

SHAREHOLDERS' REPORT

Third quarter ended May 31, 2010



FINANCIAL HIGHLIGHTS

<i>(\$000, except percentages and per share data)</i>	Quarters ended May 31,			Nine months ended May 31,		
	2010 \$	2009 ⁽¹⁾ \$	Change %	2010 \$	2009 ⁽¹⁾ \$	Change %
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Operations						
Revenue	330,933	316,310	4.6	988,023	936,510	5.5
Operating income before amortization ⁽²⁾	127,928	126,624	1.0	381,554	370,840	2.9
Operating margin ⁽²⁾	38.7%	40.0%	–	38.6%	39.6%	–
Operating income	64,008	62,623	2.2	185,940	182,623	1.8
Impairment of goodwill and intangible assets	–	–	–	–	399,648	–
Net income (loss)	10,740	10,704	0.3	43,999	(93,645)	–
Adjusted net income ⁽²⁾	10,740	9,157	17.3	34,379	28,759	19.5
Cash Flow						
Cash flow from operating activities	110,756	99,873	10.9	226,844	243,672	(6.9)
Cash flow from operations ⁽²⁾	119,140	92,718	28.5	374,989	281,544	33.2
Free cash flow ⁽²⁾	49,629	32,416	53.1	162,542	86,276	88.4
Financial condition ⁽³⁾						
Total assets	–	–	–	2,660,500	2,670,128	(0.4)
Indebtedness ⁽⁴⁾	–	–	–	1,019,167	1,064,542	(4.3)
Shareholders' Equity	–	–	–	369,365	332,122	11.2
RGU growth	64,241	14,070	–	222,808	127,194	75.2
Per Share Data ⁽⁵⁾						
Earnings (loss) per share						
Basic	0.64	0.64	–	2.63	(5.61)	–
Diluted	0.64	0.64	–	2.62	(5.59)	–
Adjusted earnings per share ⁽²⁾						
Basic	0.64	0.55	16.4	2.06	1.72	19.8
Diluted	0.64	0.55	16.4	2.05	1.72	19.2

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

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

⁽³⁾ At 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's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Company, they may prove to be incorrect. The Company cautions the reader that the current adverse economic conditions make forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Company's expectations. It is impossible for COGECO to predict with certainty the impact that the current economic 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 Company's 2009 annual Management's Discussion and Analysis (MD&A)) that could cause actual results to differ materially from what COGECO currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Company's control. Therefore, future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Company is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

This analysis should be read in conjunction with the Company's consolidated financial statements, and the notes thereto, prepared in accordance with Canadian GAAP and the MD&A included in the Company's 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 Inc.'s ("COGECO" or the "Company") objectives are to maximize shareholder value by increasing profitability and ensuring continued growth. The strategies employed to reach these objectives, supported by tight controls over costs and business processes, are specific to each sector. For the cable sector, sustained corporate growth and the continuous improvement of networks and equipment are the main strategies used. The radio activities focus on continuous improvement of programming in order to increase market share, and, thereby, profitability. COGECO uses operating income before amortization⁽¹⁾, operating margin⁽¹⁾, free cash flow⁽¹⁾ and revenue-generating units ("RGU")⁽²⁾ growth in order to measure its performance against these objectives for the cable sector. Below are the Company's recent achievements in furthering the corporate objectives.

Cable sector

During the first nine months of fiscal 2010, the Company's subsidiary, Cogeco Cable Inc. ("Cogeco Cable" or the "Cable subsidiary"), 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 service offerings in the cable sector

During the first 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, Cogeco Cable 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 combined with 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

For the third quarter of fiscal 2010, operating income before amortization grew slightly by \$1.3 million, or 1%, to reach \$127.9 million, however operating margin decreased to 38.7%, from 40%. For the first nine months of fiscal 2010, operating income before amortization increased by \$10.7 million, or 2.9%, to reach \$381.6 million, while operating margin decreased to 38.6% from 39.6%. Management maintains its revised projection of \$512 million in operating income before amortization for the 2010 fiscal year as issued on January 12, 2010. For fiscal 2011, the Company expects operating income before amortization to amount to \$538 million. Please consult the fiscal 2011 preliminary projections in the "Fiscal 2011 preliminary financial guidelines" section for further details.

Free cash flow

In the three-month period ended May 31, 2010, COGECO generated free cash flow of \$49.6 million, compared to \$32.4 million in the third quarter of the prior fiscal year. In the first nine months of fiscal 2010, free cash flow amounted to \$162.5 million, compared to \$86.3 million in the first nine months of fiscal 2009. Free cash flow growth resulted mainly from the cable sector and is 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 the increase in capital expenditures. As a result of an increase in capital expenditures expected in the cable sector in the last quarter of fiscal 2010, Management maintains its revised free cash flow guidelines of \$140 million for the 2010 fiscal year. In the 2011 fiscal year, COGECO expects to generate free cash flow of \$60 million. Please consult the fiscal 2011 preliminary projections in the "Fiscal 2011 preliminary financial guidelines" section for further details.

Other

BBM Canada's winter survey in the Montréal region, conducted with the Portable People Meter ("PPM"), shows that Rythme FM has maintained its leadership position in this competitive market. On April 30, 2010, COGECO has concluded an agreement with Corus Entertainment Inc. to acquire its Québec radio stations for \$80 million in cash, subject to customary closing adjustments and conditions, including approval by the Canadian Radio-television and Telecommunications Commission (the "CRTC"). On June 30 2010, COGECO submitted its transfer application for approval to the CRTC. The transaction is expected to close during the first half of fiscal 2011.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

During the second quarter of fiscal 2009, the competitive position of Cogeco Cable's subsidiary, 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 the "Cable sector" 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 Cogeco Cable's investment in the Portuguese subsidiary. As a result, Cogeco Cable tested goodwill and all long-lived assets for impairment at February 28, 2009.

⁽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.

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. Cogeco Cable 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, Cogeco Cable completed its impairment test on customer relationships at February 28, 2009, and determined that the carrying value of customer relationships exceeded its fair value. As a result, a non-cash impairment loss of \$60.4 million was recorded in the second quarter of the 2009 fiscal year.

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

<i>(\$000)</i>	\$
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
Non-controlling interest	(259,679)
Impairment loss net of related income taxes and non-controlling interest	123,951

OPERATING RESULTS – CONSOLIDATED OVERVIEW

<i>(\$000, except percentages)</i>	Quarters ended May 31,			Nine months ended May 31,		
	2010	2009 ⁽¹⁾	Change	2010	2009 ⁽¹⁾	Change
	\$	\$	%	\$	\$	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	330,933	316,310	4.6	988,023	936,510	5.5
Operating costs	203,005	189,686	7.0	606,469	565,670	7.2
Operating income before amortization	127,928	126,624	1.0	381,554	370,840	2.9
Operating margin	38.7%	40.0%		38.6%	39.6	

⁽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 and first nine-month revenue improved, mainly from the cable sector, by \$14.6 million, or 4.6%, and by \$51.5 million, or 5.5%, to reach \$330.9 million and \$988 million, respectively. Cable revenue increased by \$13.6 million, or 4.5%, for the third quarter and by \$47 million, or 5.2%, for the first nine months when compared to the prior year. For further details on the Company's operating results, please refer to the "Cable sector" section.

Operating costs

For the third quarter and first nine months of fiscal 2010, operating costs amounted to \$203 million and \$606.5 million, respectively, increases of \$13.3 million, or 7%, and of \$40.8 million, or 7.2%, when compared to the prior year, mainly in the cable sector. For further details on the Company's operating results, please refer to the "Cable sector" section.

Operating income before amortization and operating margin

Operating income before amortization grew slightly by \$1.3 million, or 1%, to reach \$127.9 million in the third quarter of fiscal 2010 when compared to the same period the previous year. In the first nine months of the current fiscal year, operating income before amortization increased by \$10.7 million, or 2.9%, when compared to the corresponding period of the prior year. The cable sector contributed to the growth by \$0.7 million during the quarter, and by \$7.9 million in the first nine months of fiscal 2010. COGECO's third-quarter operating margin decreased to 38.7%, from 40%, and in the first nine months decreased to 38.6% from 39.6% in the first nine months of the previous year. For further details on the Company's operating results, please refer to the "Cable sector" section.

FIXED CHARGES

(\$000, except percentages)	Quarters ended May 31,			Nine months ended May 31,		
	2010	2009 ⁽¹⁾	Change	2010	2009 ⁽¹⁾	Change
	\$	\$	%	\$	\$	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Amortization	63,920	64,001	(0.1)	195,614	188,217	3.9
Financial expense	16,824	14,362	17.1	48,288	56,168	(14.0)

⁽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.

Third-quarter 2010 amortization amounted to \$63.9 million, compared to \$64 million for the same period of the prior year. For the first nine months, amortization amounted to \$195.6 million, compared to \$188.2 million in fiscal 2009. The increase in the nine month period is mainly due to additional capital expenditures in the cable sector arising from customer premise equipment acquisitions to support RGU growth.

Third-quarter and first nine-month financial expense amounted to \$16.8 million and \$48.3 million, compared to \$14.4 million and \$56.2 million for the prior year, respectively. The financial expense for the third quarter of the current year includes a foreign exchange loss of \$0.4 million in the cable sector, 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 in the cable sector 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. 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 \$4.7 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

COGECO's indirect 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 cable subsidiary 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 \$15.3 million, compared to \$26.5 million in the prior year, and for the first nine months, income tax expense amounted to \$14 million compared to \$36.4 million in the prior year. The income tax expense in the first nine months of fiscal 2010 includes the impact, in the cable sector, 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 \$15.3 million and \$43.8 million for the third quarter and first nine months of fiscal 2010, respectively, compared to \$20.4 million for the third quarter and \$46.3 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.

NON-CONTROLLING INTEREST

The non-controlling interest represents a participation of approximately 67.7% in Cogeco Cable's results. During the third quarter and first nine months of fiscal 2010, the income attributable to non-controlling interest amounted to \$21.1 million and \$79.6 million due to the cable sector's positive results. The income attributable to non-controlling interest for the third quarter of fiscal 2009 amounted to \$22 million, and the loss attributable to non-controlling interest in the first nine months of the previous fiscal year amounted to \$205 million due to the impairment loss recorded in the cable sector.

NET INCOME

Fiscal 2010 third quarter net income amounted to \$10.7 million, or \$0.64 per share, virtually equivalent to the same period in 2009. For the first nine months of fiscal 2010, net income amounted to \$44 million, or \$2.63 per share, compared to a net loss of \$93.6 million, or \$5.61 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 in the cable sector for the third quarter and first nine months of the previous fiscal year were favourably impacted by a \$3.5 million reduction of withholding and stamp tax contingent liabilities, and unfavourably affected by a non-cash income tax expense of \$2 million, both net of non-controlling interest, 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 previously described. The net loss in the first nine months of fiscal 2009 was due to the impairment loss, net of related income taxes and non-controlling interest, of \$124 million recorded in the second quarter, as described in the "Impairment of goodwill and intangible assets" section. Excluding the effect of the preceding adjustments, adjusted net income⁽¹⁾ would have amounted to \$10.7 million, or \$0.64 per share⁽¹⁾, and \$34.4 million, or \$2.06 per share, for the quarter and first nine months ended May 31, 2010, respectively. These amounts represent increases of 17.3% and 16.4%, respectively, over adjusted net income of \$9.2 million, or \$0.55 per share for the quarter, and of 19.5% and 19.8% over adjusted net income of \$28.8 million, or \$1.72 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 cable sector's operating income before amortization growth in the first nine months of the fiscal year.

CASH FLOW AND LIQUIDITY

(\$000)	Quarters ended May 31,		Nine months ended May 31,	
	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities				
Cash flow from operations	119,140	92,718	374,989	281,544
Changes in non-cash operating items	(8,384)	7,155	(148,145)	(37,872)
	110,756	99,873	226,844	243,672
Investing activities⁽²⁾	(69,488)	(58,939)	(212,161)	(192,583)
Financing activities⁽²⁾	(36,043)	(44,677)	(31,284)	(42,266)
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	4,379	(5,609)	(18,347)	8,285
Cash and cash equivalents, beginning of period	16,732	51,366	39,458	37,472
Cash and cash equivalents, end of period	21,111	45,757	21,111	45,757

⁽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 \$119.1 million, 28.5% higher than the comparable period last year, primarily attributable to the cable sector and 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 \$8.4 million, mainly as a result of an increase in income taxes receivable and a decrease in accounts payable and accrued liabilities. In the prior year, the cash inflows of \$7.2 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 \$375 million, 33.2% 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, both in the cable sector. Changes in non-cash operating items required cash outflows of \$148.1 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 \$37.9 million were mainly the 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.

In the third quarter of fiscal 2010, investing activities, including mainly capital expenditures and the increase in deferred charges, amounted to \$69.5 million, an increase of \$10.5 million, or 17.9% when compared to \$58.9 million for the corresponding period of last year. The most significant variations are in the cable sector and are 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.

⁽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.

For the first nine months of the current year, investing activities, including mainly capital expenditures and the increase in deferred charges, amounted to \$212.2 million for the first nine months of the current year, an increase of \$19.6 million, or 10.2% when compared to \$192.6 million for the same period of the previous year. The increase was primarily due to the following factors in the cable sector:

- 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.

In the third quarter and nine-month periods ended May 31, 2010, free cash flows reached \$49.6 million and \$162.5 million, compared to \$32.4 million and \$86.3 million in the prior year, representing increases of \$17.2 million, or 53.1%, and of \$76.3 million, or 88.4%, respectively. Free cash flow growth over the prior year is mainly generated by the cable sector from an increase in cash flows from operations including the reduction in income tax payments stemming from modifications to Cogeco Cable's corporate structure, partly offset by the increase in capital expenditures.

In the third quarter of fiscal 2010, indebtedness affecting cash decreased by \$29.5 million mainly due to the free cash flow of \$49.6 million, partly offset by the cash outflows of \$8.4 million from the changes in non-cash operating items, the dividend payment of \$6.3 million described below and the increase in cash and cash equivalents of \$4.4 million. Indebtedness mainly decreased through a net repayment of \$33.2 million on Cogeco Cable's revolving loans. In the third quarter of fiscal 2009, indebtedness affecting cash decreased by \$40.3 million mainly due to the free cash flow of \$32.4 million, cash inflows of \$7.2 million from the changes in non-cash operating items, and the decrease in cash and cash equivalents of \$5.6 million, net of the dividend payment of \$5.3 million described below. Indebtedness mainly decreased through the net repayments on Cogeco Cable's revolving loans of \$56.5 million, net of an increase of \$17 million in bank indebtedness.

During the third quarter of fiscal 2010, a dividend of \$0.10 per share was paid by the Company to the holders of subordinate and multiple voting shares, totalling \$1.7 million, compared to a dividend of \$0.08 per share, or \$1.3 million the year before. In addition, dividends paid by a subsidiary to non-controlling interests in the third quarter of fiscal 2010 amounted to \$4.6 million, for consolidated dividend payments of \$6.3 million, compared to \$3.9 million for consolidated dividend payments of \$5.3 million in the third quarter of the prior year.

For the first nine months of fiscal 2010, indebtedness affecting cash decreased by \$10.1 million mainly due to the free cash flow of \$162.5 million and the decrease in cash and cash equivalents of \$18.3 million, partly offset by the cash outflows of \$148.1 million from the changes in non-cash operating items and the dividend payment of \$18.8 million described below. Indebtedness mainly decreased through net repayments totalling \$61.2 million on the Company's Term Facilities, including net repayments of \$54.7 million by the cable subsidiary, partly offset by an increase of \$54.1 million in bank indebtedness. During the first nine months of fiscal 2009, indebtedness affecting cash decreased by \$28 million due to the free cash flow of \$86.3 million, partly offset by the cash outflows of \$37.9 million from the changes in non-cash operating items, the payment of dividends totalling \$15.8 million described below and the increase in cash and cash equivalents of \$8.3 million. Indebtedness decreased through the repayment, in the cable sector, of Senior Secured Notes Series A and the related derivative financial instrument for a total of \$238.7 million, and of net repayments on Cogeco Cable'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 \$45.1 million in bank indebtedness.

During the first nine months of fiscal 2010, quarterly dividends of \$0.10 per share were paid by the Company to the holders of subordinate and multiple voting shares, totalling \$5 million, compared to quarterly dividends of \$0.08 per share, or \$4 million the year before. In addition, dividends paid by a subsidiary to non-controlling interests in the first nine months of fiscal 2010 amounted to \$13.8 million, for consolidated dividend payments of \$18.8 million, compared to \$11.8 million for consolidated dividend payments of \$15.8 million in the first nine months of fiscal 2009.

As at May 31, 2010, the Company had a working capital deficiency of \$176.6 million compared to \$245.8 million as at August 31, 2009. The decrease in the deficiency is mainly attributable to the cable sector and caused by 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 Facilities 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 maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the cable subsidiary's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling the Company to use cash and cash equivalents to reduce Indebtedness.

At May 31, 2010, Cogeco Cable had used \$161.7 million of its \$862.5 million Term Facility for a remaining availability of \$700.8 million and the Company had drawn \$4.9 million of its \$50 million Term Facility, for a remaining availability of \$45.1 million.

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

FINANCIAL POSITION

Since August 31, 2009, there have been significant changes to the balances of "fixed assets", "goodwill", "accounts receivable", "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", "cash and cash equivalents" and "non-controlling interest".

The \$33.2 million decrease in fixed assets is attributable to the cable sector and 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 in the cable sector. The \$7.9 million increase in accounts receivable is due to the increase in revenue and the timing of payments received from customers. The \$80.3 million decrease in accounts payable and accrued liabilities is related to the timing of payments made to suppliers in the cable sector. The increase of \$8.5 million in the current portion of deferred and prepaid revenue is mainly due to

advance billing in Cogeco Cable's data telecommunications subsidiary for services to be provided in the coming months. The increases of \$36.2 million in income taxes receivable, \$15.7 million in future income tax assets and \$58 million in the current portion of future income tax liabilities are mainly due to modifications to Cogeco Cable's 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 increases of \$54.1 million in bank indebtedness and the decreases of \$108.2 million in long-term debt and \$18.3 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. The \$61 million increase in non-controlling interest is due to improvements in the cable subsidiary's operating results in the current fiscal year.

A description of COGECO's share data as at June 30, 2010 is presented in the table below:

	Number of shares/options	Amount (\$000)
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,959,338	121,347
Options to purchase subordinate voting shares		
Outstanding options	62,782	
Exercisable options	62,782	

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

On March 4, 2010, the Company's subsidiary, Cogeco Cable Inc., 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 Company's subsidiary, Cogeco Cable Inc., 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 Company entered into a new Term Revolving Facility of up to \$100 million with a group of financial institutions led by a large Canadian bank, which will now act as agent for the banking syndicate. This new Term Revolving Facility will replace the Company's \$50 million Term Facility coming to maturity on December 14, 2011. The Term Revolving Facility of up to \$100 million includes a swingline limit of \$7.5 million, is extendable by additional one-year periods on an annual basis, subject to lenders' approval, and if not extended, matures three 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 is secured by all assets of COGECO Inc. and its subsidiaries, excluding the capital stock of Cogeco Cable Inc. and guaranteed by its subsidiaries. Under the terms and conditions of the credit agreement, the Company must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. The Term Revolving Facility bears interest rates based, at the Company's option, on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate or US base rate plus fees, and commitment fees are payable on the unused portion.

In July 2010, the Company's subsidiary, Cogeco Cable, 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 Cogeco Cable'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 Cogeco Cable 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 Cogeco Cable. 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 declared a quarterly eligible dividend of \$0.10 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 Company based upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, their amount and frequency may vary.

FINANCIAL MANAGEMENT

During fiscal 2009, the Company's cable subsidiary, Cogeco Cable, entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest rate swap to hedge the Term Loans has been fixed at 2.08% until its 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 and non-controlling interest.

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 and non-controlling interest, of \$2.3 million recorded in other comprehensive income.

Cogeco Cable's net investment in the self-sustaining foreign subsidiary, Cabovisão, is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the 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, Cogeco Cable realized a foreign exchange loss of \$13.4 million in the first nine months of fiscal 2010, which is presented in other comprehensive income net of non-controlling interest of \$9.1 million. 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 in the cable sector for the first nine months ended May 31, 2010:

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

The Company is also impacted by foreign currency exchange rates, primarily changes in the values of the US dollar relative to the Canadian dollar with regards to purchases of equipment, as the majority of customer premise equipment in the cable sector is purchased and subsequently paid in US dollars. Please consult the "Fixed charges" section of this MD&A and the "Foreign Exchange Risk" section in note 15 of the consolidated financial statements for further details.

CABLE SECTOR

CUSTOMER STATISTICS

	May 31, 2010	Net additions (losses)			% of Penetration ⁽¹⁾		
		Quarters ended May 31, 2010	Quarters ended May 31, 2009	Nine months ended May 31, 2010	Nine months ended May 31, 2009	May 31, 2010	May 31, 2009
RGU ⁽²⁾	3,115,046	64,241	14,070	222,808	127,194	-	-
Basic Cable service customers	1,132,748	900	(13,547)	8,463	(22,702)	-	-
HSI service customers	710,562	12,320	1,519	51,896	18,849	64.6	59.7
Digital Television service customers ⁽²⁾	689,781	30,167	18,320	88,630	101,823	61.6	50.8
Telephony service customers	581,955	20,854	7,778	73,819	29,224	55.1	47.2

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

⁽²⁾ The number of Digital Television service customers in the European operations of the cable sector for the third quarter and first nine months of fiscal 2009 have 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 2009 fiscal year.

In the cable sector, third quarter and first nine months RGU net additions amounted to 64,241 and 222,808 RGU, respectively, compared to 14,070 and 127,194 RGU in the comparable periods of the previous fiscal year.

The Canadian operations' net additions of 36,561 RGU in the quarter and 147,007 RGU in the first nine months were higher as compared to 27,175 RGU and 140,215 RGU for the same periods of the prior year, and 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 HSI service stood at 6,527 customers for the quarter, compared to 5,939 customers for the same periods 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.

Third-quarter fiscal 2010 net additions show a return to customer growth for the cable subsidiary's European operations, and the Basic Cable

service customer base has begun to stabilize and reflect the benefits of Cogeco Cable'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

(\$000, except percentages)	Quarters ended May 31,			Nine months ended May 31,		
	2010 \$	2009 ⁽¹⁾ \$	Change %	2010 \$	2009 ⁽¹⁾ \$	Change %
	(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 from 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 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.

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 CRTC in order to finance the new Local Programming Improvement Fund ("LPIF"), the Canadian operations' 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.

In the third quarter and first nine months of fiscal 2010, revenue from the European operations 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

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.

In the Canadian operations, 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. In the first nine months of the fiscal year, 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.

As for the European operations, 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. Operating costs decreased due to the decline of the value of the Euro over the Canadian dollar which surpassed increases in operating costs related to additional marketing initiatives and the launch of new channels, net of the impact of implemented cost reduction initiatives. 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 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 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, Cogeco Cable's operating margin decreased to 38.9% from 40%.

Operating income before amortization from the Canadian operations 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 increase in 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 of fiscal 2010 compared to 42.6% in the first nine months of fiscal 2009. The reduction in the operating margin in 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.

For the European operations, 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

Consolidated

	Preliminary Projections Fiscal 2011	Revised projections January 12, 2010 ⁽¹⁾ Fiscal 2010
<i>(in millions of dollars, except net customer additions and operating margin)</i>	\$	\$
Financial guidelines		
Revenue	1,380	1,325
Operating income before amortization	538	512
Financial expense	70	69
Current income taxes	65	(40)
Net income	45	45
Capital expenditures and increase in deferred charges	341	341
Free cash flow	60	140

Cable sector

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 Ontario (Burlington and Windsor) where the automobile industry is a significant driver of economic activity. The sharp downturn experienced by the automobile 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 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 continuing strong interest in the Cogeco Cable'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 2010, the expected foreign exchange rate was approximately \$1.55 per Euro while for fiscal 2011, it is anticipated that the Euro should be converted at a rate of approximately \$1.35 per Euro.

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, Cogeco Cable 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 the increase in and 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 to 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 Cogeco Cable'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 Cogeco Cable'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.

	Preliminary Projections Fiscal 2011	Revised projections January 12, 2010 ⁽¹⁾ Fiscal 2010
<i>(in millions of dollars, except net customer additions and operating margin)</i>		
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'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 Company'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 Company since August 31, 2009. A detailed description of the uncertainties and main risk factors faced by COGECO 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 Company is unable to estimate the potential impact of VFS at this time.

ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in COGECO's accounting policies, estimates and future accounting pronouncements since August 31, 2009, except as described below. A description of the Company'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 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 Company 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 impact on the Company's consolidated financial statements:

Consolidated statement of income (loss)

<i>Increase (decrease)</i> <i>(\$000)</i>	Three months ended May 31, 2009 \$	Nine months ended May 31, 2009 \$
	(unaudited)	(unaudited)
Operating costs	2,780	9,931
Amortization of deferred charges	(3,653)	(10,285)
Future income tax expense	187	23
Non-controlling interest	462	218
Net income	224	113

Consolidated balance sheets

<i>Increase (decrease)</i> <i>(\$000)</i>	August 31, 2009 \$	September 1, 2008 \$
	(unaudited)	(unaudited)
Deferred charges	(34,551)	(32,405)
Future income tax liabilities	(10,229)	(9,624)
Non-controlling interest	(16,428)	(15,376)
Retained earnings	(7,894)	(7,405)

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 Company expects that its first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Company has established a project team including representatives from various areas of the organization to plan and complete the transition to IFRS. This team reports periodically to the Audit Committee, which oversees the IFRS implementation project on behalf of the Board of Directors. The Company 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.	Completed	
		Analyse policy choices permitted under IFRS.		
		Present analysis and recommendations on accounting policy choices to the audit committee.		
Pervasive	Identify impacts on reporting systems and business processes. Prepare draft IFRS consolidated financial statement content.	Identify impacts on internal controls over financial reporting and other business processes.	In progress – to be completed in fiscal 2010	
		Identify impacts on reporting systems and business processes.	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 2010	
		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. Collect financial information necessary to compile IFRS-compliant financial statements.	Provide training to employees and end-users across the organization.	To be completed by fiscal 2012
			Prepare IFRS compliant financial statements.	
			Obtain the approval from the Audit Committee of the IFRS consolidated financial statements.	
			Continually review IFRS and implement changes to the standards as they apply to the Company.	To be completed throughout transition and post-conversion periods

The Company's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan and the Company 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 throughout this MD&A. It also provides reconciliations between these non-GAAP measures and the most comparable GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP and may not be comparable with similar measures presented by other companies. These measures include "cash flow from operations", "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's management and investors to evaluate cash flows generated by operating activities excluding the impact of changes in non-cash operating items. This allows the Company to isolate the cash flows from operating activities from the impact of cash management decisions. Cash flow from operations is subsequently used in calculating the non-GAAP measure "free cash flow". Free cash flow is used by COGECO's management and investors to measure COGECO's ability to repay debt, distribute capital to its shareholders and finance its growth.

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

(\$000)	Quarters ended May 31,		Nine months ended May 31,	
	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities	110,756	99,873	226,844	243,672
Changes in non-cash operating items	8,384	(7,155)	148,145	37,872
Cash flow from operations	119,140	92,718	374,989	281,544

Free cash flow is calculated as follows:

(\$000)	Quarters ended May 31,		Nine months ended May 31,	
	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operations	119,140	92,718	374,989	281,544
Acquisition of fixed assets	(66,963)	(56,664)	(204,239)	(184,534)
Increase in deferred charges	(2,548)	(2,476)	(8,067)	(8,311)
Assets acquired under capital leases – as per note 13 c)	–	(1,162)	(141)	(2,423)
Free cash flow	49,629	32,416	162,542	86,276

⁽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's management and investors to assess the Company's ability to seize growth opportunities in a cost effective manner, to finance its ongoing operations and to service its debt. Operating income before amortization is a proxy for cash flows from operations excluding the impact of the capital structure chosen, and is one of the key metrics used by the financial community to value the business and its financial strength. Operating margin is a measure of the proportion of the Company's revenue which is available, before 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:

(\$000, except percentages)	Quarters ended May 31,		Nine months ended May 31,	
	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating income	64,008	62,623	185,940	182,623
Amortization	63,920	64,001	195,614	188,217
Operating income before amortization	127,928	126,624	381,554	370,840
Revenue	330,933	316,310	988,023	936,510
Operating margin	38.7%	40.0%	38.6%	39.6%

⁽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.

Adjusted net income and adjusted earnings per share

Adjusted net income and adjusted earnings per share are used by COGECO's management and investors to evaluate what would have been the net income and earnings per share excluding unusual adjustments. This allows the Company to isolate the unusual adjustments in order to evaluate the net income and earnings per share from ongoing activities.

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

	Quarters ended May 31,		Nine months ended May 31,	
	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
<i>(\$000, except number of shares and per share data)</i>	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income (loss)	10,740	10,704	43,999	(93,645)
Adjustments:				
Impairment loss net of related taxes and non-controlling interest	-	-	-	123,951
Tax adjustments net of non-controlling interest:				
Reduction of Ontario provincial corporate income tax rates	-	-	(9,620)	-
Reduction of withholding and stamp tax contingent liabilities	-	(3,531)	-	(3,531)
Utilization of pre-acquisition tax losses	-	1,984	-	1,984
Adjusted net income	10,740	9,157	34,379	28,759
Weighted average number of multiple voting and subordinate voting shares outstanding	16,730,336	16,702,474	16,724,720	16,696,901
Effect of dilutive stock options	9,300	3,947	10,969	11,432
Effect of dilutive incentive share units	71,862	56,449	66,480	50,030
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,811,498	16,762,870	16,802,169	16,758,363
Adjusted earnings per share				
Basic	0.64	0.55	2.06	1.72
Diluted	0.64	0.55	2.05	1.72

⁽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 Company, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Inc.
Montréal, Québec
July 8, 2010

Supplementary Quarterly Financial Information
(unaudited)

Quarters ended	May 31,		February 28,		November 30,		August 31,	
<i>(\$000, except percentages and per share data)</i>	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾	2009	2008 ⁽¹⁾	2009 ⁽¹⁾	2008 ⁽¹⁾⁽²⁾
Revenue	330,933	316,310	329,087	311,825	328,003	308,375	316,284	292,873
Operating income before amortization ⁽³⁾	127,928	126,624	124,363	123,505	129,263	120,711	144,654	117,557
<i>Operating margin⁽³⁾</i>	<i>38.7%</i>	<i>40.0%</i>	<i>37.8%</i>	<i>39.6%</i>	<i>39.4%</i>	<i>39.1%</i>	<i>45.7%</i>	<i>40.1%</i>
Operating income	64,008	62,623	58,370	60,171	63,562	59,829	76,244	58,664
Impairment of goodwill and intangible assets	-	-	-	(399,648)	-	-	-	-
Net income (loss)	10,740	10,704	10,511	(115,210)	22,748	10,861	14,631	9,332
Adjusted net income ⁽³⁾	10,740	9,157	10,511	8,741	13,128	10,861	7,647	9,332
Cash flow from operating activities	110,756	99,873	117,498	117,322	(1,410)	26,477	177,032	141,590
Cash flow from operations ⁽³⁾	119,140	92,718	120,331	97,193	135,518	91,633	108,744	95,507
Free cash flow ⁽³⁾	49,629	32,416	45,782	32,089	67,131	21,771	14,742	20,981
Earnings (loss) per share ⁽⁴⁾								
Basic	0.64	0.64	0.63	(6.90)	1.36	0.65	0.87	0.56
Diluted	0.64	0.64	0.63	(6.88)	1.35	0.65	0.87	0.56
Adjusted earnings per share ⁽³⁾⁽⁴⁾								
Basic	0.64	0.55	0.63	0.52	0.79	0.65	0.46	0.56
Diluted	0.64	0.55	0.63	0.52	0.78	0.65	0.46	0.56

⁽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 operating margin in the third and fourth quarters is generally higher as the maximum amount payable to COGECO under the management agreement is usually reached in the second quarter of the year. As part of the management agreement between Cogeco Cable and COGECO, Cogeco Cable pays management fees to COGECO equivalent to 2% of its revenue subject to an annual maximum amount, which is adjusted annually to reflect the increase in the Canadian Consumer Price index. For the current fiscal year, the maximum amount has been set at \$9 million, which has been paid in the first half of the fiscal year. For fiscal 2009, the maximum amount of \$9 million was attained in the second quarter and therefore, no management fees were paid in the third or fourth quarters of the 2009 fiscal year.

Cable Sector 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⁾ Cogeco Cable 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 INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
<i>(In thousands of dollars, except per share data)</i>	\$	\$	\$	\$
	<i>(restated, see note 1)</i>		<i>(restated, see note 1)</i>	
Revenue	330,933	316,310	988,023	936,510
Operating costs	203,005	189,686	606,469	565,670
Operating income before amortization	127,928	126,624	381,554	370,840
Amortization (note 3)	63,920	64,001	195,614	188,217
Operating income	64,008	62,623	185,940	182,623
Financial expense (note 4)	16,824	14,362	48,288	56,168
Reduction of withholding stand 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 and the following items	47,184	59,191	137,652	(262,263)
Income taxes (note 7)	15,334	26,521	14,041	36,380
Loss (gain) on dilution resulting from the issuance of shares by a subsidiary	—	—	(18)	48
Non-controlling interest	21,110	21,966	79,630	(205,046)
Net income (loss)	10,740	10,704	43,999	(93,645)
Earnings (loss) per share (note 8)				
Basic	0.64	0.64	2.63	(5.61)
Diluted	0.64	0.64	2.62	(5.59)

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

<i>(In thousands of dollars)</i>	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
	<i>(restated, see note 1)</i>		<i>(restated, see note 1)</i>	
Net income (loss)	10,740	10,704	43,999	(93,645)
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 \$1,852,000 and non-controlling interest of \$2,802,000 and \$531,000 (income tax recovery of \$3,847,000 and \$11,000 and non-controlling interest of \$22,173,000 and \$1,566,000 in 2009)	1,338	(10,584)	(253)	(742)
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 and non-controlling interest of \$1,002,000 and \$5,733,000 (income tax recovery of \$4,615,000 and income tax expense of \$746,000 and non-controlling interest of \$20,104,000 and \$3,037,000 in 2009)	478	9,595	2,736	(1,460)
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of \$17,159,000 and \$33,128,000 (\$8,925,000 and \$7,528,000 in 2009)	(8,190)	(4,260)	(15,811)	3,596
Unrealized gains (losses) on translation of long-term debt designated as hedge of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of \$11,479,000 and \$24,052,000 (\$7,709,000 and \$1,033,000 in 2009)	5,479	3,680	11,479	(494)
	(895)	(1,569)	(1,849)	900
Comprehensive income (loss)	9,845	9,135	42,150	(92,745)

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

	Nine months ended May 31,	
	2010	2009
<i>(In thousands of dollars)</i>	\$	\$
	<i>(restated, see note 1)</i>	
Balance at beginning, as reported	211,922	295,808
Changes in accounting policies (note 1)	(7,894)	(7,405)
Balance at beginning, as restated	204,028	288,403
Net income (loss)	43,999	(93,645)
Excess of price paid for the acquisition of subordinate voting shares over the value attributed to the incentive share units at issuance	(430)	—
Dividends on multiple voting shares	(553)	(442)
Dividends on subordinate voting shares	(4,467)	(3,576)
Balance at end	242,577	190,740

COGECO INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

<i>(In thousands of dollars)</i>	May 31, 2010	August 31, 2009
	\$	\$
		<i>(restated, see note 1)</i>
Assets		
Current		
Cash and cash equivalents (note 13 b))	21,111	39,458
Accounts receivable	73,947	66,076
Income taxes receivable	41,458	5,228
Prepaid expenses	15,512	14,805
Future income tax assets	5,148	4,275
	157,176	129,842
Investments	739	739
Fixed assets	1,272,561	1,305,769
Deferred charges	22,720	24,062
Intangible assets (note 9)	1,044,192	1,047,774
Goodwill (note 9)	143,270	153,695
Derivative financial instruments	992	4,236
Future income tax assets	18,850	4,011
	2,660,500	2,670,128
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	54,489	416
Accounts payable and accrued liabilities	174,993	255,281
Income tax liabilities	1,032	41,358
Deferred and prepaid revenue	42,332	33,877
Current portion of long-term debt (note 10)	2,904	44,706
Future income tax liabilities	58,012	—
	333,762	375,638
Long-term debt (note 10)	952,849	1,019,258
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	9,884	10,453
Future income tax liabilities	236,722	234,710
	1,547,227	1,655,127
Non-controlling interest	743,908	682,879
Shareholders' equity		
Capital stock (note 11)	119,527	119,159
Contributed surplus	2,782	2,607
Retained earnings	242,577	204,028
Accumulated other comprehensive income (note 12)	4,479	6,328
	369,365	332,122
	2,660,500	2,670,128

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<i>(In thousands of dollars)</i>	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
	<i>(restated, see note 1)</i>		<i>(restated, see note 1)</i>	
Cash flow from operating activities				
Net income (loss)	10,740	10,704	43,999	(93,645)
Adjustments for:				
Amortization (note 3)	63,920	64,001	195,614	188,217
Amortization of deferred transaction costs and discounts on long-term debt	772	634	2,314	1,985
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	21,264	8,015	49,900	589
Non-controlling interest	21,110	21,966	79,630	(205,046)
Loss (gain) on dilution resulting from the issuance of shares by a subsidiary	—	—	(18)	48
Foreign exchange gain on unhedged long-term debt	—	(2,376)	—	(2,376)
Stock-based compensation	450	396	2,014	1,260
Loss on disposal and write-offs of fixed assets	2,443	29	2,505	233
Other	(1,559)	279	(969)	1,561
	119,140	92,718	374,989	281,544
Changes in non-cash operating items (note 13 a)	(8,384)	7,155	(148,145)	(37,872)
	110,756	99,873	226,844	243,672
Cash flow from investing activities				
Acquisition of fixed assets (note 13 c)	(66,963)	(56,664)	(204,239)	(184,534)
Increase in deferred charges	(2,548)	(2,476)	(8,067)	(8,311)
Other	23	201	145	262
	(69,488)	(58,939)	(212,161)	(192,583)
Cash flow from financing activities				
Increase in bank indebtedness	4,444	16,986	54,073	45,104
Net decrease under the term facilities	(33,150)	(56,515)	(61,220)	(86,464)
Issuance of long-term debt, net of discounts and transaction costs	—	—	—	254,771
Repayment of long-term debt and settlement of derivative financial instruments	(821)	(801)	(2,907)	(241,428)
Issuance of subordinate voting shares	—	936	353	957
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	—	—	(1,049)	(325)
Dividends on multiple voting shares	(187)	(147)	(553)	(442)
Dividends on subordinate voting shares	(1,479)	(1,192)	(4,467)	(3,576)
Issuance of shares by a subsidiary to non-controlling interest	—	—	283	964
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	(264)	—	(2,008)	—
Dividends paid by a subsidiary to non-controlling interest	(4,586)	(3,944)	(13,789)	(11,827)
	(36,043)	(44,677)	(31,284)	(42,266)
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	4,379	(5,609)	(18,347)	8,285
Cash and cash equivalents at beginning	16,732	51,366	39,458	37,472
Cash and cash equivalents at end	21,111	45,757	21,111	45,757

See supplemental cash flow information in note 13.

COGECO 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, present fairly the financial position of COGECO Inc. ("the Company") 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 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 establishes 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 Company 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 Company'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	(3,653)	(10,285)
Future income tax expense	187	23
Non-controlling interest	462	218
Net income	224	113

Consolidated balance sheets

Increase (decrease)	August 31, 2009 \$	September 1, 2008 \$
Deferred charges	(34,551)	(32,405)
Future income tax liabilities	(10,229)	(9,624)
Non-controlling interest	(16,428)	(15,376)
Retained earnings	(7,894)	(7,405)

COGECO 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 Company's activities are divided into two business segments: Cable and other. The Cable segment is comprised of Cable Television, High Speed Internet, Telephony and other telecommunications services, and the other segment is comprised of radio and head office activities, as well as eliminations. The Cable segment's activities are carried out in Canada and in Europe.

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

	Cable		Other and eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009
Three months ended May 31,	\$	\$	\$	\$	\$	\$
		(restated)		(restated)		(restated)
Revenue	319,291	305,672	11,642	10,638	330,933	316,310
Operating costs	192,591	179,721	10,414	9,965	203,005	189,686
Operating income before amortization	126,700	125,951	1,228	673	127,928	126,624
Amortization	63,771	63,865	149	136	63,920	64,001
Operating income	62,929	62,086	1,079	537	64,008	62,623
Financial expense	16,684	14,206	140	156	16,824	14,362
Reduction of withholding and stamp tax contingent liabilities	—	(10,930)	—	—	—	(10,930)
Income taxes	15,060	26,357	274	164	15,334	26,521
Non-controlling interest	21,110	21,966	—	—	21,110	21,966
Net income	10,075	10,487	665	217	10,740	10,704
Total assets ⁽¹⁾	2,611,111	2,630,912	49,389	39,216	2,660,500	2,670,128
Fixed assets ⁽¹⁾	1,268,919	1,302,238	3,642	3,531	1,272,561	1,305,769
Intangible assets ⁽¹⁾	1,018,852	1,022,434	25,340	25,340	1,044,192	1,047,774
Goodwill ⁽¹⁾	143,270	153,695	—	—	143,270	153,695
Acquisition of fixed assets ⁽²⁾	66,749	57,663	214	163	66,963	57,826

⁽¹⁾ At May 31, 2010 and August 31, 2009.

⁽²⁾ Includes capital leases that are excluded from the consolidated statements of cash flows.

COGECO 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)**

	Cable		Other and eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009
Nine months ended May 31,	\$	\$	\$	\$	\$	\$
		(restated)		(restated)		(restated)
Revenue	957,053	910,030	30,970	26,480	988,023	936,510
Operating costs	585,134	546,046	21,335	19,624	606,469	565,670
Operating income before amortization	371,919	363,984	9,635	6,856	381,554	370,840
Amortization	195,175	187,809	439	408	195,614	188,217
Operating income	176,744	176,175	9,196	6,448	185,940	182,623
Financial expense	47,858	55,588	430	580	48,288	56,168
Reduction of withholding and stamp tax contingent liabilities	—	(10,930)	—	—	—	(10,930)
Impairment of goodwill and intangible assets	—	399,648	—	—	—	399,648
Income taxes	11,246	34,795	2,795	1,585	14,041	36,380
Loss (gain) on dilution resulting from the issuance of shares by a subsidiary	(18)	48	—	—	(18)	48
Non-controlling interest	79,630	(205,046)	—	—	79,630	(205,046)
Net income (loss)	38,028	(97,928)	5,971	4,283	43,999	(93,645)
Total assets ⁽¹⁾	2,611,111	2,630,912	49,389	39,216	2,660,500	2,670,128
Fixed assets ⁽¹⁾	1,268,919	1,302,238	3,642	3,531	1,272,561	1,305,769
Intangible assets ⁽¹⁾	1,018,852	1,022,434	25,340	25,340	1,044,192	1,047,774
Goodwill ⁽¹⁾	143,270	153,695	—	—	143,270	153,695
Acquisition of fixed assets ⁽²⁾	203,830	186,611	550	346	204,380	186,957

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

COGECO 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)**

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

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Revenue				
Canada	287,317	258,739	842,435	755,635
Europe	43,616	57,571	145,588	180,875
	330,933	316,310	988,023	936,510

	May 31, 2010	August 31, 2009
	\$	\$
Fixed assets		
Canada	1,048,232	1,015,298
Europe	224,329	290,471
	1,272,561	1,305,769
Intangible assets		
Canada	1,044,192	1,047,774
Europe	—	—
	1,044,192	1,047,774
Goodwill		
Canada	116,243	116,243
Europe	27,027	37,452
	143,270	153,695

3. Amortization

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Fixed assets	60,027	60,163 (restated)	183,845	171,219 (restated)
Deferred charges	2,699	2,645	8,187	7,872
Intangible assets	1,194	1,193	3,582	9,126
	63,920	64,001	195,614	188,217

COGECO 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)***4. Financial expense**

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest on long-term debt	15,588	15,300	47,277	52,599
Foreign exchange losses (gains)	409	(1,687)	(470)	2,716
Amortization of deferred transaction costs	408	408	1,222	1,222
Other	419	341	259	(369)
	16,824	14,362	48,288	56,168

5. Reduction of withholding and stamp tax contingent liabilities

The Company'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 Company's subsidiary 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 Company's subsidiary's investment in the Portuguese subsidiary. As a result, the Company's subsidiary tested goodwill and all long-lived assets for impairment at February 28, 2009.

Goodwill 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 Company's subsidiary 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 judgment was necessary to estimate future cash flows. Significant future changes in circumstances could result in further impairments of goodwill.

COGECO 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)***6. Impairment of goodwill and intangible assets (continued)**

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 Company's subsidiary completed its impairment test on customer relationships at May 31, 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 Company's subsidiary tested the value of goodwill for impairment and concluded that no further impairment existed.

7. Income Taxes

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
		(restated)		(restated)
Current	(5,930)	18,506	(35,859)	35,791
Future	21,264	8,015	49,900	589
	15,334	26,521	14,041	36,380

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	47,184	59,191	137,652	(262,263)
Combined income tax rate	31.47%	32.49%	31.45%	32.49%
Income taxes at combined income tax rate	14,848	19,231	43,295	(85,220)
Adjustments for losses or income subject to lower or higher tax rates	(1,894)	(38)	(7,563)	(918)
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	289	238	595	512
Effect of foreign income tax rate differences	2,177	1,127	4,301	25,155
Other	(86)	(179)	(1,237)	819
Income taxes at effective income tax rate	15,334	26,521	14,041	36,380

COGECO 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
	\$	\$	\$	\$
Net income (loss)	10,740	10,704 (restated)	43,999	(93,645) (restated)
Weighted average number of multiple voting and subordinate voting shares outstanding	16,730,336	16,702,474	16,724,720	16,696,901
Effect of dilutive stock options ⁽¹⁾	9,300	—	10,969	—
Effect of dilutive incentive share units	71,862	56,449	66,480	50,030
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,811,498	16,758,923	16,802,169	16,746,931
Earnings (loss) per share				
Basic	0.64	0.64	2.63	(5.61)
Diluted	0.64	0.64	2.62	(5.59)

⁽¹⁾ For the three and nine month periods ended May 31, 2010 and 2009, 32,782 stock options 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 3,947 and 11,432.

9. Goodwill and Other Intangible Assets

	May 31, 2010	August 31, 2009
	\$	\$
Customer relationships	29,300	32,882
Broadcasting licenses	25,120	25,120
Customer base	989,772	989,772
	1,044,192	1,047,774
Goodwill	143,270	153,695
	1,187,462	1,201,469

COGECO 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	Broadcasting licenses	Customer Base	Total
	\$	\$	\$	\$
Balance at August 31, 2009	32,882	25,120	989,772	1,047,774
Amortization	(3,582)	—	—	(3,582)
Balance at May 31, 2010	29,300	25,120	989,772	1,044,192

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, Cogeco Cable Inc.'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 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	2011	2.68 ⁽¹⁾	2,952	9,382
Obligations under capital lease	2013	9.29	76	91
Subsidiaries				
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
Obligations under capital leases	2013	6.61 – 9.93	6,755	9,496
Other	—	—	19	29
			955,753	1,063,964
Less current portion			2,904	44,706
			952,849	1,019,258

⁽¹⁾ Interest rate on debt as at May 31, 2010, including stamping fees.

⁽²⁾ On January 21, 2009, the Company's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity 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 Company's subsidiary 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 of the Company's subsidiary, Cogeco Cable Inc.

COGECO 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**

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

Multiple voting shares, 20 votes per share.

Subordinate voting share, 1 vote per share.

Issued

	May 31, 2010	August 31, 2009
	\$	\$
1,842,860 multiple voting shares	12	12
14,959,338 subordinate voting shares (14,942,470 at August 31, 2009)	121,347	120,994
	121,359	121,006
71,862 subordinate voting shares held in trust under the Incentive Share Unit Plan (56,449 at August 31, 2009)	(1,832)	(1,847)
	119,527	119,159

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

	Number of shares	Amount \$
Balance at August 31, 2009	14,942,470	120,994
Shares issued for cash under the Employee Stock Option Plan	16,868	353
Balance at May 31, 2010	14,959,338	121,347

During the first nine months, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	Amount \$
Balance at August 31, 2009	56,449	1,847
Subordinate voting shares acquired	41,571	1,049
Subordinate voting shares distributed to employees	(26,158)	(1,064)
Balance at May 31, 2010	71,862	1,832

COGECO 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 Company offers, for the benefit of its employees, 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 salary and the Company contributes 25% of the employee contributions. The subscriptions are made monthly and employee shares are purchased on the stock market. The Company's subsidiary, Cogeco Cable Inc., offers a similar plan to its employees and those of its subsidiaries.

The Company and its subsidiary, Cogeco Cable Inc., also offer, for certain executives a Stock Option Plan, which is described in the Company's annual consolidated financial statements. During the first nine months of 2010 and 2009, no stock options were granted to employees by COGECO Inc. However, the Company's subsidiary, Cogeco Cable Inc., 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 over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. As a result, a compensation expense of \$218,000 and \$774,000 (\$310,000 and \$585,000 in 2009) was recorded for the three and nine month periods ended May 31, 2010.

The fair value of stock options granted by the Company's subsidiary, Cogeco Cable Inc., for the nine months period ended May 31, 2010 was \$8.11 (\$7.70 in 2009) per option. The weighted average fair value 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 Company had outstanding stock options providing for the subscription of 62,782 subordinate voting shares. These stock options can be exercised at various prices ranging from \$20.95 to \$37.50 and at various dates up to October 19, 2011.

Under the Company's Stock Option Plan, the following options were granted and are outstanding as at May 31, 2010:

Outstanding at August 31, 2009	79,650
Exercised	(16,868)
Outstanding at May 31, 2010	62,782
Exercisable at May 31, 2010	62,782

COGECO 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)**

Under Cogeco Cable Inc.'s Stock Option Plan, the following options were granted 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

The Company also offers a senior executive and designated employee incentive share unit plan (the "Incentive Share Unit Plan") which is described in the Company's annual consolidated financial statements. Effective October 29, 2009, the Company's subsidiary, Cogeco Cable Inc., established a similar plan for senior executives and designated employees. During the first nine months of 2010, the Company granted 41,571 (17,702 in 2009) and Cogeco Cable Inc. granted 63,666 Incentive Share Units of which, 9,981 Incentive Share Units were granted to Cogeco Inc.'s employees. The Company and its subsidiary instructed the trustee to purchase 41,571 and 62,436 subordinate voting shares on the stock market. These shares were purchased for cash consideration aggregating \$1,049,000 (\$325,000 in 2009) and \$2,008,000, respectively, and are held in trust for participants until they are completely vested. The Trusts, considered as variable interest entities, are consolidated in the Company'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 or non-controlling interest. A compensation expense of \$338,000 and \$840,000 (\$133,000 and \$371,000 in 2009) was recorded for the three and nine month periods ended May 31, 2010 related to these plans.

Under the Company's Incentive Share Unit Plan, the following Incentive Share Units were granted and are outstanding as at May 31, 2010:

Outstanding at August 31, 2009	56,449
Granted	41,571
Distributed	(26,158)
Outstanding at May 31, 2010	71,862

Under Cogeco Cable Inc.'s Incentive Share Unit Plan, the following Incentive Share Units were granted 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

COGECO 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)**

The Company and its subsidiary, Cogeco Cable Inc., offer deferred share unit plans ("DSU Plans") which are described in the Company's annual consolidated financial statements. During the first nine months of 2010, 6,987 and 4,422 (11,113 and 6,282 in 2009) deferred share units ("DSUs") were awarded to the participants in connection with the DSU Plans. Reduction of compensation expense of \$106,000 and compensation expense of \$400,000 (reduction of compensation expense of \$47,000 and compensation expense of \$304,000 in 2009) was recorded for the three and nine month periods ended May 31, 2010 for the liabilities related to these plans.

Under the Company's DSU Plan, the following DSUs were awarded and are outstanding as at May 31, 2010:

Outstanding at August 31, 2009	17,244
Awarded	6,987
Dividend equivalents	224
Outstanding at May 31, 2010	24,455

Under Cogeco Cable Inc.'s DSU Plan, the following DSUs were awarded 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

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	7,634	(1,306)	6,328
Other comprehensive income (loss)	(4,332)	2,483	(1,849)
Balance as at May 31, 2010	3,302	1,177	4,479

COGECO 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**

a) Changes in non-cash operating items

	Three months ended May 31,		Nine months ended May 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Accounts receivable	1,793	475	(9,887)	(19)
Income taxes receivable	(5,671)	(1,468)	(36,670)	(7,990)
Prepaid expenses	(437)	(2,200)	(1,732)	(2,026)
Accounts payable and accrued liabilities	(3,780)	(5,732)	(67,700)	(34,730)
Income tax liabilities	(914)	16,437	(40,189)	6,852
Deferred and prepaid revenue and other liabilities	625	(357)	8,033	41
	(8,384)	7,155	(148,145)	(37,872)

b) Cash and cash equivalents

	May 31, 2010	August 31, 2009
	\$	\$
Cash	21,111	23,760
Cash equivalents ⁽¹⁾	—	15,698
	21,111	39,458

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

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	2,423
Financial expense paid	20,702	22,518	52,541	56,488
Income taxes paid (received)	(196)	3,168	41,000	36,563

COGECO 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)***14. Employee Future Benefits**

The Company and its Canadian subsidiaries offer to their employees contributory defined benefit pension plans, a defined contribution pension plan or collective registered retirement savings plans, which are described in the Company's annual consolidated financial statements. The total 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	874	767	2,614	2,261
Defined contribution pension plan and collective registered retirement savings plans	1,200	1,093	3,438	2,919
	2,074	1,860	6,052	5,180

15. Financial and Capital Management

a) Financial management

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

Credit risk

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

Credit risk from the derivative financial instruments arises from the possibility that 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 Company. The Company reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Company assesses the creditworthiness of the 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".

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

COGECO 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)**

The Company is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, the Company's credit exposure is higher than usual but it is difficult to predict the impact this could have on the Company's accounts receivable balances. To mitigate such risk, the Company continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At May 31, 2010, no customer balance represents a significant portion of the Company's consolidated trade accounts receivable. The Company establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Company believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Company has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Company has a large and diversified clientele dispersed throughout its market areas in Canada and Europe, there is no significant concentration of credit risk. The following table provides further details on the Company's accounts receivable balances:

	May 31, 2010	August 31, 2009
	\$	\$
Trade accounts receivable	78,902	75,044
Allowance for doubtful accounts	(12,088)	(17,261)
	66,814	57,783
Other accounts receivable	7,133	8,293
	73,947	66,076

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

	May 31, 2010	August 31, 2009
	\$	\$
Net trade accounts receivable not past due	47,220	43,136
Net trade accounts receivable past due	19,594	14,647
	66,814	57,783

COGECO 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 Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At May 31, 2010, the available amount of the Company's Term Facilities was \$745.8 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	54,489	—	—	—	—	—	54,489
Accounts payable and accrued liabilities	174,993	—	—	—	—	—	174,993
Long-term debt ⁽¹⁾	33,559	89,413	178,000	—	300,000	353,265	954,237
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⁾	1,361	3,339	2,324	915	41	—	7,980
	264,402	92,752	180,324	915	300,041	356,875	1,195,309

⁽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	14,195	56,425	44,123	41,845	37,382	52,879	246,849
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)
	14,837	58,503	44,858	42,580	38,117	53,676	252,571

COGECO 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)

Interest rate risk

The Company is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At May 31, 2010, all of the Company's long-term debt was at fixed rate, except for the Company's Term Facilities. However, on January 21, 2009, the Company's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity 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 Company's subsidiary will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility. The Company's subsidiary elected to apply cash flow hedge accounting on this derivative financial instrument. The sensitivity of the Company's annual financial expense to a variation of 1% in the interest rate applicable to the Term Facilities is approximately 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 Company is exposed to foreign exchange risk related to its long-term debt denominated in US dollars. In order to mitigate this risk, the Company has established guidelines whereby currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Company's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US\$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at \$1.0625. The Company's subsidiary elected to apply cash flow hedge accounting on these derivative financial instruments.

The Company is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At May 31, 2010, cash and cash equivalents denominated 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, Cogeco Cable Inc.'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 \$3.2 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 values of all the Company's financial instruments approximates fair value, excepts as otherwise noted in the following table:

	May 31, 2010		August 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt	955,753	1,030,337	1,063,964	1,126,449

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

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

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

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

	May 31, 2010	August 31, 2009 (restated)
Net indebtedness ⁽¹⁾ / Shareholders' equity	2.7	3.1
Net indebtedness ⁽¹⁾ / Operating income before amortization ⁽²⁾	1.9	2.0
Operating income before amortization ⁽²⁾ / Financial expense ⁽²⁾	8.4	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 Company's subsidiary, Cogeco Cable Inc., 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 Company's subsidiary, Cogeco Cable Inc., 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.

COGECO 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)

17. Subsequent events

a) Business acquisition

On April 30, 2010, The Company has concluded an agreement with Corus Entertainment Inc. to acquire its Québec radio stations for \$80 million in cash, subject to customary closing adjustments and conditions, including approval by the Canadian Radio-television and Telecommunications Commission (the "CRTC"). On June 30, 2010, the Company submitted its transfer application for approval to the CRTC. The transaction is expected to close during the first half of fiscal 2011.

b) New credit facilities

On July 7, 2010, the Company entered into a new Term Revolving Facility of up to \$100 million with a group of financial institutions led by a large Canadian bank, which will now act as agent for the banking syndicate. This new Term Revolving Facility will replace the Company's \$50 million Term Facility coming to maturity on December 14, 2011. The Term Revolving Facility of up to \$100 million includes a swingline limit of \$7.5 million, is extendable by additional one-year periods on an annual basis, subject to lenders' approval, and if not extended, matures three 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 is secured by all assets of the Company and its subsidiaries, excluding the capital stock of the Company's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries. Under the terms and conditions of the credit agreement, the Company must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. The Term Revolving Facility bears interest rates based, at the Company's option, on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate or US base rate plus fees, and commitment fees are payable on the unused portion.

On July 7, 2010, the Company's subsidiary, Cogeco Cable Inc., 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 Cogeco Cable Inc.'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 Cogeco Cable Inc. 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 Cogeco Cable Inc. 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.

18. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.