PRESS RELEASE
For immediate release

Continued growth for Cogeco Cable in the third quarter of 2009

Montréal, July 10, 2009 – Today, Cogeco Cable Inc. (TSX: CCA) ("Cogeco Cable" or the "Corporation") announced its financial results for the third quarter and first nine months of fiscal 2009, ended May 31, 2009.

For the third quarter and first nine months of fiscal 2009:

- Consolidated revenue increased by 11.2% to reach $305.7 million, and by 14.9% to reach $910 million, respectively;
- Consolidated operating income before amortization[(1)] grew by 9.6% to reach $128.7 million, and by 15.6% to reach $373.9 million, respectively;
- In the first nine months of fiscal 2009, a $399.6 million non-cash impairment loss on the Corporation's investment in its Portuguese subsidiary, Cabovisão - Televisão por Cabo, S.A. ("Cabovisão") was recorded as a result of recurring competitive pressure resulting in subscriber losses that were more severe than originally anticipated. Net of related income taxes, the impairment loss amounted to $383.6 million;
- Third quarter consolidated net income amounted to $31.8 million compared to $31.1 million for the same period of the prior year. Excluding an unfavourable income tax adjustment of $6.1 million related to the utilization of pre-acquisition tax losses in Cabovisão and a $10.9 million favourable reduction of Cabovisão withholding and stamp tax contingent liabilities[(1)], consolidated net income would have amounted to $27 million, a decrease of $4.2 million, or 13.4% compared to $31.1 million for the third quarter of fiscal 2008;
- Consolidated net loss amounted to $303.2 million for the first nine months compared to net income of $101.4 million in the prior year. Excluding the impairment loss, the adjustments related to income taxes and withholding and stamp tax contingent liabilities described above for the current quarter, and the income tax adjustment of $24 million related to the reduction of Canadian federal income tax rates in the first nine months of the prior year[(1)], consolidated net income would have amounted to $75.6 million, a decrease of $1.8 million, or 2.4% compared to $77.4 million for the first nine months of fiscal 2008;
- Free cash flow[(1)] reached $31.9 million for the quarter, representing a decrease of 13.6% over the prior year, and $80.7 million for the first nine months, an increase of 3.6% over fiscal 2008;
- Operating margin[(1)] decreased to 42.1% for the quarter compared to 42.7% in the prior year, and increased to 41.1% from 40.8% for the first nine months of the fiscal year;
- Revenue-generating units ("RGU")[(2)] grew by 14,985 net additions in the quarter and 93,325 net additions in the first nine months, for a total of 2,810,199 RGU at May 31, 2009.

"Cogeco Cable's financial results are well aligned with the revised financial projections for fiscal 2009. We are pleased with our consolidated results for the third quarter, in particular the increases in revenue and operating income before amortization. For the nine month period, our Canadian operations are growing at a steady pace, as demonstrated by net additions of 140,215 RGU. In our European operations, the Digital Television service continues to grow in our markets with the addition of 20,976 new customers. We have recently realigned our short term strategic plan in order to curtail

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(1) The indicated terms do not have standard 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.

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

subscriber losses that continue to adversely affect the financial results of our Portuguese operations in the current difficult competitive environment", declared Louis Audet, President and CEO of Cogeco Cable.

FINANCIAL HIGHLIGHTS

	Quarters ended May 31,			Nine months ended May 31,		
	2009	2008[1]	Change	**2009**	2008[1]	Change
($000, except percentages and per share data)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**305,672**	274,944	11.2	**910,030**	791,879	14.9
Operating income before amortization[2]	**128,731**	117,492	9.6	**373,915**	323,452	15.6
Operating income	**61,218**	59,283	3.3	**175,836**	156,567	12.3
Impairment of goodwill and intangible assets	**–**	–	–	**399,648**	–	–
Net income (loss)	**31,770**	31,142	2.0	**(303,248)**	101,416	–
Net income excluding the impairment loss and tax adjustments[2]	**26,982**	31,142	(13.4)	**75,594**	77,414	(2.4)
Cash flow from operating activities	**102,736**	112,799	(8.9)	**249,650**	249,135	0.2
Cash flow from operations[2]	**94,810**	95,829	(1.1)	**285,506**	260,855	9.5
Capital expenditures and increase in deferred charges	**62,919**	58,928	6.8	**204,853**	183,040	11.9
Free cash flow[2]	**31,891**	36,901	(13.6)	**80,653**	77,815	3.6
Earnings (loss) per share						
Basic	**0.65**	0.64	1.6	**(6.25)**	2.09	–
Diluted	**0.65**	0.64	1.6	**(6.25)**	2.08	–
Earnings per share excluding the impairment loss and tax adjustments[2]						
Basic	**0.56**	0.64	(12.5)	**1.56**	1.60	(2.5)
Diluted	**0.55**	0.64	(14.1)	**1.55**	1.59	(2.5)

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

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

FORWARD-LOOKING STATEMENTS

Certain statements in this press release may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Cable's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Cable believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the current adverse economic conditions make forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation's expectations. It is impossible for Cogeco Cable to predict with certainty the impact that the current economic downturn may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Corporation's 2008 annual Management's Discussion and Analysis (MD&A) that could cause actual results to differ materially from what Cogeco Cable currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently

foresee. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CORPORATE STRATEGIES AND OBJECTIVES

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

Continuous improvement of the service offering and expansion of the customer base

Canadian operations

- Digital Television service :
  - On July 9, the following High Definition ("HD") Television services were launched:
    - Télé-Québec HD, Canal Évasion HD, TV5 HD, PBS HD, Mystère HD, The Score HD, National Geographic HD and Discovery HD in Québec.
- Telephony service:
  - During the third quarter, the Telephony service was launched in the following cities:
    - Brighton, Wyoming, Petrolia, Oil City, Napanee and Deseronto, Ontario;
    - North Hatley, Ayers Cliff, Gaspé, Forestville and St-Étienne-des-Grès, Québec.

European operations

- Bundled offers:
  - Cabovisão - Televisão por Cabo, S.A. ("Cabovisão") realigned some of its bundle offers to retain and attract customers.
- Television service:
  - Continued deployment of Cabovisão's Digital Television service;
  - Launch of Jim Jam, Luxe HD, MVM TV, Telesur, Regiões TV, TVGlobo, and PFC channels.
- High-speed Internet ("HSI") service:
  - On July 7, announcement of the launch of the Nitro 60 Mbps and Nitro 120 Mbps Internet services, the fastest available in the Portuguese market.

Continuous improvement of networks and equipment

- During the first nine months of fiscal 2009, the Corporation invested approximately $76.9 million in its infrastructure including head-ends and upgrades and rebuilds.

Tight control over costs and business processes

- For the first nine months of the 2009 fiscal year, consolidated operating costs, excluding management fees payable to COGECO Inc., increased by 14.7% while revenue grew by 14.9% for the same period;
- During the quarter, the Corporation has implemented new processes and software to track its home terminal devices from their initial purchase to their return by customers, and has adjusted the carrying values of the assets accordingly. The Corporation has continued its project to improve the design and implementation of internal controls, and the project is progressing according to management's plan. Please see the "Controls and procedures" section for further details.

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[1] Represents the sum of Basic Cable, HSI, Digital Television and Telephony service customers.

[2] Free cash flow does not have a standardized definition 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.

Effective management of capital

- On June 9, 2009, the Corporation completed, pursuant to a public debt offering, the issue of 5.95% Senior Secured Debentures Series 1 for $300 million maturing June 9, 2014. The Debentures were priced at $99.881 per $100 principal amount for an effective yield of 5.98% per annum. The net proceeds of sale of the Debentures were used to reimburse Cogeco Cable's existing indebtedness and for general corporate purposes;
- On January 21, 2009, the Corporation entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest rate swap 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 this fixed interest rate, Cogeco Cable will continue to pay the applicable margin on these Term Loans in accordance with its Term Facility. At May 31, 2009, approximately 80% of Cogeco Cable's debt was at fixed interest rates;
- On October 1, 2008, the Corporation completed, pursuant to a private placement, the issue of 7.00% Senior Secured Notes Series A for US$190 million maturing October 1, 2015, and 7.60% Senior Secured Notes Series B for $55 million maturing October 1, 2018. The Corporation also entered into cross-currency swap agreements to fix the liability for interest and principal payments on the total of its Senior Secured Notes Series A. Interest on the Notes is payable semi-annually on April 1 and October 1 of each year commencing April 1, 2009. The aggregate gross proceeds from the issuance of these Notes amounted to approximately $257 million. Net proceeds of approximately $255 million, after underwriters' fees and other expenses, were used to repay maturing debt and reduce bank indebtedness.

RGU growth

During the first nine months ended May 31, 2009, the consolidated number of RGU increased by 93,325, or 3.4%, to reach 2,810,199 RGU, on target to attain the Corporation's RGU growth projections of 100,000 net additions issued on October 29, 2008 and revised on April 8, 2009, which represents approximately 3.7%, for the fiscal year ending August 31, 2009. Please consult the fiscal 2009 revised projections in the "Fiscal 2010 preliminary financial guidelines" section for further details.

Revenue growth

Third-quarter revenue increased by $30.7 million, or 11.2%, when compared to the same period of the prior year, to reach $305.7 million. During the first nine months of 2009, revenue increased by $118.2 million, or 14.9%, to reach $910 million, and management expects to attain its revised guidelines of $1,205 million in revenue for the 2009 fiscal year, as issued on April 8, 2009. Please consult the fiscal 2009 revised projections in the "Fiscal 2010 preliminary financial guidelines" section for further details.

Free cash flow

In the third quarter and first nine months, Cogeco Cable generated free cash flows of $31.9 million and of $80.7 million compared to $36.9 million and $77.8 million, respectively, for the same periods last year, representing a decrease of 13.6% for the quarter, and an increase of 3.6% for the nine months ended May 31, 2009. The reduction in free cash flow for the quarter is mainly due to an increase in capital expenditures and the decrease in cash flow from operations, due to the increase in current income taxes. For the first nine months, the growth in free cash flow is essentially due to increases in cash flow from operations[(1)], resulting primarily from the improvement of the Corporation's operating income before amortization[(1)], partly offset by increases in capital expenditures. On April 8, 2009, management revised its guidelines for free cash flow to $80 million for the 2009 fiscal year. Due to the usual higher level of capital expenditures in the last quarter of the year, management expects to meet its free cash flow guidelines. Please consult the fiscal 2009 revised projections in the "Fiscal 2010 preliminary financial guidelines" section for further details.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

In 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 customer promotions and advertising initiatives from competitors in the Portuguese market. Please refer to "European operations" section for further details. In accordance with current accounting standards, management considered that the continued RGU and local currency revenue decline were more severe and persistent than expected, resulting in a decrease in the value of the Corporation's

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

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit 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 Corporation completed its impairment tests on goodwill and concluded that goodwill was impaired at February 28, 2009. As a result, a non-cash impairment loss of $339.2 million was recorded in the second quarter of the 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 changes in assumptions could result in further impairments of goodwill.

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

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

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

OPERATING RESULTS – CONSOLIDATED OVERVIEW

	Quarters ended May 31,			Nine months ended May 31,		
	2009	2008[1]	Change	**2009**	2008[1]	Change
($000,except percentages)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**305,672**	274,944	11.2	**910,030**	791,879	14.9
Operating costs	**176,941**	157,452	12.4	**527,096**	459,713	14.7
Management fees - COGECO Inc.	**–**	–	–	**9,019**	8,714	3.5
Operating income before amortization[2]	**128,731**	117,492	9.6	**373,915**	323,452	15.6
Operating margin[2]	**42.1%**	42.7%		**41.1%**	40.8%	

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

(2) 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.

Revenue

Fiscal 2009 third-quarter consolidated revenue improved by $30.7 million, or 11.2%, to reach $305.7 million, and first nine-month consolidated revenue by $118.2 million, or 14.9%, to reach $910 million, when compared to the prior year. Driven by increased RGU combined with rate increases and the acquisition of MaXess Networx®, FibreWired Burlington Hydro Communications and Cogeco Data Services (the "recent acquisitions") in the second half of fiscal 2008, third-quarter Canadian operations revenue went up by $37.2 million, or 17.6%, and for the first nine months by $116.8 million, or 19.1%.

Fiscal 2009 third-quarter European operations revenue decreased by $6.4 million, or 10.1%, at $57.6 million, compared to the same period of the prior year, as a result of a net RGU loss in the quarter. First nine month revenue increased by $1.3 million, or 0.7%, to reach $180.9 million, due to the strength of the Euro against the Canadian dollar, despite a RGU

loss in the first nine months of the year. Revenue from the European operations in the local currency for the third quarter amounted to €35.7 million, a decrease of €5.1 million, or 12.5%, and to €113.5 million, a decrease of €7.4 million, or 6.1%, for the first nine months.

Operating costs

For the third quarter and first nine months of fiscal 2009, operating costs, excluding management fees payable to COGECO Inc., increased by $19.5 million and $67.4 million to reach $176.9 million and $527.1 million, respectively, increases of 12.4% and 14.7% compared to the prior year. Operating costs increased due to the servicing of additional RGU and the impact of the recent acquisitions in Canada, and in Europe, due to the appreciation of the Euro over the Canadian dollar and an increase in the level of uncollectible customer accounts.

Operating income before amortization

Fiscal 2009 third quarter and first nine-month operating income before amortization increased by $11.2 million, or 9.6%, to reach $128.7 million, and by $50.5 million, or 15.6%, to reach $373.9 million, respectively, as a result of various rate increases, recent acquisitions, and RGU growth generating additional revenues which outpaced operating cost increases in the quarter and first nine months of the year. Cogeco Cable's third quarter operating margin decreased to 42.1% from 42.7% for the same period of the prior year. The operating margin in Canada improved to 45.9% from 44.3% which offset the decrease in the European operating margin to 25.9% from 37.6%.

For the first nine months of fiscal 2009, the consolidated operating margin improved to 41.1% from 40.8% with the Canadian operating margin improving to 43.9% from 42.5% and the European operating margin decreasing to 29.6% from 35.3% the year before.

RELATED PARTY TRANSACTIONS

Cogeco Cable is a subsidiary of COGECO Inc., which holds 32.3% of the Corporation's equity shares, representing 82.7% of the votes attached to the Corporation's voting shares. Under a management agreement, the Corporation pays COGECO Inc. monthly management fees equal to 2% of its total revenue for certain executive, administrative, legal, regulatory, strategic and financial planning and additional services. In 1997, management fees were capped at $7 million per year, subject to annual upward adjustment based on increases in the Consumer Price Index in Canada. Accordingly, for fiscal 2009, management fees have been set at a maximum of $9 million, which was reached in the second quarter. For fiscal 2008, management fees were set at a maximum of $8.7 million, and were fully paid in the first six months of the year.

Furthermore, Cogeco Cable granted 29,711 stock options to COGECO Inc.'s employees during the first nine months of fiscal 2009, compared to 22,683 for the same period last year. During the third quarter Cogeco Cable charged COGECO Inc. an amount of $0.1 million with regards to Cogeco Cable's options granted to COGECO Inc.'s employees, for a total charge of $0.2 million in the first nine months of the year, compared to $0.1 million and $0.3 million for the same periods of the prior year. Details regarding the management agreement and stock options granted to COGECO Inc.'s employees are provided in the MD&A of the Corporation's 2008 Annual Report. There were no other material related party transactions during the quarter.

FIXED CHARGES

	Quarters ended May 31,			Nine months ended May 31,		
	2009	2008[1]	Change	**2009**	2008[1]	Change
($000, except percentages)	$	$	%	$	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Amortization	**67,513**	58,209	16.0	**198,079**	166,885	18.7
Financial expense	**14,206**	17,374	(18.2)	**55,588**	50,387	10.3

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

The third-quarter and first nine months of 2009 amortization amounted to $67.5 million and $198.1 million, respectively, compared to $58.2 million and $166.9 million for the same periods the year before. The increase is mainly due to

additional capital expenditures arising from customer premise equipment acquisitions to sustain RGU growth, to the recent acquisitions in Canada and to the appreciation of the Euro currency over the Canadian dollar.

Third-quarter financial expense decreased by $3.2 million compared to the prior year mainly due to a foreign exchange gain on unhedged long-term debt and the reduction of interest rates during the quarter, partly offset by the increase in Indebtedness (defined as bank indebtedness, derivative financial instruments and long-term debt). In the first nine months of the year, financial expense increased by $5.2 million due to the rapid appreciation of the US dollar and the Euro over the Canadian dollar and the increase in the level of Indebtedness, partly offset by interest rate reductions. More specifically, financial expense was adversely impacted by foreign exchange losses of $2.7 million in the first nine months of fiscal 2009, despite the favourable impact of foreign exchange gains of $1.7 million in the quarter, mainly on unhedged long-term debt, as the majority of customer premise equipment is purchased and subsequently paid in US dollars. The losses in the first nine months of the year were essentially due to the unusually high US dollar volatility with the Bank of Canada closing rate fluctuating from $1.0620 per US dollar at August 31, 2008 to $1.0917 per US dollar at May 31, 2009, reaching a high of $1.2991 per US dollar on March 9, 2009. For the corresponding periods of the prior year, the Corporation recorded no foreign exchange gains or losses in the quarter and foreign exchange gains of $0.9 million in the first nine months.

REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES

The Portuguese subsidiary, Cabovisão, had recorded contingent liabilities for withholding and stamp taxes relating to fiscal years prior to its acquisition by Cogeco Cable. At the date of acquisition, the amount accrued represented management's best estimate based on the available information. Management reviews its estimate periodically to take into consideration payments made relating to these contingencies as well as newly available information which would allow the Corporation to improve its previous estimate. During the third quarter of fiscal 2009, Cabovisão received a preliminary report from the Portuguese tax authorities with respect to some of the items included in the contingent liabilities. Accordingly, management 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.

INCOME TAXES

Fiscal 2009 third-quarter income tax expense amounted to $26.2 million compared to $10.8 million in fiscal 2008. The income tax expense for the quarter and first nine months was unfavourably impacted by a non-cash income tax expense of $6.1 million resulting from the recognition and subsequent utilization of Cabovisão's pre-acquisition income tax losses following the receipt of preliminary tax audit reports for those fiscal years. Excluding this amount, income tax expense for the quarter would have amounted to $20 million compared to $10.8 million in the prior year. For the first nine months, the income tax expense amounted to $34.8 million compared to $4.8 million in the prior year. The income tax expense for the first nine months of fiscal 2009 includes a future income tax recovery of $16 million related to the impairment loss recorded in the second quarter and an unfavourable impact of $6.1 million from the utilization of Cabovisão's pre-acquisition tax losses described above. The income tax expense for the comparable period of the prior year includes the impact of the reduction in corporate income tax rates announced on October 16, 2007 by the Canadian federal government in its Economic Statement and considered substantively enacted on December 14, 2007 (the "reduction of Canadian federal income tax rates"). The reduction of these corporate income tax rates reduced future income tax expense by $24 million in the first nine months of fiscal 2008. Excluding the effect of these items, income tax expense would have amounted to $44.7 million for the first nine months of fiscal 2009, compared to $28.8 million for the first nine months of fiscal 2008. The increases in income tax expense in fiscal 2009 are mainly due to the increase in operating income before amortization surpassing that of the fixed charges in the Canadian operations.

NET INCOME (LOSS)

Fiscal 2009 third quarter net income amounted to $31.8 million, or $0.65 per share, compared to $31.1 million, or $0.64 per share, for the same period in 2008. Net income for the third quarter of fiscal 2009 includes an unfavourable impact of $6.1 million from the utilization of Cabovisão's pre-acquisition tax losses and a favourable impact from the reduction of withholding and stamp tax contingent liabilities in the amount of $10.9 million described above, also in Cabovisão. Excluding the impact of these items[(1)], net income would have amounted to $27 million, or $0.56 per share[(1)], compared to $31.1 million, or $0.64 per share in the prior year, representing decreases of 13.4% and 12.5%, respectively. For the first nine months of fiscal 2009, net loss amounted to $303.2 million, or $6.25 per share, compared to a net

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income of $101.4 million, or $2.09 per share. In addition to the impacts described above for the third quarter, the net loss in the first nine months of fiscal 2009 was affected by the impairment loss net of related income taxes of $383.6 million recorded in the second quarter of the year, as described in the "Impairment of goodwill and intangible assets" section. Furthermore, 2008 first nine months net income included an income tax adjustment of $24 million described above. Excluding the effect of these items, net income would have amounted to $75.6 million, or $1.56 per share for the first nine months ended May 31, 2009, decreases of 2.4% and 2.5% when compared to $77.4 million, or $1.60 per share in the prior year. Please consult the "Non-GAAP financial measures" section for further details. Net income reduction for the quarter and first nine months has resulted from the decline of the financial results of the European operations due to the net RGU loss and the increase in income tax expense described in the "Income taxes" section above, partly offset by the improvement of the Canadian operations and the appreciation of the Euro currency compared to the Canadian dollar during the majority of the first nine months of the year.

CASH FLOW AND LIQUIDITY

	Quarters ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
($000)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Operating activities				
Cash flow from operations[1]	**94,810**	95,829	**285,506**	260,855
Changes in non-cash operating items	**7,926**	16,970	**(35,856)**	(11,720)
	102,736	112,799	**249,650**	249,135
Investing activities[2]	**(61,559)**	(74,014)	**(202,274)**	(196,655)
Financing activities[2]	**(45,494)**	17,957	**(40,697)**	(36,466)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(1,866)**	1,063	**(538)**	1,265
Net change in cash and cash equivalents	**(6,183)**	57,805	**6,141**	17,279
Cash and cash equivalents, beginning of period	**48,695**	23,682	**36,371**	64,208
Cash and cash equivalents, end of period	**42,512**	81,487	**42,512**	81,487

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

Fiscal 2009 third quarter cash flow from operations reached $94.8 million, 1.1% lower than the comparable period last year, due to the increase in current income tax expense, partly offset by the increase in operating income before amortization and the decrease in financial expense. Changes in non-cash operating items generated cash inflows of $7.9 million, mainly as a result of an increase in income tax liabilities, partly offset by a decrease in accounts payable and accrued liabilities in the third quarter of fiscal 2009. In the prior year, the cash inflows of $17 million were mainly a result of an increase in accounts payable and accrued liabilities and in income tax liabilities.

For the first nine months of fiscal 2009, cash flow from operations reached $285.5 million, 9.5% higher than in the prior year, primarily due to the increase in operating income before amortization, partly offset by the increases in current income tax expense and financial expense. Changes in non-cash operating items generated cash outflows of $35.9 million, mainly as a result of a decrease in accounts payable and accrued liabilities and an increase in income taxes receivable, partly offset by an increase in income tax liabilities. The cash outflows of $11.7 million in the prior year were mainly due to a decrease in accounts payable and accrued liabilities in the first nine months of the year, partly offset by an increase in income tax liabilities.

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

	Quarters ended May 31,		Nine months ended May 31,	
($000)	**2009** **$**	2008 $	**2009** **$**	2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Customer premise equipment [(1)]	**19,948**	20,238	**75,080**	70,477
Scalable infrastructure	**15,734**	8,627	**43,326**	30,726
Line extensions	**5,002**	2,160	**14,579**	7,738
Upgrade / Rebuild	**12,853**	15,498	**33,541**	41,105
Support capital	**4,126**	5,355	**20,085**	12,433
Total capital expenditures[(2)]	**57,663**	51,878	**186,611**	162,479
Increase in deferred charges and others	**5,058**	7,002	**17,983**	20,488
Business acquisition	**–**	16,105	**–**	16,105
Total investing activities[(2)]	**62,721**	74,985	**204,594**	199,072

(1) Includes mainly new and replacement drops as well as home terminal devices.
(2) Includes capital leases, which are excluded from the statements of cash flows.

Fiscal 2009 third quarter total capital expenditures amounted to $57.7 million, an increase of 11.2%, when compared to the corresponding period of last year, due to the following factors:

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

First nine months total capital expenditures amounted to $186.6 million, an increase of 14.9%, when compared to the corresponding period of last year, due to the following factors:

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

Deferred charges and others are mainly attributable to reconnect costs. For the third quarter, the increase in deferred charges and others amounted to $5.1 million compared to $7 million for the same period of the prior year. For the first nine months of fiscal 2009, the increase in deferred charges and others amounted to $18 million compared to $20.5 million the year before. Slower RGU growth explained the lower increases recorded in fiscal 2009.

In the third quarter and first nine months, Cogeco Cable generated free cash flows of $31.9 million and of $80.7 million compared to $36.9 million and $77.8 million, respectively, for the same periods last year, representing a decrease of

13.6% for the quarter, and an increase of 3.6% for the nine months ended May 31, 2009. The reduction in free cash flow for the quarter is mainly due to an increase in capital expenditures and the decrease in cash flow from operations. For the first nine months, the growth in free cash flow is essentially due to increases in cash flow from operations, partly offset by increases in capital expenditures. The aggregate amount of total capital expenditures and deferred charges and others increased by $3.8 million for the quarter ended May 31, 2009, and by $21.6 million for the first nine months of fiscal 2009 compared to the corresponding periods of the prior year due to the factors explained above.

In the third quarter of 2009, Indebtedness affecting cash decreased by $39.7 million mainly due to the free cash flow of $31.9 million, the increase in non-cash operating items of $7.9 million, and the decrease in cash and cash equivalents of $6.2 million, net of the dividend payment of $5.8 million described below. Indebtedness mainly decreased through the net repayments on the Corporation's revolving loans of $56.5 million, net of an increase of $17.7 million in bank indebtedness. During the third quarter of fiscal 2008, the level of Indebtedness affecting cash increased by $22.7 million, primarily due to the issuance by the Corporation on March 5, 2008 of a $100 million senior unsecured debenture by way of a private placement, the proceeds of which were used in part to reimburse the bank indebtedness of $17.7 million and to finance the acquisition of MaXess Networx® for $16.1 million, partly offset by repayments on the revolving credit facility of $58.6 million from the generated free cash flow of $36.9 million and the increase in non-cash operating items of $17 million.

During the third quarter of fiscal 2009, a dividend of $0.12 per share was paid to the holders of subordinate and multiple voting shares, totalling $5.8 million, compared to a dividend of $0.10 per share, or $4.9 million the year before.

For the first nine months of fiscal 2009, Indebtedness affecting cash decreased by $24.2 million mainly due to the free cash flow of $80.7 million, partly offset by the reduction of non-cash operating items of $35.9 million, the payment of dividends totalling $17.5 million described below and the increase in cash and cash equivalents of $6.1 million. Indebtedness decreased through the repayment of US$150 million Senior Secured Notes Series A and the related derivative financial instrument of $56.2 million, both maturing on October 31, 2008, for a total of $238.7 million, and of net repayments on the Corporation's revolving loans of $79.5 million, net of the issuance on October 1, 2008 of Senior Secured Notes, Series A and Series B, maturing October 1, 2015 and October 1, 2018, respectively, for net proceeds of approximately $255 million, and by an increase of $41.9 million in bank indebtedness. During the first nine months of fiscal 2008, the level of Indebtedness affecting cash decreased by $25.3 million, mainly due to a net reduction of $123.1 million on the revolving credit facility, partly offset by the issuance of a senior unsecured debenture as discussed above.

During the first nine months of fiscal 2009, quarterly dividends of $0.12 per share were paid to the holders of subordinate and multiple voting shares, totalling $17.5 million, compared to quarterly dividends of $0.10 per share, or $14.5 million the year before.

As at May 31, 2009, the Corporation had a working capital deficiency of $360.7 million compared to $607.8 million as at August 31, 2008. The decrease in the deficiency is mainly attributable to the repayment of the US$150 million Senior Secured Notes, Series A and the related derivative financial instrument for a total of $238.7 million on October 31, 2008, using the proceeds of issuance of the Senior Secured Notes Series A and B. As part of the usual conduct of its business, Cogeco Cable maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the Corporation's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

At May 31, 2009, the Corporation had used $425.4 million of its $885 million Term Facility for a remaining availability of $459.6 million.

On October 1, 2008, the Corporation completed, pursuant to a private placement, the issuance of US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. The Corporation has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US$190 million, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625 per US dollar.

On June 9, 2009, the Corporation completed, pursuant to a public debt offering, the issue of 5.95% Senior Secured Debentures Series 1 for $300 million maturing June 9, 2014. The Debentures were priced at $99.881 per $100 principal amount for an effective yield of 5.98% per annum. The net proceeds of sale of the Debentures were used to reimburse Cogeco Cable's existing indebtedness and for general corporate purposes.

FINANCIAL POSITION

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

The $12.4 million increase in fixed assets is mainly related to increases in capital expenditures to sustain RGU growth and to the recent acquisitions in Canada, partly offset by the depreciation of the Euro compared to the Canadian dollar since August 31, 2008. The $67.4 million and $334.1 million reductions in intangible assets and goodwill are due to the impairment loss recorded on the Corporation’s investment in Cabovisão in the second quarter of this fiscal year. The $12.4 million decrease in future income tax liabilities is mainly due to the impairment loss described above. The $46.7 million decrease in accounts payable and accrued liabilities is related to the timing of payments made to suppliers, the reduction of withhold and stamp tax contingent liabilities, and the fluctuations of the Euro currency over the Canadian dollar. The $6.4 million reduction in future income tax assets is due to the utilization of Ontario minimum tax credits and tax loss carry forwards to reduce current income taxes. The $8.4 million increase in income taxes receivable is due to income tax payments relating to fiscal 2008. The $6.7 million increase in income tax liabilities is a result of the increase in operating income before amortization surpassing that of the fixed charges. Indebtedness has decreased by $14.6 million and cash and cash equivalents has increased by $6.1 million as a result of the factors previously discussed in the “Cash Flow and Liquidity” section.

A description of Cogeco Cable’s share data as of June 30, 2009 is presented in the table below:

	Number of shares/options	Amount ($000)
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	32,867,426	891,715
Options to purchase Subordinate voting shares		
Outstanding options	716,745	
Exercisable options	430,243	

On April 6, 2009, the Corporation cancelled 206,180 options which had been conditionally granted in relation with the acquisition of Cabovisão, at a price of $26.63 per share, subject to performance criteria of Cabovisão being met. Of these options, 93,518 were exercisable.

In the normal course of business, Cogeco Cable has incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. Cogeco Cable’s obligations, as discussed in the 2008 annual MD&A, have not materially changed since August 31, 2008 except for the new financings discussed in the “Cash Flow and Liquidity” section.

DIVIDEND DECLARATION

At its July 9, 2009 meeting, the Board of Directors of Cogeco Cable declared a quarterly eligible dividend of $0.12 per share for subordinate and multiple voting shares, payable on August 6, 2009, to shareholders of record on July 23, 2009. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation’s financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

FINANCIAL MANAGEMENT

On January 21, 2009, the Corporation entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest rate swap to hedge the Term Loans has been fixed at 2.08% until their maturity at July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest rate swap of 2.08%, Cogeco Cable will continue to pay the applicable margin on these Term Loans in accordance with its Term Facility. Since the issuance on January 21, 2009, the fair value of interest rate swap decreased by $2 million, which is recorded as a decrease of other comprehensive income net of income taxes of $0.6 million.

On October 1, 2008, Cogeco Cable entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes, Series A maturing in October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625 per US dollar. Since the issuance on October 1, 2008, amounts due under the US$190 million Senior Secured Notes Series A increased by $5.5 million due to the US dollar's appreciation over the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $0.3 million, of which an increase of $5.5 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $5.8 million was recorded as a decrease of other comprehensive income, net of income taxes of $0.2 million.

The Corporation's net investment in the self-sustaining foreign subsidiary, Cabovisão, is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. This debt is designated as a hedge of the net investment in self-sustaining foreign subsidiaries and accordingly, the Corporation realized a foreign exchange gain of $9.6 million in the first nine months of fiscal 2009 which is presented in other comprehensive income. The exchange rate used to convert the Euro into Canadian dollars for the balance sheet accounts at May 31, 2009 was $1.5433 per Euro compared to $1.5580 per Euro at August 31, 2008. The average exchange rates prevailing during the third quarter and first nine months used to convert the operating results of the European operations were $1.6126 per Euro and $1.5951 per Euro, respectively, compared to $1.5694 and $1.4851 per Euro for the same periods of the prior year.

The following table shows the Canadian dollar impact of a 10% change in the average exchange rate of the Euro currency into Canadian dollars on European operating results for the first nine months ended May 31, 2009:

Nine months ended May 31, 2009	As reported	Exchange rate impact
($000)	$	$
	(unaudited)	(unaudited)
Revenue	180,875	18,088
Operating income before amortization	53,617	5,362
Net loss	(387,952)	(38,795)

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

CANADIAN OPERATIONS

CUSTOMER STATISTICS

		Net additions (losses)				% of Penetration[1]	
		Quarters ended May 31,		Nine months ended May 31,		May 31,	
	May 31, 2009	2009	2008	2009	2008	2009	2008
RGU	2,132,123	27,175	36,658	140,215	160,491	–	–
Basic Cable service customers	865,729	(2,153)	(520)	8,635	9,413	–	–
HSI service customers[2]	509,433	5,939	8,480	35,966	48,832	61.6	57.5
Digital Television service customers	488,724	10,065	11,585	46,978	45,717	57.3	50.4
Telephony service customers[3]	268,237	13,324	17,113	48,636	56,529	34.3	28.1

(1) As a percentage of Basic Cable service customers in areas served.
(2) Customers subscribing to the HSI service without the Basic Cable service totalled 78,947 as at May 31, 2009 compared to 74,434 as at May 31, 2008.
(3) Customers subscribing to the Telephony service without the Basic Cable service totalled 23,439 as at May 31, 2009 compared to 15,258 as at May 31, 2008.

Fiscal 2009 third quarter and first nine-month RGU net additions were lower than for the same periods last year and reflect an early sign of maturation in some services. The number of net losses for Basic Cable stood at 2,153 customers for the quarter and net additions of 8,635 customers for the first nine months, compared to a loss of 520 customers and

customer additions of 9,413, respectively, for the same periods of the prior year. Third quarter Basic Cable service customer losses are usual and due to the end of the school year for college and university students. In the quarter, Telephony customers grew by 13,324 compared to 17,113 for the same period last year. For the first nine months, Telephony customers grew by 48,636 compared to 56,529 for the first nine months of the prior year. The lower growth is mostly attributable to the increased penetration in areas where the service is already offered and to fewer new areas where the service was launched. Telephony service coverage, as a percentage of homes passed, is now above 90% compared to 83% at May 31, 2008. The number of net additions to HSI service stood at 5,939 customers for the quarter and 35,966 customers for the first nine months of fiscal 2009, compared to 8,480 and 48,832 customers for the same periods last year. The growth in HSI customer net additions continues to stem from the enhancement of the product offering, the impact of the bundled offer (*Cogeco Complete Connection*) of Television, HSI and Telephony services, and promotional activities. The Digital Television service net additions stood at 10,065 customers compared to 11,585 customers for the third quarter, and at 46,978 customers compared to 45,717 customers for the first nine months of the prior year, due to targeted marketing initiatives in the second half of fiscal 2008 and in 2009 to improve penetration and to the continuing strong interest for the HD Television service.

OPERATING RESULTS

	Quarters ended May 31,			Nine months ended May 31,		
	2009	2008[1]	Change	**2009**	2008[1]	Change
($000, except percentages)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**248,101**	210,928	17.6	**729,155**	612,337	19.1
Operating costs	**134,309**	117,512	14.3	**399,838**	343,566	16.4
Management fees – COGECO Inc.	**–**	–	–	**9,019**	8,714	3.5
Operating income before amortization	**113,792**	93,416	21.8	**320,298**	260,057	23.2
Operating margin	**45.9%**	44.3%		**43.9%**	42.5%	

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

Revenue

Third-quarter revenue rose by $37.2 million, or 17.6%, to reach $248.1 million, and first nine month revenue increased by $116.8 million, or 19.1%, to reach $729.2 million mainly due to the RGU growth, combined with the impact of the recent acquisitions as well as the various rate increases implemented by the Corporation during fiscal 2008. These rate increases represent an average of approximately $1.60 per Basic Cable service customer.

Operating costs

2009 third-quarter and first nine month operating costs, excluding management fees payable to COGECO Inc., increased by $16.8 million, or 14.3%, to reach $134.3 million, and by $56.3 million, or 16.4%, to reach $399.8 million, respectively. The increase in operating costs is mainly attributable to servicing additional RGU and to the impact of the recent acquisitions.

Operating income before amortization

Operating income before amortization rose by $20.4 million, or 21.8%, to reach $113.8 million in the third quarter, and by $60.2 million, or 23.2%, to reach $320.3 million in the first nine months of fiscal 2009. The operating income before amortization has risen due to the increased revenue outpacing the operating costs growth including the impact of the recent acquisitions. Cogeco Cable's Canadian operations' third-quarter operating margin increased to 45.9% compared to 44.3% for the same period in the prior year, and to 43.9% from 42.5% for the first nine months.

EUROPEAN OPERATIONS

CUSTOMER STATISTICS

		Net additions (losses)				% of Penetration[1]	
		Quarters ended May 31,		Nine months ended May 31,		May 31,	
	May 31, 2009	**2009**	2008	**2009**	2008	**2009**	2008
RGU	**678,076**	**(12,190)**	14,231	**(46,890)**	29,618	**–**	–
Basic Cable service customers	**264,798**	**(11,394)**	(1,069)	**(31,337)**	6,588	**–**	–
HSI service customers[2]	**142,184**	**(4,420)**	(1,615)	**(17,117)**	4,287	**53.7**	54.7
Digital Television service customers[3]	**45,428**	**9,170**	14,470	**20,976**	14,470	**17.2**	4.8
Telephony service customers[4]	**225,666**	**(5,546)**	2,445	**(19,412)**	4,273	**85.2**	82.3

(1) As a percentage of Basic Cable service customers in areas served.
(2) Customers subscribing to the HSI service without the Basic Cable service totalled 7,940 as at May 31, 2009 compared to 8,346 as at May 31, 2008.
(3) The Digital Television service was launched in the third quarter of fiscal 2008.
(4) Customers subscribing to the Telephony service without the Basic Cable service totalled 8,335 as at May 31, 2009 compared to 10,043 as at May 31, 2008.

Fiscal 2009 third quarter and first nine months were marked by a continuing difficult competitive environment in the Iberian Peninsula, recurring intense customer promotions and advertising initiatives from competitors for their new respective third leg of the triple-play service in the Portuguese market. These factors were the main contributors to net customer losses in the Basic Cable, HSI and Telephony services compared to the same periods of the prior year. The Digital Television service was launched during the third quarter of 2008, with net additions in fiscal 2009 of 9,170 customers in the third quarter and 20,976 customers in the first nine months. Fiscal 2009 third quarter and first nine month period Basic Cable service customers decreased by 11,394 and 31,337 customers, respectively, compared to a decrease of 1,069 customers and a growth of 6,588 customers in the comparable periods of the prior year. HSI service customers decreased by 4,420 and 17,117 customers compared to a decrease of 1,615 and an increase of 4,287 for the corresponding periods in fiscal 2008. Telephony service decreased by 5,546 and 19,412 customers compared to a growth of 2,445 and 4,273 customers for the same periods of the preceding year.

In addition to the launch of new channels and retention strategies during the quarter, new marketing and other operating initiatives were implemented, the result of which should reduce customer attrition in the upcoming quarters.

OPERATING RESULTS

	Quarters ended May 31,			Nine months ended May 31,		
	2009	2008[1]	Change	**2009**	2008[1]	Change
($000, except percentages)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**57,571**	64,016	(10.1)	**180,875**	179,542	0.7
Operating costs	**42,632**	39,940	6.7	**127,258**	116,147	9.6
Operating income before amortization	**14,939**	24,076	(38.0)	**53,617**	63,395	(15.4)
Operating margin	**25.9%**	37.6%		**29.6%**	35.3%	

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

Revenue

Fiscal 2009 third-quarter revenue decreased by $6.4 million, or 10.1%, at $57.6 million, due to the net RGU loss in the quarter. For the first nine months, revenue slightly increased by $1.3 million to reach $180.9 million, an increase of 0.7% over 2008. This growth is due to the favourable impact of the appreciation of the Euro over the Canadian dollar and to monthly rate increases implemented by Cabovisão averaging $2.00 (€1.30) per Basic Cable customer in January 2008, net of decreases in overall RGU in the first nine months of fiscal 2009. Revenue from the European operations in the local currency for the third quarter and first nine months amounted to €35.7 million and €113.5 million, decreases of €5.1 million, or 12.5%, and €7.4 million, or 6.1%, respectively.

Operating costs

For the third quarter, operating costs increased by $2.7 million to reach $42.6 million, an increase of 6.7% compared to the prior year. In the first nine months of fiscal 2009, operating costs increased by $11.1 million to reach $127.3 million, an increase of 9.6%. The increases in operating costs are mainly attributable to the unfavourable impact of the appreciation of the Euro over the Canadian dollar and an increase in the amount of bad debts recorded in the quarter and first nine months of the year. However, Cabovisão has put together initiatives at the end of the second quarter of 2009 to better manage its collection processes which management expects will have a favourable impact on the level of bad debts in the coming months. Operating costs from the European operations in the local currency for the third quarter and first nine months of fiscal 2009 amounted to €26.4 million and €79.8 million, respectively, increases of €1.4 million, or 5.6%, and €1.9 million, or 2.4% compared to the prior year.

Operating income before amortization

For the third quarter, operating income before amortization decreased to $14.9 million from $24.1 million, and to $53.6 million from $63.4 million in the first nine months of fiscal 2009, representing decreases of 38% and 15.4%, respectively, mainly due to increases in operating costs and decreases in revenue. European operations' operating margin decreased for the third quarter to 25.9% from 37.6%, and for the first nine months to 29.6% from 35.3% in the prior year. Operating income before amortization in the local currency amounted to €9.3 million for the third quarter, a decrease of €6.5 million, or 41.3%, and to €33.7 million, a decrease of €9.3 million, or 21.5% for the first nine months of the year.

FISCAL 2010 PRELIMINARY FINANCIAL GUIDELINES

For fiscal 2010, Cogeco Cable expects to grow revenue and maintain operating income before amortization essentially at the same level as the fiscal 2009 projections. The preliminary guidelines take into consideration the global economic slowdown which is expected to continue during 2010. 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 recent months may have an adverse impact on the level of economic activity and consumer expenditures on goods and services within those communities. In previous recessionary periods, demand for cable telecommunications services has generally proven to be resilient. However, there is no assurance that demand would remain resilient in a prolonged global recession.

In Portugal, fiscal year 2009 was marked by a continuing difficult competitive environment in the Iberian Peninsula, recurring intense customer promotions and advertising initiatives from competitors for their new respective third leg of the triple-play service in the Portuguese market. These factors were the main contributors to the decline in net RGU and in the financial results of Cabovisão. Furthermore, digital terrestrial television services were launched in Portugal in the second half of fiscal 2009, and this development may limit the growth or result in some attrition of Basic Cable television service customers and consequently have an adverse impact on RGU. Management has realigned its short term strategic plan in order to curtail subscriber losses and is expecting RGU loss deceleration in fiscal 2010. In addition, Cabovisão recently launched new channels and retention strategies, which combined with new marketing and other operating initiatives, should reduce customer attrition in fiscal 2010. These factors should result in slower growth for Cogeco Cable when compared to prior years.

Fiscal 2010 consolidated revenue should increase by approximately 3.7% compared to the prior year. The Canadian operations revenue should increase as a result of additional RGU from continued deployment of the Telephony service and expanded penetration of the HSI and Digital Television services in fiscal 2010. Canadian operations will also benefit from the impact of rate increases implemented in fiscal 2009 in Ontario, averaging $1.00 per Basic Cable service customer. Cogeco Cable plans to expand its Canadian Basic Cable Service clientele through consistently effective marketing, competitive product offerings and superior customer service. As the penetration of HSI, Telephony and Digital Television services increase, the demand for these products should slow, reflecting early signs of maturity. Revenue from European operations should decrease, mainly from the impact of the significant decline in RGU in fiscal 2009 and that is expected to continue in fiscal 2010, although to a lesser extent, and from the impact of retention strategies implemented in fiscal 2009. Digital Television service is still under deployment and should continue to generate net additions in fiscal 2010. European operations revenue should reflect attrition due to the expected fluctuations in the value of the Euro compared to the Canadian dollar. For fiscal 2009, the expected foreign exchange rate was approximately $1.60 per Euro while for fiscal 2010, it is anticipated that the Euro should be converted at a rate of approximately $1.50 per Euro.

The operating costs increase of approximately 6.4% should come both from the Canadian and European operations. The Canadian operating costs increase is mainly attributable to servicing additional RGU, to inflation and salary increases as well as to the new Local Programming Improvement Fund for which payments will be required as of September 2009. The European operations costs increases are essentially due to new marketing initiatives and the launch of new channels.

For fiscal 2010, consolidated operating income before amortization should remain essentially the same at $500 million coming from the revenue growth offset by the increase in operating costs. Cogeco Cable expects to achieve an operating margin of approximately 40%.

Cogeco Cable expects the amortization of capital assets and deferred charges to increase by $15 million, mainly due to capital expenditures and deferred charges related to RGU additions and other initiatives in fiscal 2009 and 2010. In addition, cash flows from operations will finance capital expenditures and deferred charges, expected to amount to $360 million, an increase of $60 million compared to fiscal 2009 projections. The increase in capital expenditures are mainly due to customer premise equipment required to support RGU growth, to scalable infrastructure for product enhancements and the deployment of new technologies, and to support capital to improve business information systems and facility requirements. The Corporation expects to generate free cash flow in the order of $125 million, an increase of approximately $45 million compared to the fiscal 2009 projections mainly due to anticipated income tax recoveries of approximately $55 million resulting from modifications to the corporate structure, offsetting the increase in capital expenditures. Generated free cash flow should be used primarily to reduce Indebtedness, thus improving the Corporation's leverage ratios. Despite the anticipated decrease in Indebtedness, financial expense will remain the same at $70 million due to an increase in the average interest rate from the recent issuance of $300 million Senior Secured Debentures Series 1. As a result, net income of approximately $85 million should be achieved.

Consolidated

(in millions of dollars, except net customer additions and operating margin)	Preliminary Projections Fiscal 2010 $	Revised projections April 8, 2009 Fiscal 2009 $
Financial guidelines		
Revenue	1,250	1,205
Operating income before amortization	500	500
Operating margin	40%	42%
Financial expense	70	70
Amortization	285	270
Current income taxes	(55)	50
Net income (loss)	85	(275)
Capital expenditures and deferred charges	360	300
Free cash flow	125	80
Net customer additions guidelines		
RGU	125,000	100,000

The exchange rate used for the fiscal 2010 preliminary projections is $1.50 per Euro compared to $1.60 per Euro for the April 2009 revised projections.

CONTROLS AND PROCEDURES

The application of Bill 198 and its regulations represents an exercise in continuous improvement, which is leading the Corporation to formalize processes and control measures that are already in place and to introduce new ones. Cogeco Cable has chosen to make this a strategic endeavour, which will result in operational improvements and better management.

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer, together with management, have evaluated the effectiveness of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting as at May 31, 2009 and August 31, 2008. They have concluded that the Corporation's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Corporation is complete and reliable. However, certain material weaknesses were identified in the design of internal controls over financial reporting at these dates. The status of the remediation of the material weaknesses identified at August 31, 2008 is as follows:

The evaluation of Cogeco Data Services Inc. was completed during the third quarter of 2009 and management has concluded that the operations of its subsidiary do not meet materiality criteria on a consolidated basis.

During the third quarter of fiscal 2009, the Corporation has implemented new processes and software to track its home terminal devices from their initial purchase to their return by customers, and has adjusted the carrying values of the assets accordingly. This adjustment did not have a material impact on the Corporation's financial statements. Controls in relation to those new processes are presently in monitoring mode and management expects to conclude, before the end of fiscal 2009, on the full remediation of this material weakness identified at August 31, 2008.

During the fiscal year ending August 31, 2008, management has documented evidence of existing controls and designed and implemented new and enhanced automated and manual internal controls over financial reporting for many processes for its Canadian operations. Material weaknesses related to access controls over various databases and automated controls were identified and have now been remediated.

On August 1, 2006, Cogeco Cable purchased Cabovisão in Portugal. During the fiscal year ended August 31, 2007, management conducted a project to review the design of internal controls over financial reporting of significant processes. As at May 31, 2009, some key internal controls are still under evaluation and implementation. Some controls over access to databases, segregation of duties, and policy design are under review as well as some automated controls and any material weaknesses identified will be remediated before the end of the 2009 fiscal year.

As required under NI 52-109, management anticipates certifying design and effectiveness of internal controls over financial reporting within the 2009 fiscal year.

UNCERTAINTIES AND MAIN RISK FACTORS

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

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

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

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

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and the collection or repayment of these instruments which could result in a significant impact on the Corporation's financial expense. At May 31, 2009, approximately 80% of Cogeco Cable's debt is at fixed interest rates.

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

Digital terrestrial television services have been launched in Portugal in April 2009. This development may limit the growth or result in some attrition of Basic Cable television service customers, and consequently have an adverse impact on RGU.

ACCOUNTING POLICIES AND ESTIMATES

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

Capital disclosures and financial instruments

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

Capital disclosures

Section 1535 of the CICA Handbook requires that an entity disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance. These new disclosures are included in note 15 of the Corporation's interim consolidated financial statements.

Financial instruments

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

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

The adoption of these standards did not have any impact on the classification and measurements of the Corporation's financial instruments. The new disclosures pursuant to these new Sections are included in note 15 of the Corporation's interim consolidated financial statements.

Credit risk and fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board issued EIC Abstract 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*, which establishes guidance requiring an entity to consider its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009 and is applicable to the Corporation for its second quarter of fiscal 2009 with retrospective application, without restatement of prior periods, to the beginning of its current fiscal year. The adoption of this new abstract during the second quarter decreased derivative financial instruments assets by $3.5 million, decreased future income tax liabilities by $1 million and decreased accumulated other comprehensive income by $2.6 million at December 1, 2008 and had no significant impact on the consolidated balance sheet at September 1, 2008.

General standards of financial statement presentation

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

FUTURE ACCOUNTING PRONOUNCEMENTS

Business combinations, consolidated financial statements and non-controlling interests

During January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which replaces Section 1581 of the same name, and Sections 1601, *Consolidated Financial Statements* and 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*. These new Sections harmonize significant aspects of

Canadian accounting standards with the International Financial Reporting Standards ("IFRS") that will be mandated for entities with fiscal year beginning on or after January 1, 2011.

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

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

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

Harmonization of Canadian and International accounting standards

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

In April 2008, the CICA published an exposure draft as guidance which requires the transition to IFRS to replace Canadian GAAP as currently employed by Canadian publicly accountable enterprises. In March 2009, the CICA issued its second exposure draft on that matter which addresses additional IFRS standards, considers comments received to date and clarifies certain matters. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation expects that its first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

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

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

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

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

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

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

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

The conversion project is progressing according to the established plan.

NON-GAAP FINANCIAL MEASURES

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

Cash flow from operations and free cash flow

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

Cash flow from operations is calculated as follows:

	Quarters ended May 31,		Nine months ended May 31,	
($000)	**2009** **$**	2008 $	**2009** **$**	2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash flow from operating activities	**102,736**	112,799	**249,650**	249,135
Changes in non-cash operating items	**(7,926)**	(16,970)	**35,856**	11,720
Cash flow from operations	**94,810**	95,829	**285,506**	260,855

Free cash flow is calculated as follows:

	Quarters ended May 31,		Nine months ended May 31,	
($000)	**2009** **$**	2008 $	**2009** **$**	2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash flow from operations	**94,810**	95,829	**285,506**	260,855
Acquisition of fixed assets	**(56,501)**	(50,907)	**(184,291)**	(160,062)
Increase in deferred charges	**(5,256)**	(7,050)	**(18,242)**	(20,561)
Assets acquired under capital leases – as per note 13 b)	**(1,162)**	(971)	**(2,320)**	(2,417)
Free cash flow	**31,891**	36,901	**80,653**	77,815

Operating income before amortization and operating margin

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

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

	Quarters ended May 31,		Nine months ended May 31,	
($000, except percentages)	**2009** **$**	2008[1] $	**2009** **$**	2008[1] $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Operating income	**61,218**	59,283	**175,836**	156,567
Amortization	**67,513**	58,209	**198,079**	166,885
Operating income before amortization	**128,731**	117,492	**373,915**	323,452
Revenue	**305,672**	274,944	**910,030**	791,879
Operating Margin	**42.1%**	42.7%	**41.1%**	40.8%

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

Net income excluding the impairment loss and the tax adjustments and earnings per share excluding the impairment loss and the tax adjustments

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

The most comparable Canadian GAAP financial measures are net income and earnings per share. Net income excluding the impairment loss and the tax adjustments and earnings per share excluding the impairment loss and the tax adjustments per share are calculated as follows:

	Quarters ended May 31,		Nine months ended May 31,	
($000)	**2009** **$**	2008 $	**2009** **$**	2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net income (loss)	**31,770**	31,142	**(303,248)**	101,416
Adjustments:				
Impairment loss net of related income taxes	**–**	–	**383,630**	–
Tax adjustments:				
Reduction of withholding and stamp tax contingent liabilities	**(10,930)**	–	**(10,930)**	–
Utilization of pre-acquisition tax losses	**6,142**	–	**6,142**	–
Reduction of Canadian federal income tax rates	**–**	–	**–**	(24,002)
Net income excluding the impairment loss and the tax adjustments	**26,982**	31,142	**75,594**	77,414
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,558,526**	48,502,621	**48,540,837**	48,460,946
Effect of dilutive stock options	**76,975**	247,271	**149,389**	294,950
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,635,501**	48,749,892	**48,690,226**	48,755,896
Earnings per share excluding the impairment loss and the tax adjustments				
Basic	**0.56**	0.64	**1.56**	1.60
Diluted	**0.55**	0.64	**1.55**	1.59

ADDITIONAL INFORMATION

This MD&A was prepared on July 9, 2009. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

ABOUT COGECO CABLE

Cogeco Cable (www.cogeco.ca) is a telecommunications company, the second largest cable operator in Ontario, Québec and Portugal in terms of the number of Basic Cable service customers served. Through its two-way broadband cable networks, Cogeco Cable provides its residential customers with Audio, Analogue and Digital Television, as well as HSI and Telephony services. Cogeco Cable also provides, to its commercial customers, data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, VoIP, HSI access, dark fibre, data storage, data security and co-location services and other advanced communication solutions. Cogeco Cable's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

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Analyst Conference Call: **Friday, July 10, 2009 at 11:00 A.M.** (EDT)
Media representatives may attend as listeners only.

Please use the following dial-in number to have access to the conference call by dialling five minutes before the start of the conference:

Canada/USA Access Number: 1 800-820-0231
International Access Number: +1 416-640-5926
Confirmation Code: 4714736
By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until July 17, by dialling:
Canada and USA access number: 1 888-203-1112
International access number: +1 647-436-0148
Confirmation code: 4714736

Supplementary Quarterly Financial Information
(unaudited)

Quarters ended	May 31,		February 28/29,		November 30,		August 31,	
	2009	2008[1]	**2009**	2008[1]	**2008**	2007[1]	2008[1]	2007[1][3]
($000, except percentages and per share data)	**$**	$	**$**	$	**$**	$	$	$
Revenue	**305,672**	274,944	**304,920**	265,102	**299,438**	251,833	284,908	244,314
Operating income before amortization[2]	**128,731**	117,492	**125,461**	108,658	**119,723**	97,302	122,000	102,586
Operating margin[2]	***42.1%***	*42.7%*	***41.1%***	*41.0%*	***40.0%***	*38.6%*	*42.8%*	*42.0%*
Amortization	**67,513**	58,209	**66,644**	55,989	**63,922**	52,687	61,414	54,164
Operating income	**61,218**	59,283	**58,817**	52,669	**55,801**	44,615	60,586	48,422
Financial expense	**14,206**	17,374	**17,988**	17,136	**23,394**	15,877	18,752	18,684
Reduction of withholding and stamp tax contingent liabilities	**(10,930)**	–	**–**	–	**–**	–	–	–
Impairment of goodwill and intangible assets	**–**	–	**399,648**	–	**–**	–	–	–
Income taxes	**26,172**	10,767	**(250)**	(14,378)	**8,856**	8,375	9,968	(6,630)
Net income (loss)	**31,770**	31,142	**(358,569)**	49,911	**23,551**	20,363	31,866	36,368
Net income excluding the impairment loss and the tax adjustments[2]	**26,982**	31,142	**25,061**	25,909	**23,551**	20,363	31,866	21,647
Cash flow from operations[2]	**94,810**	95,829	**99,086**	85,273	**91,610**	79,753	99,547	83,825
Cash flow from operating activities	**102,736**	112,799	**118,440**	90,991	**28,474**	45,345	143,748	112,615
Free cash flow[2]	**31,891**	36,901	**30,965**	19,305	**17,797**	21,609	21,075	14,861
Earnings (loss) per share								
Basic	**0.65**	0.64	**(7.39)**	1.03	**0.49**	0.42	0.66	0.79
Diluted	**0.65**	0.64	**(7.39)**	1.02	**0.48**	0.42	0.65	0.78
Earnings per share excluding the impairment loss and the tax adjustments[2]								
Basic	**0.56**	0.64	**0.52**	0.53	**0.49**	0.42	0.66	0.47
Diluted	**0.55**	0.64	**0.51**	0.53	**0.48**	0.42	0.65	0.47

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

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

(3) Net income for the quarter ended August 31, 2007 has been adjusted to remove income tax adjustments of $14.7 million related to the recognition of benefits stemming from prior years' income tax losses and minimum income tax paid, and a reduction of Canadian federal income tax rates in addition to the adjustments described in the "Non-GAAP financial measures" section of the Management's discussion and analysis.

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations. However, the loss of Basic Service customers is usually greater, and the addition of HSI service customers is generally lower, in the third quarter, mainly due to students leaving campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns, such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal. Furthermore, the third and fourth quarters' operating margin are usually higher as lower or no management fees are paid to COGECO Inc. Under a Management Agreement, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount. For more details, please refer to the "Related Party Transactions" section.

Customer Statistics
(unaudited)

	May 31, 2009	August 31, 2008
Homes passed		
Ontario	**1,043,590**	1,029,121
Québec	**512,266**	502,490
Canada	**1,555,856**	1,531,611
Portugal	**904,141**[1]	895,923
Total	**2,459,997**	2,427,534
Revenue generating units		
Ontario	**1,472,676**	1,387,054
Québec	**659,447**	604,854
Canada	**2,132,123**	1,991,908
Portugal	**678,076**	724,966
Total	**2,810,199**	2,716,874
Basic Cable service customers		
Ontario	**600,160**	596,229
Québec	**265,569**	260,865
Canada	**865,729**	857,094
Portugal	**264,798**	296,135
Total	**1,130,527**	1,153,229
Discretionary service customers		
Ontario	**496,706**	493,858
Québec	**224,792**	215,820
Canada	**721,498**	709,678
Portugal	**–**	–
Total	**721,498**	709,678
Pay TV service customers		
Ontario	**105,260**	97,753
Québec	**50,044**	47,075
Canada	**155,304**	144,828
Portugal	**66,295**	57,715
Total	**221,599**	202,543
High Speed Internet service customers		
Ontario	**373,884**	352,553
Québec	**135,549**	120,914
Canada	**509,433**	473,467
Portugal	**142,184**	159,301
Total	**651,617**	632,768
Digital Television service customers		
Ontario	**320,765**	288,345
Québec	**167,959**	153,401
Canada	**488,724**	441,746
Portugal	**45,428**	24,452
Total	**534,152**	466,198
Telephony service customers		
Ontario	**177,867**	149,927
Québec	**90,370**	69,674
Canada	**268,237**	219,601
Portugal	**225,666**	245,078
Total	**493,903**	464,679

[1] The Corporation is currently assessing the number of homes passed.

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(unaudited)

(In thousands of dollars, except per share data)	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Revenue				
Service	**304,721**	273,736	**904,523**	786,820
Equipment	**951**	1,208	**5,507**	5,059
	305,672	274,944	**910,030**	791,879
Operating costs	**176,941**	157,452	**527,096**	459,713
Management fees – COGECO Inc.	**—**	—	**9,019**	8,714
Operating income before amortization	**128,731**	117,492	**373,915**	323,452
Amortization (note 3)	**67,513**	58,209	**198,079**	166,885
Operating income	**61,218**	59,283	**175,836**	156,567
Financial expense (note 4)	**14,206**	17,374	**55,588**	50,387
Reduction of withholding and stamp tax contingent liabilities (note 5)	**(10,930)**	—	**(10,930)**	—
Impairment of goodwill and intangible assets (note 6)	**—**	—	**399,648**	—
Income (loss) before income taxes	**57,942**	41,909	**(268,470)**	106,180
Income taxes (note 7)	**26,172**	10,767	**34,778**	4,764
Net income (loss)	**31,770**	31,142	**(303,248)**	101,416
Earnings (loss) per share (note 8)				
Basic	**0.65**	0.64	**(6.25)**	2.09
Diluted	**0.65**	0.64	**(6.25)**	2.08

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(In thousands of dollars)	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Net income (loss)	**31,770**	31,142	**(303,248)**	101,416
Other comprehensive income				
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $3,847,000 and $11,000 (income tax expense of $279,000 and income tax recovery of $908,000 in 2008)	**(32,757)**	1,272	**(2,308)**	(6,879)
Reclassification to net income of realized losses (gains) on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $4,615,000 and income tax expense of $746,000 (income tax recovery of $199,000 and income tax expense of $1,465,000 in 2008)	**29,699**	(1,091)	**(4,497)**	8,015
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries	**(13,185)**	23,042	**11,124**	47,432
Unrealized losses (gains) on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries	**11,389**	(16,019)	**(1,527)**	(31,282)
	(4,854)	7,204	**2,792**	17,286
Comprehensive income (loss)	**26,916**	38,346	**(300,456)**	118,702

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(unaudited)

(In thousands of dollars)	Nine months ended May 31,	
	2009	2008
	$	$
Balance at beginning, as previously reported	**297,150**	181,952
Changes in accounting policies	—	1,307
Balance at beginning, as restated	**297,150**	183,259
Net income (loss)	**(303,248)**	101,416
Dividends on multiple voting shares	**(5,649)**	(4,707)
Dividends on subordinate voting shares	**(11,827)**	(9,834)
Balance at end	**(23,574)**	270,134

COGECO CABLE INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(In thousands of dollars)	**May 31, 2009**	August 31, 2008
	$	$
Assets		
Current		
Cash and cash equivalents	**42,512**	36,371
Accounts receivable	**56,911**	59,582
Income taxes receivable	**10,715**	2,267
Prepaid expenses	**14,813**	12,892
Future income tax assets	**4,263**	8,661
	129,214	119,773
Fixed assets	**1,270,386**	1,257,965
Deferred charges	**56,628**	57,751
Intangible assets (note 9)	**1,023,629**	1,091,042
Goodwill (note 9)	**153,710**	487,805
Future income tax assets	**2,795**	4,819
	2,636,362	3,019,155
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**52,228**	10,302
Accounts payable and accrued liabilities	**200,972**	247,638
Income tax liabilities	**26,872**	20,212
Deferred and prepaid income	**32,407**	32,859
Derivative financial instruments	**—**	79,791
Current portion of long-term debt (note 10)	**177,466**	336,807
	489,945	727,609
Long-term debt (note 10)	**898,523**	718,234
Derivative financial instruments	**2,319**	—
Deferred and prepaid income and other liabilities	**12,351**	11,859
Pension plan liabilities and accrued employees benefits	**3,742**	3,139
Future income tax liabilities	**240,786**	253,235
	1,647,666	1,714,076
Shareholders' equity		
Capital stock (note 11)	**990,061**	988,889
Contributed surplus	**4,063**	3,686
Retained earnings (deficit)	**(23,574)**	297,150
Accumulated other comprehensive income (note 12)	**18,146**	15,354
	988,696	1,305,079
	2,636,362	3,019,155

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands of dollars)	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Cash flow from operating activities				
Net income (loss)	**31,770**	31,142	**(303,248)**	101,416
Adjustments for:				
Amortization (note 3)	**67,513**	58,209	**198,079**	166,885
Amortization of deferred transaction costs	**619**	730	**1,910**	2,183
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 (note 7)	**7,953**	4,782	**985**	(12,480)
Foreign exchange gain on unhedged long-term debt	**(2,376)**	—	**(2,376)**	—
Stock-based compensation	**266**	739	**699**	1,961
Loss on disposal of fixed assets	**32**	152	**250**	391
Other	**(37)**	75	**489**	499
	94,810	95,829	**285,506**	260,855
Changes in non-cash operating items (note 13 a))	**7,926**	16,970	**(35,856)**	(11,720)
	102,736	112,799	**249,650**	249,135
Cash flow from investing activities				
Acquisition of fixed assets (note 13 b))	**(56,501)**	(50,907)	**(184,291)**	(160,062)
Increase in deferred charges	**(5,256)**	(7,050)	**(18,242)**	(20,561)
Business acquisitions, net of cash and cash equivalents acquired	**—**	(16,105)	**—**	(16,105)
Other	**198**	48	**259**	73
	(61,559)	(74,014)	**(202,274)**	(196,655)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	**17,666**	(17,697)	**41,926**	—
Net repayments under the term facility	**(56,491)**	(58,600)	**(79,494)**	(123,066)
Issuance of long-term debt, net of transaction costs	**—**	99,759	**254,771**	99,759
Repayments of long-term debt and settlement of derivative financial instruments	**(842)**	(717)	**(241,388)**	(1,972)
Issue of subordinate voting shares	**—**	62	**964**	3,354
Dividends on multiple voting shares	**(1,883)**	(1,569)	**(5,649)**	(4,707)
Dividends on subordinate voting shares	**(3,944)**	(3,281)	**(11,827)**	(9,834)
	(45,494)	17,957	**(40,697)**	(36,466)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(1,866)**	1,063	**(538)**	1,265
Net change in cash and cash equivalents	**(6,183)**	57,805	**6,141**	17,279
Cash and cash equivalents at beginning	**48,695**	23,682	**36,371**	64,208
Cash and cash equivalents at end	**42,512**	81,487	**42,512**	81,487

See supplemental cash flow information in note 13.

1. Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), present fairly the financial position of Cogeco Cable Inc. (“the Corporation”) at May 31, 2009 and August 31, 2008 as well as its results of operations and its cash flows for the three and nine month periods ended May 31, 2009 and 2008.

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

Adoption of new accounting policies

Capital disclosures and financial instruments

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

Capital disclosures

Section 1535 of the CICA Handbook requires that an entity disclose information that enables users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance. These new disclosures are included in note 15.

Financial instruments

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

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

The adoption of these standards did not have any impact on the classification and measurements of the Corporation’s financial instruments. The new disclosures pursuant to these new Sections are included in note 15.

General standards of financial statement presentation

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

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1. Basis of Presentation (continued)

Credit risk and fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board issued EIC Abstract 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*, which establishes guidance requiring an entity to consider its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009 and was applicable to the Corporation for its second quarter of fiscal 2009 with retrospective application, without restatement of prior periods, to the beginning of its current fiscal year. The adoption of this new abstract during the second quarter decreased derivative financial instruments assets by $3.5 million, decreased future income tax liabilities by $1 million and decreased accumulated other comprehensive income by $2.6 million at December 1, 2008 and had no significant impact on the consolidated balance sheet at September 1, 2008.

Future accounting pronouncements

Business combinations, consolidated financial statements and non-controlling interests

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

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

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

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

1. Basis of Presentation (continued)

Harmonization of Canadian and International accounting standards

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

In April 2008, the CICA published an exposure draft as guidance which requires the transition to IFRS to replace Canadian GAAP as currently employed by Canadian publicly accountable enterprises. In March 2009, the CICA issued its second exposure draft on that matter which addresses additional IFRS standards, considers comments received to date and clarifies certain matters. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation expects that its first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

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

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

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

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

1. Basis of Presentation (continued)

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

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

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

The conversion project is progressing according to the established plan.

COGECO CABLE INC.

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2. Segmented Information

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

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

	Canada		Europe		Consolidated	
Three months ended May 31,	**2009**	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Revenue	**248,101**	210,928	**57,571**	64,016	**305,672**	274,944
Operating costs	**134,309**	117,512	**42,632**	39,940	**176,941**	157,452
Operating income before amortization	**113,792**	93,416	**14,939**	24,076	**128,731**	117,492
Amortization	**49,038**	38,219	**18,475**	19,990	**67,513**	58,209
Operating income (loss)	**64,754**	55,197	**(3,536)**	4,086	**61,218**	59,283
Financial expense (revenue)	**14,360**	17,561	**(154)**	(187)	**14,206**	17,374
Reduction of withholding and stamp tax contingent liabilities	**—**	—	**(10,930)**	—	**(10,930)**	—
Income taxes	**16,445**	12,157	**9,727**	(1,390)	**26,172**	10,767
Net income (loss)	**33,949**	25,479	**(2,179)**	5,663	**31,770**	31,142
Total assets [(1)]	**2,260,410**	2,214,840	**375,952**	804,315	**2,636,362**	3,019,155
Fixed assets [(1)]	**978,596**	940,683	**291,790**	317,282	**1,270,386**	1,257,965
Intangible assets [(1)]	**1,023,629**	1,027,268	**—**	63,774	**1,023,629**	1,091,042
Goodwill [(1)]	**116,890**	116,890	**36,820**	370,915	**153,710**	487,805
Acquisition of fixed assets [(2)]	**44,488**	39,572	**13,175**	12,306	**57,663**	51,878

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

COGECO CABLE INC.

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2. Segmented Information (continued)

	Canada		Europe		Consolidated	
Nine months ended May 31,	**2009**	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Revenue	**729,155**	612,337	**180,875**	179,542	**910,030**	791,879
Operating costs	**399,838**	343,566	**127,258**	116,147	**527,096**	459,713
Management fees − COGECO Inc.	**9,019**	8,714	**—**	—	**9,019**	8,714
Operating income before amortization	**320,298**	260,057	**53,617**	63,395	**373,915**	323,452
Amortization	**137,355**	110,990	**60,724**	55,895	**198,079**	166,885
Operating income (loss)	**182,943**	149,067	**(7,107)**	7,500	**175,836**	156,567
Financial expense (revenue)	**55,853**	50,710	**(265)**	(323)	**55,588**	50,387
Reduction of withholding and stamp tax contingent liabilities	**—**	—	**(10,930)**	—	**(10,930)**	—
Impairment of goodwill and intangible assets	**—**	—	**399,648**	—	**399,648**	—
Income taxes	**42,386**	8,341	**(7,608)**	(3,577)	**34,778**	4,764
Net income (loss)	**84,704**	90,016	**(387,952)**	11,400	**(303,248)**	101,416
Total assets [1]	**2,260,410**	2,214,840	**375,952**	804,315	**2,636,362**	3,019,155
Fixed assets [1]	**978,596**	940,683	**291,790**	317,282	**1,270,386**	1,257,965
Intangible assets [1]	**1,023,629**	1,027,268	**—**	63,774	**1,023,629**	1,091,042
Goodwill [1]	**116,890**	116,890	**36,820**	370,915	**153,710**	487,805
Acquisition of fixed assets [2]	**154,686**	125,042	**31,925**	37,437	**186,611**	162,479

[1] At May 31, 2009 and August 31, 2008.
[2] Includes capital leases that are excluded from the statements of cash flows.

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3. Amortization

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Fixed assets	**60,027**	49,953	**170,811**	142,646
Deferred charges	**6,293**	5,481	**18,142**	16,473
Intangible assets	**1,193**	2,775	**9,126**	7,766
	67,513	58,209	**198,079**	166,885

4. Financial expense

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Interest on long-term debt	**15,172**	17,455	**52,062**	50,534
Foreign exchange losses (gains)	**(1,687)**	2	**2,716**	(856)
Amortization of deferred transaction costs	**408**	408	**1,222**	1,222
Other	**313**	(491)	**(412)**	(513)
	14,206	17,374	**55,588**	50,387

5. Reduction of withholding and stamp tax contingent liabilities

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

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6. Impairment of goodwill and intangible assets

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Impairment of goodwill	**—**	—	**339,206**	—
Impairment of intangible assets	**—**	—	**60,442**	—
	—	—	**399,648**	—

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

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

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

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7. Income Taxes

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Current	**18,219**	5,985	**33,793**	17,244
Future	**7,953**	4,782	**985**	(12,480)
	26,172	10,767	**34,778**	4,764

The following table provides a 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,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Income (loss) before income taxes	**57,942**	41,909	**(268,470)**	106,180
Combined income tax rate	**32.56 %**	33.51 %	**32.56 %**	33.51 %
Income taxes at combined income tax rate	**18,866**	14,044	**(87,413)**	35,581
Adjustment for loss or income subject to lower or higher tax rates	**(109)**	(1,006)	**(667)**	(1,688)
Decrease in future income taxes as a result of decreases in substantively enacted tax rates	**—**	—	**—**	(24,002)
Decrease in income tax recovery arising from the non-deductible impairment of goodwill	**—**	—	**89,890**	—
Utilization of pre-acquisition tax losses	**6,142**	—	**6,142**	—
Decrease in income tax recovery arising from non-deductible expenses	**146**	292	**318**	585
Effect of foreign income tax rate differences	**1,127**	(2,821)	**25,155**	(6,198)
Other	**—**	258	**1,353**	486
Income taxes at effective income tax rate	**26,172**	10,767	**34,778**	4,764

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8. Earnings (loss) per Share

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

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Net income (loss)	**31,770**	31,142	**(303,248)**	101,416
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,558,526**	48,502,621	**48,540,837**	48,460,946
Effect of dilutive stock options [(1)]	—	247,271	—	294,950
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,558,526**	48,749,892	**48,540,837**	48,755,896
Earnings (loss) per share				
Basic	**0.65**	0.64	**(6.25)**	2.09
Diluted	**0.65**	0.64	**(6.25)**	2.08

[(1)] The weighted average dilutive potential number of subordinate voting shares, which were antidilutive for the three and nine month periods ended May 31, 2009 amounted to 76,975 and 149,389. For the three and nine month periods ended May 31, 2009, 246,759 and 199,038 stock options (114,879 and 103,963 in 2008) 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.

9. Goodwill and Intangible Assets

	May 31, 2009	August 31, 2008
	$	$
Customer relationships	**34,077**	101,490
Customer base	**989,552**	989,552
	1,023,629	1,091,042
Goodwill	**153,710**	487,805
	1,177,339	1,578,847

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9. Goodwill and Intangible Assets (continued)

a) Intangible assets

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

	Customer relationships	Customer base	Total
	$	$	$
Balance at August 31, 2008	101,490	989,552	1,091,042
Amortization	(9,126)	—	(9,126)
Foreign currency translation adjustment	2,155	—	2,155
Impairment (note 6)	(60,442)	—	(60,442)
Balance at May 31, 2009	34,077	989,552	1,023,629

b) Goodwill

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

	$
Balance at August 31, 2008	487,805
Foreign currency translation adjustment	11,253
Recognition of pre-acquisition tax losses	(6,142)
Impairment (note 6)	(339,206)
Balance at May 31, 2009	153,710

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10. Long-Term Debt

	Maturity	Interest rate	**May 31, 2009**	August 31, 2008
		%	**$**	$
Parent company				
Term Facility				
Term loan – €94,096,350	2011	1.69 (1)(4)	**144,712**	145,832
Term loan – €17,358,700	2011	1.69 (1)(4)	**26,668**	26,881
Revolving loan – €69,250,000 (€126,000,000 at August 31, 2008)	2011	1.63 (1)	**106,873**	196,308
Revolving loan	2011	1.22 (1)	**104,918**	94,375
Senior Secured Debentures Series 1	2009	6.75	**149,989**	149,814
Senior Secured Notes				
Series A – US$150 million	2008	6.83 (2)	**—**	159,233
Series B	2011	7.73	**174,482**	174,338
Senior Secured Notes (3)				
Series A – US$190 million	2015	7.00	**205,923**	—
Series B	2018	7.60	**54,568**	—
Senior Unsecured Debenture	2018	5.94	**99,782**	99,768
Subsidiaries				
Obligations under capital leases	2013	6.47 – 9.93	**8,074**	8,492
			1,075,989	1,055,041
Less current portion			**177,466**	336,807
			898,523	718,234

(1) Average interest rate on debt at May 31, 2009, including stamping fees.

(2) Cross-currency swap agreements have resulted in an effective interest rate of 7.254% on the Canadian dollar equivalent of the US denominated debt.

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

(4) On January 21, 2009, the Corporation entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity of July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest swap rate of 2.08%, the Corporation will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility.

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11. Capital Stock

Authorized, an unlimited number

Class A Preference shares, non-voting, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, non-voting, issuable in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

	May 31, 2009	August 31, 2008
	$	$
Issued		
15,691,100 multiple voting shares	**98,346**	98,346
32,867,426 subordinate voting shares (32,826,611 at August 31, 2008)	**891,715**	890,543
	990,061	988,889

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

	Number of shares	**Amount**
		$
Balance at August 31, 2008	**32,826,611**	**890,543**
Shares issued for cash under the Employee Stock Purchase Plan and Stock Option Plan	**40,815**	**964**
Compensation expense previously recorded in contributed surplus for options exercised	**—**	**208**
Balance at May 31, 2009	**32,867,426**	**891,715**

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11. Capital Stock (continued)

Stock-based plans

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives, which are described in the Corporation's annual consolidated financial statements. During the first nine months, the Corporation granted 138,381 stock options (113,084 in 2008) with an exercise price ranging from $31.90 to $34.46 ($41.45 to $49.82 in 2008) of which 29,711 stock options (22,683 in 2008) were granted to COGECO Inc.'s employees. During the three and nine month periods ended May 31, 2009, the Corporation charged an amount of $81,000 and $172,000 ($99,000 and $280,000 in 2008) with regards to the Corporation's options granted to COGECO Inc.'s employees. The Corporation records compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $229,000 and $413,000 ($496,000 and $1,222,000 in 2008) was recorded for the three and nine month periods ended May 31, 2009.

The fair value of stock options granted for the nine month period ended May 31, 2009 was $7.70 ($12.59 in 2008) per option. The fair value of each option granted was estimated at the grant date for purposes of determining the stock-based compensation expense using the binomial option pricing model based on the following assumptions:

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

At May 31, 2009, the Corporation had outstanding stock options providing for the subscription of 701,745 subordinate voting shares. These stock options, which include 10,400 conditional stock options, can be exercised at various prices ranging from $7.05 to $49.82 and at various dates up to April 8, 2019. On April 6, 2009, the Corporation cancelled 206,180 stock options which had been conditionally granted in relation with the acquisition of Cabovisão, at a price of $26.63 per share, subject to performance criteria of Cabovisão being met. Of these options, 112,662 were still conditional.

The Corporation also offers a deferred share unit plan ("DSU Plan") which is described in the Corporation's annual consolidated financial statements. During the first nine months, 6,282 deferred share units were awarded to the participants in connection with the DSU Plan. Reduction of expense of $44,000 and expenses of $114,000 were recorded for the three and nine month periods ended May 31, 2009 for the liability related to this plan.

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12. Accumulated Other Comprehensive Income

	Translation of a net investment in self-sustaining foreign subsidiaries $	Cash flow hedges $	Total $
Balance at August 31, 2008	**15,660**	**(306)**	**15,354**
Other comprehensive income (loss)	**9,597**	**(6,805)**	**2,792**
Balance at May 31, 2009	**25,257**	**(7,111)**	**18,146**

13. Statements of Cash Flows

a) Changes in non-cash operating items

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Accounts receivable	**2,082**	(174)	**2,774**	(4,594)
Income taxes receivable	**(1,563)**	32	**(8,479)**	4
Prepaid expenses	**(2,032)**	1,209	**(2,022)**	1,778
Accounts payable and accrued liabilities	**(6,783)**	10,133	**(34,876)**	(22,366)
Income tax liabilities	**16,579**	5,511	**6,706**	14,352
Deferred and prepaid income and other liabilities	**(357)**	259	**41**	(894)
	7,926	16,970	**(35,856)**	(11,720)

b) Other information

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Fixed asset acquisitions through capital leases	**1,162**	971	**2,320**	2,417
Interest paid	**22,346**	20,215	**56,060**	52,099
Income taxes paid	**3,203**	524	**35,569**	2,997

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14. Employees Future Benefits

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

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Contributory defined benefit pension plans	**364**	283	**1,056**	847
Defined contribution pension plan and collective registered retirement savings plan	**1,065**	767	**2,841**	2,206
	1,429	1,050	**3,897**	3,053

15. Financial and Capital Management

a) Financial management

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

Credit risk

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

Credit risk from the derivative financial instruments arises from the possibility that counterparties to the cross-currency swap and interest rate swap agreements may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At May 31, 2009, management believes that the credit risk relating to its swaps 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 Corporation has deposited the cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

15. Financial and Capital Management (continued)

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, the Corporation's credit exposure is higher but it is difficult to predict the impact this could have on the Corporation's accounts receivable balances. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new major customer. At May 31, 2009, no customer balance represents a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout it's market area in Canada and Portugal, there is no significant concentration of credit risk. The following table provides further details on the Corporation's accounts receivable balances:

	May 31, 2009	August 31, 2008
	$	$
Trade accounts receivable	**68,281**	66,559
Allowance for doubtful accounts	**(16,265)**	(12,357)
	52,016	54,202
Other accounts receivable	**4,895**	5,380
	56,911	59,582

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

	May 31, 2009	August 31, 2008
	$	$
Net trade accounts receivable not past due	**40,243**	40,945
Net trade accounts receivable past due	**11,773**	13,257
	52,016	54,202

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15. Financial and Capital Management (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At May 31, 2009, the available amount of the Corporation's Term Facility was $459.6 million. Management believes that the committed Term Facility will, until its maturity in July 2011, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

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

	2009 (three months)	2010 (twelve months)	2011 (twelve months)	2012 (twelve months)	2013 (twelve months)	Thereafter	Total
	$	$	$	$	$	$	$
Bank indebtedness	52,228	—	—	—	—	—	52,228
Accounts payable and accrued liabilities	200,972	—	—	—	—	—	200,972
Long-term debt [1]	174,203	40,339	319,340	175,000	—	362,423	1,071,305
Derivative financial instruments							
Cash outflows (Canadian dollar)	—	—	—	—	—	201,875	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	—	—	—	—	—	(207,423)	(207,423)
Obligations under capital leases [2]	1,931	3,249	2,324	1,590	269	—	9,363
	429,334	43,588	321,664	176,590	269	356,875	1,328,320

[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 are due for each of the next five years and thereafter, based on the principal and interest rate prevailing on the current debt at May 31, 2009 and their respective maturities:

	2009 (three months)	2010 (twelve months)	2011 (twelve months)	2012 (twelve months)	2013 (twelve months)	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	10,988	43,621	42,595	26,890	24,636	78,210	226,940
Interest payments on derivative financial instruments	4,812	18,696	17,398	14,614	14,614	30,445	100,579
Interest receipts on derivative financial instruments	(4,322)	(16,957)	(16,182)	(14,520)	(14,520)	(30,249)	(96,750)
	11,478	45,360	43,811	26,984	24,730	78,406	230,769

15. Financial and Capital Management (continued)

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At May 31, 2009, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Facility. On January 21, 2009, the Corporation entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity of July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest swap rate of 2.08%, the Corporation will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility. The Corporation elected to apply cash flow hedge accounting on this derivative financial instrument. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Facility is approximately $2.1 million based on the current debt at May 31, 2009 and taking into consideration the effect of the interest rate swap agreement.

Foreign exchange risk

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

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At May 31, 2009, cash and cash equivalents denominated in US dollars amounted to US$2,081,000 (bank indebtedness of US$286,000 at August 31, 2008) while accounts payable denominated in US dollars amounted to US$3,875,000 (US$16,121,000 at August 31, 2008). At May 31, 2009, Euro-denominated cash and cash equivalents amounted to €1,176,000 (€219,000 at August 31, 2008) while accounts payable denominated in Euros amounted to €50,000 (€163,000 at August 31, 2008). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant, except for the unusual high volatility of the US dollar compared to the Canadian dollar during the first nine months of fiscal 2009. During the nine month period ended May 31, 2009, the exchange rate increased from $1.0620 at August 31, 2008, to $1.0917 at May 31, 2009, reaching a high of $1.2991 on March 9, 2009. The impact of a 10% change in the foreign exchange rates (US dollar and Euros) would change financial expense by approximately $22,000.

Furthermore, the Corporation's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão-Televisão por Cabo, S.A. was borrowed directly in Euros. At May 31, 2009, the net investment amounted to €184,959,000 (€446,051,000 at August 31, 2008) while long-term debt denominated in Euros amounted to €180,705,000 (€237,455,000 at August 31, 2008). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at May 31, 2009 was $1.5433 per Euro compared to $1.5580 per Euro at August 31, 2008. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change financial expense by approximately $0.7 million and other comprehensive income by approximately $0.7 million.

15. Financial and Capital Management (continued)

Fair value

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

	May 31, 2009		August 31, 2008	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**1,075,989**	**1,064,491**	1,055,041	1,049,329

b) Capital management

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

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

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

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15. Financial and Capital Management (continued)

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

	May 31, 2009	August 31, 2008
Net indebtedness [(1)] / Shareholders' equity	**1.1**	0.8
Net indebtedness [(1)] / Operating income before amortization [(2)]	**2.2**	2.5
Operating income before amortization / Financial expense [(3)]	**6.7**	6.4

[(1)] Net indebtedness is defined as the total of bank indebtedness, long-term debt and derivative financial instrument liability, less cash and cash equivalents.
[(2)] Calculation based on operating income before amortization for the last twelve month periods ended May 31, 2009 and August 31, 2008.
[(3)] Calculation based on operating income before amortization and financial expense for the nine month period ended May 31, 2009 and twelve month period ended August 31, 2008.

16. Subsequent event

On June 9, 2009, the Corporation completed, pursuant to a public debt offering, the issue of 5.95% Senior Secured Debentures Series 1 for $300 million maturing June 9, 2014. The Debentures were priced at $99.881 per $100 principal amount for an effective yield of 5.98% per annum. The net proceeds of sale of the Debentures were used to reimburse the Corporation's existing indebtedness and for general corporate purposes.

17. Comparative figures

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