 million), should Cabovisão fail to pay such required amount.

In July 2010, the Corporation entered into a new $750 million Term Revolving Facility with a group of financial institutions led by two large Canadian banks, which will be effective on July 12, 2010, subject to usual conditions, and replace the Corporation’s $862.5 million Term Facility coming to maturity on July 28, 2011. This new Term Revolving Facility has an option to be increased up to $1 billion subject to lenders’ participation. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility may be extended by additional one-year periods on an annual basis, subject to lenders’ approval, and, if not extended, matures four years after its issuance or the last extension, as the case may be. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers’ acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus stamping fees. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provides for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness.

DIVIDEND DECLARATION

At its July 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 August 4, 2010, to shareholders of record on July 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 May 31, 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 nine months of the fiscal year, the fair value of interest rate swap increased by $0.6 million, which is recorded as an increase 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 nine months of the 2010 fiscal year, amounts due under the US$190 million Senior Secured Notes Series A decreased by $9.8 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 $3.2 million, resulting in an increase, net of income taxes, of $7.3 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 $13.4 million in the first nine 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 May 31, 2010 was $1.2838 per Euro compared to $1.5698 per Euro at August 31, 2009. The average exchange rate prevailing during the third quarter and first nine months used to convert the operating results of the European operations were $1.3472 per Euro and $1.4703 per Euro, respectively, compared to $1.6126 per Euro and $1.5951 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 nine month period ended May 31, 2010:

Nine months ended May 31, 2010	As reported	Exchange rate impact
($000)	$	$
	(unaudited)	(unaudited)
Revenue	145,588	14,559
Operating income before amortization	24,511	2,451
Net loss	(29,394)	(2,939)

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 15 of the consolidated financial statements for further details.

CANADIAN OPERATIONS

CUSTOMER STATISTICS

		Net additions (losses)				% of Penetration[1]	
		Quarters ended May 31,		Nine months ended May 31,		May 31,	
	May 31, 2010	2010	2009	2010	2009	2010	2009
RGU	2,306,870	36,561	27,175	147,007	140,215	–	–
Basic Cable service customers	874,072	402	(2,153)	9,267	8,635	–	–
HSI service customers	550,153	6,527	5,939	35,101	35,966	65.3	61.6
Digital Television service customers	541,946	13,388	10,065	43,548	46,978	63.0	57.3
Telephony service customers	340,699	16,244	13,324	59,091	48,636	42.7	34.3

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

Fiscal 2010 third-quarter and first nine-month RGU net additions were higher than 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 additions for Basic Cable service customers stood at 402 for the quarter, compared to net customer losses of 2,153 in the third quarter of the prior year. For the first nine months, Basic Cable service customers grew by 9,267, compared to 8,635 in the prior year. Basic Cable service net additions in the first nine months of the fiscal year were mainly due to expansions in the network. In the quarter, Telephony service customers grew by 16,244 compared to 13,324 for the same period last year, and the number of net additions to the HSI service stood at 6,527 customers for the quarter, compared to 5,939 customers for the same period last year. For the first nine months of the fiscal year, Telephony service customers

grew by 59,091 and HSI service customer net additions amounted to 35,101, compared to 48,636 and 35,966 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 13,388 customers for the quarter and 43,548 customers for the first nine months of the year, compared to 10,065 and 46,978 customers for the three and nine 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

	Quarters ended May 31,			Nine months ended May 31,		
($000, except percentages)	**2010** $	2009[1] $	Change %	**2010** $	2009[1] $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**275,675**	248,101	11.1	**811,465**	729,155	11.3
Operating costs	**155,292**	137,080	13.3	**455,038**	409,714	11.1
Management fees – COGECO Inc.	**–**	–	–	**9,019**	9,019	–
Operating income before amortization	**120,383**	111,021	8.4	**347,408**	310,422	11.9
Operating margin	**43.7%**	44.7%		**42.8%**	42.6%	

(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

Driven by increased RGU, the introduction of HSI usage billing, rate increases implemented at the end of fiscal 2009 and the revenue related to the new 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"), third-quarter revenue rose by $27.6 million, or 11.1%, to reach $275.7 million, and first nine-month revenue amounted to $811.5 million, $82.3 million, or 11.3%, higher than in the first nine months of the previous fiscal year.

Operating costs

For the three months ended May 31, 2010, operating costs excluding management fees payable to COGECO Inc. increased by $18.2 million, or 13.3%, to reach $155.3 million. Operating costs excluding management fees payable to COGECO Inc. amounted to $455 million in the first nine months of the fiscal year, an increase of $45.3 million, or 11.1% over the first nine months of the prior year. The increase in operating costs is mainly attributable to servicing additional RGU, the launch of new HD channels, additional marketing initiatives and the new 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 $9.4 million, or 8.4%, to reach $120.4 million in the third quarter, and by $37 million, or 11.9% to reach $347.4 million for the first nine months ended May 31, 2010. The operating income before amortization has risen due to the increased revenue exceeding the growth in operating costs. Cogeco Cable's Canadian operations' operating margin decreased to 43.7% in the third quarter compared to 44.7% for the same period of the prior year, and stood at 42.8% in the first nine months compared to 42.6% in the first nine months of fiscal 2009. The reduction in the operating margin for the third quarter stems from the launch of new services which generate lower margins, the migration of customers from Analogue to Digital Television services, and the revenue from the new LPIF which does not generate operating income before amortization.

EUROPEAN OPERATIONS

CUSTOMER STATISTICS

		Net additions (losses)				% of Penetration[1]	
		Quarters ended May 31,		Nine months ended May 31,		May 31,	
	May 31, 2010	**2010**	2009	**2010**	2009	**2010**	2009
RGU[2]	**808,176**	**27,680**	(13,105)	**75,801**	(13,021)	**–**	–
Basic Cable service customers	**258,676**	**498**	(11,394)	**(804)**	(31,337)	**–**	–
HSI service customers	**160,409**	**5,793**	(4,420)	**16,795**	(17,117)	**62.0**	53.7
Digital Television service customers[2]	**147,835**	**16,779**	8,255	**45,082**	54,845	**57.2**	29.9
Telephony service customers	**241,256**	**4,610**	(5,546)	**14,728**	(19,412)	**93.3**	85.2

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

(2) The number of Digital Television service customers in the third quarter and first nine months 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 by 33,869 customers in the first nine months of the previous fiscal year.

Third-quarter fiscal 2010 net additions show a return to customer growth for the Corporations' European operations, and 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 Europe throughout the previous fiscal year. In the third quarter of fiscal 2010, the number of Basic Cable service customers grew by 498 customers compared to a loss of 11,394 customers in the comparable period of the prior year. In the first nine months of the fiscal year, Basic Cable customer losses amounted to 804 compared to 31,337 in the 2009 fiscal year. HSI service customers increased by 5,793 and 16,795 customers for the quarter and first nine months, respectively, compared to decreases of 4,420 and 17,117 customers in the third quarter and first nine months of fiscal 2009. The number of Digital Television service customers grew by 16,779 customers in the third quarter and by 45,082 customers in the nine months ended May 31, 2010, compared to 8,255 and 54,845 customers in the three and nine month periods ended May 31 of the previous fiscal year. Telephony service customers increased by 4,610 customers in the quarter and 14,728 in the first nine months of fiscal 2010, compared to losses of 5,546 and 19,412 customers for the comparable periods of the preceding year.

OPERATING RESULTS

	Quarters ended May 31,			Nine months ended May 31,		
	2010	2009[1]	Change	**2010**	2009[1]	Change
($000, except percentages)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**43,616**	57,571	(24.2)	**145,588**	180,875	(19.5)
Operating costs	**37,299**	42,641	(12.5)	**121,077**	127,313	(4.9)
Operating income before amortization	**6,317**	14,930	(57.7)	**24,511**	53,562	(54.2)
Operating margin	**14.5%**	25.9%		**16.8%**	29.6%	

(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 third quarter and first nine months of fiscal 2010 revenue decreased by $14 million, or 24.2%, and by $35.3 million, or 19.5%, respectively, at $43.6 million for the quarter and $145.6 million for the nine months, due to fewer 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 curtail 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 third quarter amounted to €32.4 million, a decrease of €3.3 million, or 9.3%, when compared to the same period of the prior year. For the first nine months, revenue amounted to €98.9 million, representing a decrease of €14.6 million, or 12.8%, when compared to the first nine months of fiscal 2009.

Operating costs

Fiscal 2010 third-quarter and first nine-months operating costs decreased by $5.3 million, or 12.5%, at $37.3 million, and by $6.2 million, or 4.9%, at $121.1 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 additional marketing initiatives and the launch of new channels, net of the impact of cost reduction initiatives implemented by Cabovisão. Operating costs from the European operations for the third quarter in the local currency amounted to €27.7 million, an increase of €1.3 million, or 4.7% when compared to the corresponding period of the prior year. For the first nine months of fiscal 2010 operating costs amounted to €82.4 million, representing an increase of €2.6 million, or 3.3% when compared to the same period of the previous fiscal year.

Operating income before amortization

Operating income before amortization decreased to $6.3 million in the third quarter from $14.9 million for the same period of the prior year, representing a decrease of $8.6 million, or 57.7%, mainly due to decreases in revenue which outpaced the decreases in operating costs. For the first nine months, operating income before amortization decreased by $29.1 million, or 54.2%, at $24.5 million. European operations' operating margin decreased for the third quarter to 14.5% from 25.9% in the prior year, and for the first nine months to 16.8% from 29.6% in fiscal 2009. Operating income before amortization in the local currency amounted to €4.7 million for the third quarter compared to €9.3 million in the same period of the prior year, and €16.5 million in the first nine months, compared to €33.7 million in the first nine months of fiscal 2009, representing decreases of 49.4% and 51%, respectively.

FISCAL 2011 PRELIMINARY FINANCIAL GUIDELINES

For fiscal 2011, Cogeco Cable expects to achieve revenue of $1,340 million, representing growth of $50 million, or 3.9% when compared to the revised fiscal 2010 guidelines issued on January 12, 2010. The preliminary guidelines take into consideration the current global economic environment. In Canada, Cogeco Cable's footprint includes certain regions in Southern Ontario where the automobile manufacturing industry is a significant driver of economic activity. The sharp downturn experienced by this industry in the past years is expected to continue to have an adverse impact on the level of economic activity including consumer expenditures on goods and services within those communities. In previous recessionary periods, demand for cable telecommunications services has generally proven to be resilient. However, there is no assurance that demand would remain resilient in a prolonged difficult economic environment. These preliminary guidelines also take into consideration the competitive environment that prevails in Portugal and, in Canada, the deployment of new technologies such as Fibre to the Home ("FTTH"), Fibre to the Node ("FTTN") and Internet Protocol Television ("IPTV") by the incumbent telecommunications providers.

Revenue from the Canadian operations should increase as a result of RGU growth stemming from targeted marketing initiatives to improve penetration rates of the Digital Television, HSI and Telephony services. Furthermore, the Digital Television service should continue to benefit from the customers' ongoing strong interest in the Corporation's growing HD service offerings. Canadian operations revenue will also benefit from the impact of rate increases implemented in June 2010 in Ontario and Québec, averaging $2 per Basic Cable service customer. Cogeco Cable's strategies include consistently effective marketing, competitive product offerings and superior customer service, which combined, lead to the expansion and loyalty of the Canadian operations' Basic Cable Service clientele. As the penetration of HSI, Telephony and Digital Television services increase, the new demand for these products should slow, reflecting early signs of maturity.

European operations is expected to continue to grow their customer base with projected net additions across all services that should result from the acquisition and retention strategies implemented in the second half of fiscal 2009. The economic difficulties being experienced by the European market at large and the transitory competitive environment which has plagued the Portuguese telecommunications industry for the past two years are beginning to assuage, which should lead to an increase in revenue in local currency for the 2011 fiscal year, however the economic climate is expected to remain difficult in the short-term, and the expected volatility of the Euro compared to the Canadian dollar in the upcoming fiscal year is expected to offset the favourable impact on Euro-denominated revenue. For fiscal 2011, it is anticipated that the Euro should be converted at a rate of approximately $1.35 per Euro, compared to an expected rate of $1.55 per Euro in the revised fiscal 2010 guidelines issued on January 12, 2010.

As a result of increased costs to service additional RGU, inflation and manpower increases, as well as the continuation of the marketing initiatives and retention strategies launched in Portugal in the second half of fiscal 2009, consolidated operating costs are expected to expand by approximately $25 million, or 3.2% in the 2011 fiscal year when compared to the revised projections for fiscal 2010.

For fiscal 2011, the Corporation expects operating income before amortization of $530 million, an increase of $25 million, or 5% when compared to the revised fiscal 2010 projections issued on January 12, 2010. The operating margin is expected to reach approximately 39.6% in fiscal 2011, compared to revised projections of 39.1% for the 2010 fiscal year, reflecting revenue growth which is expected to exceed the increase in operating costs.

Cogeco Cable expects the amortization of capital assets and deferred charges to increase slightly by $2 million for fiscal 2011, mainly from capital expenditures and deferred charges related to RGU growth and other initiatives of fiscal 2011 and the full year impact of those of fiscal 2010. Cash flows from operations should finance capital expenditures and the increase in deferred charges amounting to $340 million, essentially the same as the revised fiscal 2010 projections. Capital expenditures projected for the 2011 fiscal year are mainly due to customer premise equipment required to support RGU growth, scalable infrastructure for product enhancements and the deployment of new technologies, line extensions to expand existing territories, and support capital to improve business information systems and facility requirements.

Fiscal 2011 free cash flow is expected to decline to $55 million. The decrease of approximately $80 million, when compared to the $135 million revised projections for the 2010 fiscal year, is primarily due to the projected fiscal 2011 income tax payments of approximately $65 million compared to the expected fiscal 2010 income tax recoveries of approximately $40 million as a result of modifications to the corporate structure. The $105 million variation in cash income taxes year over year will be partly offset by the growth in operating income before amortization. Generated free cash flow should be used primarily to reduce Indebtedness, thus improving the Corporation's leverage ratios. Financial expense will remain essentially the same at $70 million as the anticipated decrease in Indebtedness will be offset by a slight increase in the Corporation's cost of debt reflecting current market conditions and additional costs related to the new Term Revolving Facility previously described in the "Financial position" section. As a result, net income of approximately $120 million should be achieved compared to $125 million for the revised fiscal 2010 projections. Fiscal 2010 projected net income includes a favourable income tax adjustment of $29.8 million related to the reduction of Ontario provincial corporate income tax rates for the Canadian operations. Excluding this amount, fiscal 2011 projected net income of $120 million represents an increase of $25 million over adjusted projected net income of $95 million for fiscal 2010.

Consolidated

(in millions of dollars, except net customer additions and operating margin)	Preliminary Projections Fiscal 2011 $	Revised projections January 12, 2010[1] Fiscal 2010 $
Financial guidelines		
Revenue	1,340	1,290
Operating income before amortization	530	505
Operating margin	39.6%	39.1%
Amortization	275	273
Financial expense	70	69
Current income taxes	65	(40)
Net income	120	125
Capital expenditures and increase in deferred charges	340	341
Free cash flow	55	135
Net customer additions guidelines		
RGU[1]	250,000	200,000

(1) Net customer addition guidelines for Fiscal 2010 were revised on April 7, 2010.

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 at May 31, 2010, and have concluded that they were adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended May 31, 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 May 31, 2009 $	Nine months ended May 31, 2009 $
	(unaudited)	(unaudited)
Operating costs	2,780	9,931
Amortization of deferred charges	(3,648)	(10,270)
Future income tax expense	185	17
Net income	683	322

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. Present analysis and recommendations on accounting policy choices to the audit committee.	Completed
	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 May 31,		Nine months ended May 31,	
	2010	2009[1]	2010	2009[1]
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities	**112,451**	99,956	**222,870**	239,719
Changes in non-cash operating items	**6,792**	(7,926)	**144,920**	35,856
Cash flow from operations	**119,243**	92,030	**367,790**	275,575

(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 May 31,		Nine months ended May 31,	
	2010	2009[1]	2010	2009[1]
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operations	**119,243**	92,030	**367,790**	275,575
Acquisition of fixed assets	**(66,749)**	(56,501)	**(203,689)**	(184,291)
Increase in deferred charges	**(2,534)**	(2,476)	**(8,053)**	(8,311)
Assets acquired under capital leases – as per note 13 c)	**–**	(1,162)	**(141)**	(2,320)
Free cash flow	**49,960**	31,891	**155,907**	80,653

(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 May 31,		Nine months ended May 31,	
	2010	2009[1]	2010	2009[1]
($000, except percentages)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating income	**62,929**	62,086	**176,744**	176,175
Amortization	**63,771**	63,865	**195,175**	187,809
Operating income before amortization	**126,700**	125,951	**371,919**	363,984
Revenue	**319,291**	305,672	**957,053**	910,030
Operating Margin	**39.7%**	41.2%	**38.9%**	40.0%

(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 May 31,		Nine months ended May 31,	
($000, except number of shares and per share data)	**2010** **$**	2009[1] $	**2010** **$**	2009[1] $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net income (loss)	**31,185**	32,453	**117,640**	(302,926)
Adjustments:				
Reduction of Ontario provincial corporate income tax rates	**–**	–	**(29,782)**	–
Impairment loss net of related taxes	**–**	–	**–**	383,630
Reduction of withholding and stamp tax contingent liabilities	**–**	(10,930)	**–**	(10,930)
Utilization of pre-acquisition tax losses	**–**	6,142	**–**	6,142
Adjusted net income	**31,185**	27,665	**87,858**	75,916
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,509,886**	48,558,526	**48,522,312**	48,540,837
Effect of dilutive stock options	**164,884**	76,975	**134,525**	149,389
Effect of dilutive incentive share units	**59,004**	–	**40,817**	–
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,733,774**	48,635,501	**48,697,654**	48,690,226
Adjusted earnings per share				
Basic	**0.64**	0.57	**1.81**	1.56
Diluted	**0.64**	0.57	**1.80**	1.56

(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 July 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
Jan Peeters
Chairman of the Board

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

Cogeco Cable Inc.
Montréal, Québec
July 8, 2010

Supplementary Quarterly Financial Information
(unaudited)

Quarters ended	May 31,		February 28,		November 30,		August 31,	
($000, except percentages and per share data)	**2010**	2009[1]	**2010**	2009[1]	**2009**	2008[1]	2009[1]	2008[1][2]
	$	$	**$**	$	**$**	$	$	$
Revenue	**319,291**	305,672	**320,397**	304,920	**317,365**	299,438	307,807	284,908
Operating income before amortization[3]	**126,700**	125,951	**122,613**	122,303	**122,606**	115,730	143,892	117,538
Operating margin[3]	***39.7%***	*41.2%*	***38.3%***	*40.1%*	***38.6%***	*38.6%*	*46.7%*	*41.3%*
Operating income	**62,929**	62,086	**56,774**	59,105	**57,041**	54,984	75,624	58,802
Impairment of goodwill and intangible assets	**–**	–	**–**	399,648	**–**	–	–	–
Income taxes	**15,060**	26,357	**11,952**	(207)	**(15,766)**	8,645	22,005	9,617
Net income (loss)	**31,185**	32,453	**29,789**	(358,324)	**56,666**	22,945	44,698	30,433
Adjusted net income[3]	**31,185**	27,665	**29,789**	25,306	**26,884**	22,945	26,123	30,433
Cash flow from operating activities	**112,451**	99,956	**114,037**	115,282	**(3,618)**	24,481	175,450	139,286
Cash flow from operations[3]	**119,243**	92,030	**118,318**	95,928	**130,229**	87,617	108,631	95,085
Free cash flow[3]	**49,960**	31,891	**43,939**	30,965	**62,008**	17,797	14,759	21,075
Earnings (loss) per share[4]								
Basic	**0.64**	0.67	**0.61**	(7.38)	**1.17**	0.47	0.92	0.63
Diluted	**0.64**	0.67	**0.61**	(7.38)	**1.16**	0.47	0.92	0.62
Adjusted earnings per share[3][4]								
Basic	**0.64**	0.57	**0.61**	0.52	**0.55**	0.47	0.54	0.63
Diluted	**0.64**	0.57	**0.61**	0.52	**0.55**	0.47	0.54	0.62

(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)

	May 31, 2010	August 31, 2009
Homes passed		
Ontario	1,063,542	1,049,818
Québec	524,023	515,327
Canada	1,587,565	1,565,145
Portugal[(1)]	905,307	905,129
Total	2,492,872	2,470,274
Homes connected[(2)]		
Ontario	679,849	658,690
Québec	297,015	285,944
Canada	976,864	944,634
Portugal	267,851	269,022
Total	1,244,715	1,213,656
Revenue-generating units		
Ontario	1,576,838	1,483,324
Québec	730,032	676,539
Canada	2,306,870	2,159,863
Portugal	808,176	732,375
Total	3,115,046	2,892,238
Basic Cable service customers		
Ontario	601,746	597,651
Québec	272,326	267,154
Canada	874,072	864,805
Portugal	258,676	259,480
Total	1,132,748	1,124,285
High Speed Internet service customers		
Ontario	397,238	374,906
Québec	152,915	140,146
Canada	550,153	515,052
Portugal	160,409	143,614
Total	710,562	658,666
Digital Television service customers		
Ontario	355,955	326,227
Québec	185,991	172,171
Canada	541,946	498,398
Portugal	147,835	102,753
Total	689,781	601,151
Telephony service customers		
Ontario	221,899	184,540
Québec	118,800	97,068
Canada	340,699	281,608
Portugal	241,256	226,528
Total	581,955	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)

	Three months ended May 31,		Nine months ended May 31,	
(In thousands of dollars, except per share data)	**2010**	2009	**2010**	2009
	$	$	**$**	$
		(restated, see note 1)		(restated, see note 1)
Revenue				
Service	**316,964**	304,721	**948,727**	904,523
Equipment	**2,327**	951	**8,326**	5,507
	319,291	305,672	**957,053**	910,030
Operating costs	**192,591**	179,721	**576,115**	537,027
Management fees – COGECO Inc.	—	—	**9,019**	9,019
Operating income before amortization	**126,700**	125,951	**371,919**	363,984
Amortization (note 3)	**63,771**	63,865	**195,175**	187,809
Operating income	**62,929**	62,086	**176,744**	176,175
Financial expense (note 4)	**16,684**	14,206	**47,858**	55,588
Reduction of withholding and stamp tax contingent liabilities (note 5)	—	(10,930)	—	(10,930)
Impairment of goodwill and intangible assets (note 6)	—	—	—	399,648
Income (loss) before income taxes	**46,245**	58,810	**128,886**	(268,131)
Income taxes (note 7)	**15,060**	26,357	**11,246**	34,795
Net income (loss)	**31,185**	32,453	**117,640**	(302,926)
Earnings (loss) per share (note 8)				
Basic and diluted	**0.64**	0.67	**2.42**	(6.24)

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(In thousands of dollars)	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated, see note 1)		(restated, see note 1)
Net income (loss)	**31,185**	32,453	**117,640**	(302,926)
Other comprehensive income (loss)				
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax expense of $622,000 and income tax recovery of $1,852,000 (income tax recovery of $3,847,000 and $11,000 in 2009)	**4,140**	(32,757)	**(784)**	(2,308)
Reclassification to net income of realized losses (gains) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $230,000 and $1,316,000 (income tax recovery of $4,615,000 and income tax expense of $746,000 in 2009)	**1,480**	29,699	**8,469**	(4,497)
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries	**(25,349)**	(13,185)	**(48,939)**	11,124
Unrealized gains (losses) on translation of long-term debt designated as hedge of a net investment in self-sustaining foreign subsidiaries	**16,958**	11,389	**35,531**	(1,527)
	(2,771)	(4,854)	**(5,723)**	2,792
Comprehensive income (loss)	**28,414**	27,599	**111,917**	(300,134)

COGECO CABLE INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)
(unaudited)

	Nine months ended May 31,	
(In thousands of dollars)	**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)	**117,640**	(302,926)
Dividends on multiple voting shares	**(6,591)**	(5,649)
Dividends on subordinate voting shares	**(13,789)**	(11,827)
Balance at end	**90,153**	(45,978)

COGECO CABLE INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(In thousands of dollars)	**May 31, 2010**	August 31, 2009
	$	$
		(restated, see note 1)
Assets		
Current		
Cash and cash equivalents (note 13 b))	**14,006**	39,458
Accounts receivable	**64,356**	60,051
Income taxes receivable	**41,157**	4,700
Prepaid expenses	**14,948**	14,337
Future income tax assets	**5,148**	4,275
	139,615	122,821
Fixed assets	**1,268,919**	1,302,238
Deferred charges	**22,696**	24,052
Intangible assets (note 9)	**1,018,852**	1,022,434
Goodwill (note 9)	**143,270**	153,695
Derivative financial instruments	**992**	4,236
Future income tax assets	**16,767**	1,436
	2,611,111	2,630,912
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**44,743**	—
Accounts payable and accrued liabilities	**163,606**	244,173
Income tax liabilities	**763**	41,020
Deferred and prepaid revenue	**42,332**	33,877
Current portion of long-term debt (note 10)	**2,872**	44,674
Future income tax liabilities	**58,012**	—
	312,328	363,744
Long-term debt (note 10)	**949,834**	1,009,788
Derivative financial instrument	**1,560**	2,168
Deferred and prepaid revenue and other liabilities	**12,450**	12,900
Pension plan liabilities and accrued employees benefits	**3,451**	3,113
Future income tax liabilities	**233,145**	231,815
	1,512,768	1,623,528
Shareholders' equity		
Capital stock (note 11)	**988,419**	990,061
Contributed surplus	**5,913**	4,849
Retained earnings (deficit)	**90,153**	(7,107)
Accumulated other comprehensive income (note 12)	**13,858**	19,581
	1,098,343	1,007,384
	2,611,111	2,630,912

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

(In thousands of dollars)	Three months ended May 31, 2010 $	Three months ended May 31, 2009 $ (restated, see note 1)	Nine months ended May 31, 2010 $	Nine months ended May 31, 2009 $ (restated, see note 1)
Cash flow from operating activities				
Net income (loss)	**31,185**	32,453	**117,640**	(302,926)
Adjustments for:				
Amortization (note 3)	**63,771**	63,865	**195,175**	187,809
Amortization of deferred transaction costs and discounts on long-term debt	**751**	619	**2,259**	1,910
Reduction of withholding and stamp tax contingent liabilities (note 5)	**—**	(10,930)	**—**	(10,930)
Impairment of goodwill and intangible assets (note 6)	**—**	—	**—**	399,648
Future income taxes	**20,917**	8,138	**48,726**	1,002
Foreign exchange gain on unhedged long-term debt	**—**	(2,376)	**—**	(2,376)
Stock-based compensation	**355**	266	**1,255**	699
Loss on disposal and write-offs of fixed assets	**2,443**	32	**2,505**	250
Other	**(179)**	(37)	**230**	489
	119,243	92,030	**367,790**	275,575
Changes in non-cash operating items (note 13 a))	**(6,792)**	7,926	**(144,920)**	(35,856)
	112,451	99,956	**222,870**	239,719
Cash flow from investing activities				
Acquisition of fixed assets (note 13 c))	**(66,749)**	(56,501)	**(203,689)**	(184,291)
Increase in deferred charges	**(2,534)**	(2,476)	**(8,053)**	(8,311)
Other	**23**	198	**145**	259
	(69,260)	(58,779)	**(211,597)**	(192,343)
Cash flow from financing activities				
Increase in bank indebtedness	**1,070**	17,666	**44,743**	41,926
Net decrease under the term facility	**(33,156)**	(56,491)	**(54,735)**	(79,494)
Issuance of long-term debt, net of discounts and transaction costs	**—**	—	**—**	254,771
Repayment of long-term debt and settlement of derivative financial instruments	**(813)**	(842)	**(2,882)**	(241,388)
Issue of subordinate voting shares	**—**	—	**283**	964
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	**(264)**	—	**(2,008)**	—
Dividends on multiple voting shares	**(2,197)**	(1,883)	**(6,591)**	(5,649)
Dividends on subordinate voting shares	**(4,586)**	(3,944)	**(13,789)**	(11,827)
	(39,946)	(45,494)	**(34,979)**	(40,697)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(846)**	(1,866)	**(1,746)**	(538)
Net change in cash and cash equivalents	**2,399**	(6,183)	**(25,452)**	6,141
Cash and cash equivalents at beginning	**11,607**	48,695	**39,458**	36,371
Cash and cash equivalents at end	**14,006**	42,512	**14,006**	42,512

See supplemental cash flow information in note 13.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 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 May 31, 2010 and August 31, 2009 as well as its results of operations and its cash flows for the three and nine month periods ended May 31, 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 Canadian Institute of Chartered Accountants ("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 resulted in the elimination of 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 May 31, 2009 $	Nine months ended May 31, 2009 $
Operating costs	2,780	9,931
Amortization of deferred charges	(3,648)	(10,270)
Future income tax expense	185	17
Net income	683	322

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
May 31, 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 May 31,	**2010**	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$
		(restated)		(restated)		(restated)
Revenue	**275,675**	248,101	**43,616**	57,571	**319,291**	305,672
Operating costs	**155,292**	137,080	**37,299**	42,641	**192,591**	179,721
Operating income before amortization	**120,383**	111,021	**6,317**	14,930	**126,700**	125,951
Amortization	**47,446**	45,499	**16,325**	18,366	**63,771**	63,865
Operating income (loss)	**72,937**	65,522	**(10,008)**	(3,436)	**62,929**	62,086
Financial expense (revenue)	**16,612**	14,360	**72**	(154)	**16,684**	14,206
Reduction of withholding and stamp tax contingent liabilities	**—**	—	**—**	(10,930)	**—**	(10,930)
Income taxes	**16,060**	16,630	**(1,000)**	9,727	**15,060**	26,357
Net income (loss)	**40,265**	34,532	**(9,080)**	(2,079)	**31,185**	32,453
Total assets [(1)]	**2,333,735**	2,262,639	**277,376**	368,273	**2,611,111**	2,630,912
Fixed assets [(1)]	**1,044,590**	1,011,767	**224,329**	290,471	**1,268,919**	1,302,238
Intangible assets [(1)]	**1,018,852**	1,022,434	**—**	—	**1,018,852**	1,022,434
Goodwill [(1)]	**116,243**	116,243	**27,027**	37,452	**143,270**	153,695
Acquisition of fixed assets [(2)]	**54,838**	44,488	**11,911**	13,175	**66,749**	57,663

[(1)] At May 31, 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
May 31, 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	
Nine months ended May 31,	**2010**	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$
		(restated)		(restated)		(restated)
Revenue	**811,465**	729,155	**145,588**	180,875	**957,053**	910,030
Operating costs	**455,038**	409,714	**121,077**	127,313	**576,115**	537,027
Management fees − COGECO Inc.	**9,019**	9,019	**—**	—	**9,019**	9,019
Operating income before amortization	**347,408**	310,422	**24,511**	53,562	**371,919**	363,984
Amortization	**139,663**	127,410	**55,512**	60,399	**195,175**	187,809
Operating income (loss)	**207,745**	183,012	**(31,001)**	(6,837)	**176,744**	176,175
Financial expense (revenue)	**48,692**	55,853	**(834)**	(265)	**47,858**	55,588
Reduction of withholding and stamp tax contingent liabilities	**—**	—	**—**	(10,930)	**—**	(10,930)
Impairment of goodwill and intangible assets	**—**	—	**—**	399,648	**—**	399,648
Income taxes	**12,019**	42,403	**(773)**	(7,608)	**11,246**	34,795
Net income (loss)	**147,034**	84,756	**(29,394)**	(387,682)	**117,640**	(302,926)
Total assets [(1)]	**2,333,735**	2,262,639	**277,376**	368,273	**2,611,111**	2,630,912
Fixed assets [(1)]	**1,044,590**	1,011,767	**224,329**	290,471	**1,268,919**	1,302,238
Intangible assets [(1)]	**1,018,852**	1,022,434	**—**	—	**1,018,852**	1,022,434
Goodwill [(1)]	**116,243**	116,243	**27,027**	37,452	**143,270**	153,695
Acquisition of fixed assets [(2)]	**162,689**	154,686	**41,141**	31,925	**203,830**	186,611

[(1)] At May 31, 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
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

3. Amortization

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Fixed assets	**59,878**	60,027	**183,406**	170,811
Deferred charges	**2,699**	2,645	**8,187**	7,872
Intangible assets	**1,194**	1,193	**3,582**	9,126
	63,771	63,865	**195,175**	187,809

4. Financial expense

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Interest on long-term debt	**15,544**	15,172	**47,094**	52,062
Foreign exchange losses (gains)	**409**	(1,687)	**(470)**	2,716
Amortization of deferred transaction costs	**408**	408	**1,222**	1,222
Other	**323**	313	**12**	(412)
	16,684	14,206	**47,858**	55,588

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

5. Reduction of withholding and stamp tax contingent liabilities

The Corporation's Portuguese subsidiary, Cabovisão – Televisão por Cabo, S.A. ("Cabovisão"), had recorded contingent liabilities for withholding and stamp taxes relating to fiscal years prior to its acquisition. At the date of acquisition, the amount accrued represented management's best estimate based on the available information. Management reviews its estimates periodically to take into consideration payments made relating to these contingencies as well as newly available information which would allow the Corporation to improve its previous estimate. During the third quarter of fiscal 2009, Cabovisão received a preliminary report from the Portuguese tax authorities with respect to some of the items included in the contingent liabilities. Accordingly, management has reviewed its estimate of the contingent liabilities to reflect the new information available in this preliminary report, and has determined that a reduction of €7 million, equivalent to $10.9 million, of the amount previously accrued was required at May 31, 2009, in order to reflect management's best estimate.

6. Impairment of goodwill and intangible assets

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Impairment of goodwill	—	—	—	339,206
Impairment of intangible assets	—	—	—	60,442
	—	—	—	399,648

During the second quarter of fiscal 2009, the competitive position of 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 further impairment existed.

COGECO CABLE INC.
Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

7. Income Taxes

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Current	**(5,857)**	18,219	**(37,480)**	33,793
Future	**20,917**	8,138	**48,726**	1,002
	15,060	26,357	**11,246**	34,795

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

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Income (loss) before income taxes	**46,245**	58,810	**128,886**	(268,131)
Combined income tax rate	**31.52%**	32.56%	**31.51%**	32.56%
Income taxes at combined income tax rate	**14,576**	19,149	**40,616**	(87,304)
Adjustment for losses or income subject to lower or higher tax rates	**(1,907)**	(109)	**(7,536)**	(667)
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
Utilization of pre-acquisition tax losses	**—**	6,142	**4,432**	6,142
Income taxes arising from non-deductible expenses	**280**	146	**583**	318
Effect of foreign income tax rate differences	**2,177**	1,127	**4,301**	25,155
Other	**(66)**	(98)	**(1,368)**	1,261
Income taxes at effective income tax rate	**15,060**	26,357	**11,246**	34,795

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

8. Earnings (loss) per Share

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

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
		(restated)		(restated)
Net income (loss)	**31,185**	32,453	**117,640**	(302,926)
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,509,886**	48,558,526	**48,522,312**	48,540,837
Effect of dilutive stock options [(1)]	**164,884**	—	**134,525**	—
Effect of dilutive incentive share units	**59,004**	—	**40,817**	—
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,733,774**	48,558,526	**48,697,654**	48,540,837
Earnings (loss) per share				
Basic and diluted	**0.64**	0.67	**2.42**	(6.24)

(1) For the three and nine month periods ended May 31, 2010, 103,101 and 104,183 stock options (246,759 and 199,038 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 nine month periods ended May 31, 2009 amounted to 76,975 and 149,389.

9. Goodwill and Other Intangible Assets

	May 31, 2010	August 31, 2009
	$	$
Customer relationships	**29,300**	32,882
Customer base	**989,552**	989,552
	1,018,852	1,022,434
Goodwill	**143,270**	153,695
	1,162,122	1,176,129

COGECO CABLE INC.
Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

9. Goodwill and Other Intangible Assets (continued)

a) Intangible assets

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

	Customer relationships	Customer base	Total
	$	$	$
Balance at August 31, 2009	32,882	989,552	1,022,434
Amortization	(3,582)	—	(3,582)
Balance at May 31, 2010	29,300	989,552	1,018,852

b) Goodwill

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

	$
Balance at August 31, 2009	153,695
Recognition of pre-acquisition tax losses	(4,432)
Foreign currency translation adjustment	(5,993)
Balance at May 31, 2010	143,270

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.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

10. Long-Term Debt

	Maturity	Interest rate	**May 31, 2010**	August 31, 2009
		%	**$**	$
Parent company				
Term Facility				
Term loan – €78,413,625	2011	1.19 (1)(2)	**100,447**	122,674
Term loan – €17,358,700	2011	1.19 (1)(2)	**22,220**	27,142
Revolving loan – €nil (€40,000,000 at August 31, 2009)	2011	—	**—**	62,792
Senior Secured Notes Series B	2011	7.73	**174,685**	174,530
Senior Secured Notes				
Series A – US$190,000,000	2015	7.00 (3)	**196,968**	206,606
Series B	2018	7.60	**54,601**	54,576
Senior Secured Debentures Series 1	2014	5.95	**297,229**	296,860
Senior Unsecured Debenture	2018	5.94	**99,801**	99,786
Subsidiaries				
Obligations under capital leases	2013	6.61 – 9.93	**6,755**	9,496
			952,706	1,054,462
Less current portion			**2,872**	44,674
			949,834	1,009,788

(1) Interest rate on debt as at May 31, 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.

COGECO CABLE INC.
Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

11. 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

	May 31, 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
62,436 subordinate voting shares held in trust under the Incentive Share Unit Plan	(2,008)	—
	988,419	990,061

During the first nine 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 May 31, 2010	32,877,790	892,081

COGECO CABLE INC.
Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

11. 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 nine months of 2010, the Corporation granted 66,174 stock options (138,381 in 2009) with an exercise price ranging from $31.82 to $38.86 ($31.90 to $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 nine month periods ended May 31, 2010, the Corporation charged COGECO Inc. amounts of $63,000 and $240,000 ($81,000 and $172,000 in 2009) with regards to the Corporation's options granted to COGECO Inc.'s employees. As a result, compensation expense of $155,000 and $534,000 ($229,000 and $413,000 in 2009) were recorded for the three and nine month periods ended May 31, 2010.

The weighted average fair value of stock options granted for the nine month period ended May 31, 2010 was $8.11 ($7.70 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 May 31, 2010, the Corporation had outstanding stock options providing for the subscription of 748,663 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 May 31, 2010:

Outstanding at August 31, 2009	**716,745**
Granted	**66,174**
Exercised	**(10,364)**
Forfeited / Cancelled	**(23,892)**
Outstanding at May 31, 2010	**748,663**
Exercisable at May 31, 2010	**520,083**

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

11. 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 nine 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 62,436 subordinate voting shares of the Corporation on the stock market. These shares were purchased for cash consideration aggregating $2,008,000 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 $143,000 and $309,000 were recorded for the three and nine month periods ended May 31, 2010 related to this plan. During the three and nine month periods ended May 31, 2010, the Corporation charged COGECO Inc. amounts of $27,000 and $64,000 with regards to the Corporation's Incentive Share Units granted to COGECO Inc.'s employees. Under the Incentive Share Unit Plan, the following Incentive Share Units were granted by the Corporation and are outstanding as at May 31, 2010:

Outstanding at August 31, 2009	–
Granted	**63,666**
Forfeited / Cancelled	**(1,230)**
Outstanding at May 31, 2010	**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 nine months of 2010, 4,422 (6,282 in 2009) deferred share units ("DSUs") were awarded to the participants in connection with the DSU Plan. Reduction of compensation expense of $33,000 and compensation expense of $108,000 (reduction of compensation expense of $44,000 and compensation expense of $114,000 in 2009) were recorded for the three and nine month periods ended May 31, 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 May 31, 2010:

Outstanding at August 31, 2009	**10,000**
Awarded	**4,422**
Distributed	**(2,181)**
Dividend equivalents	**132**
Outstanding at May 31, 2010	**12,373**

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

12. 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)	**(13,408)**	**7,685**	**(5,723)**
Balance as at May 31, 2010	**10,202**	**3,656**	**13,858**

13. Statements of Cash Flows

a) Changes in non-cash operating items

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Accounts receivable	**4,775**	2,082	**(6,321)**	2,774
Income taxes receivable	**(6,758)**	(1,563)	**(36,897)**	(8,479)
Prepaid expenses	**(114)**	(2,032)	**(1,636)**	(2,022)
Accounts payable and accrued liabilities	**(5,397)**	(6,783)	**(67,979)**	(34,876)
Income tax liabilities	**77**	16,579	**(40,120)**	6,706
Deferred and prepaid revenue and other liabilities	**625**	(357)	**8,033**	41
	(6,792)	7,926	**(144,920)**	(35,856)

b) Cash and cash equivalents

	May 31, 2010	August 31, 2009
	$	$
Cash	**14,006**	23,760
Cash equivalents [1]	**—**	15,698
	14,006	39,458

[1] At August 31, 2009, term deposit of €10,000,000, 0.67%, maturing on September 14, 2009.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

13. Statements of Cash Flows (continued)

c) Other information

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Fixed asset acquisitions through capital leases	**—**	1,162	**141**	2,320
Financial expense paid	**20,597**	22,346	**52,211**	56,060
Income taxes paid (received)	**(27)**	3,203	**39,537**	35,569

14. 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 May 31,		Nine months ended May 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Contributory defined benefit pension plans	**377**	364	**1,131**	1,056
Defined contribution pension plan and collective registered retirement savings plan	**1,171**	1,065	**3,346**	2,841
	1,548	1,429	**4,477**	3,897

15. 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 May 31, 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".

COGECO CABLE INC.
Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

15. 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 large customer. At May 31, 2010, no customer balance represents a significant portion of the Corporation's consolidated trade accounts receivable. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and Europe, there is no significant concentration of credit risk. The following table provides further details on the Corporation's accounts receivable balances:

	May 31, 2010	August 31, 2009
	$	$
Trade accounts receivable	**68,189**	67,848
Allowance for doubtful accounts	**(11,088)**	(16,399)
	57,101	51,449
Other accounts receivable	**7,255**	8,602
	64,356	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.

	May 31, 2010	August 31, 2009
	$	$
Net trade accounts receivable not past due	**42,063**	39,892
Net trade accounts receivable past due	**15,038**	11,557
	57,101	51,449

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

15. 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 May 31, 2010, the available amount of the Corporation's Term Facility was $700.8 million.

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

	2010	2011	2012	2013	2014	Thereafter	Total
	$	$	$	$	$	$	$
Bank indebtedness	44,743	—	—	—	—	—	44,743
Accounts payable and accrued liabilities	163,606	—	—	—	—	—	163,606
Long-term debt [(1)]	33,556	89,397	175,000	—	300,000	353,265	951,218
Derivative financial instruments							
Cash outflows (Canadian dollar)	—	—	—	—	—	201,875	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	—	—	—	—	—	(198,265)	(198,265)
Obligations under capital leases [(2)]	1,355	3,313	2,298	889	35	—	7,890
	243,260	92,710	177,298	889	300,035	356,875	1,171,067

(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 May 31, 2010 and their respective maturities:

	2010	2011	2012	2013	2014	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	14,175	56,345	44,099	41,845	37,382	52,879	246,725
Interest payments on derivative financial instruments	4,443	16,930	14,614	14,614	14,614	15,832	81,047
Interest receipts on derivative financial instruments	(3,801)	(14,852)	(13,879)	(13,879)	(13,879)	(15,035)	(75,325)
	14,817	58,423	44,834	42,580	38,117	53,676	252,447

15. 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 May 31, 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 nil based on the current debt at May 31, 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 May 31, 2010, cash and cash equivalents in US dollars amounted to US$4,321,000 (US$5,555,000 at August 31, 2009) while accounts payable denominated in US dollars amounted to US$3,169,000 (US$14,997,000 at August 31, 2009). At May 31, 2010, Euro-denominated cash and cash equivalents amounted to €783,000 (bank indebtedness of €299,000 at August 31, 2009) while accounts payable denominated in Euros amounted to €9,000 (€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 $0.2 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 May 31, 2010, the net investment amounted to €172,798,000 (€183,220,000 at August 31, 2009) while long-term debt denominated in Euros amounted to €95,772,000 (€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 May 31, 2010 was $1.2838 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 $0.3 million and other comprehensive income by approximately $9.9 million.

Fair value

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

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

	May 31, 2010		August 31, 2009	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**952,706**	**1,027,242**	1,054,462	1,116,829

COGECO CABLE INC.

Notes to Consolidated Financial Statements
May 31, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

15. Financial and Capital Management (continued)

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 May 31, 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.

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

	May 31, 2010	August 31, 2009 (restated)
Net indebtedness [1] / Shareholders' equity	**0.9**	1.0
Net indebtedness [1] / Operating income before amortization [2]	**1.9**	2.0
Operating income before amortization [2] / Financial expense [2]	**8.3**	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 May 31, 2010, and August 31, 2009.

16. Guarantees

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 ($2.8 million), should Cabovisão fail to pay such required amount.

17. Subsequent event

On July 7, 2010, the Corporation entered into a new $750 million Term Revolving Facility with a group of financial institutions led by two large Canadian banks, which will be effective on July 12, 2010, subject to usual conditions, and replace the Corporation's $862.5 million Term Facility coming to maturity on July 28, 2011. This new Term Revolving Facility has an option to be increased up to $1 billion subject to lenders' participation. The Term Revolving Facility is available in Canadian, US or Euro currencies and includes a swingline of $25 million available in Canadian or US currencies. The Term Revolving Facility may be extended by additional one-year periods on an annual basis, subject to lenders' approval, and, if not extended, matures four years after its issuance or the last extension, as the case may be. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate loan or US base rate loan plus stamping fees. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provides for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to operating income before amortization, financial expense and total indebtedness.