SHAREHOLDERS' REPORT

Third quarter ended May 31, 2009

FINANCIAL HIGHLIGHTS

	Quarters ended May 31,			Nine months ended May 31,		
($000, except percentages and per share data)	**2009** **$**	2008[1] $	Change %	**2009** **$**	2008[1] $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**316,310**	283,878	11.4	**936,510**	816,027	14.8
Operating income from continuing operations before amortization[2]	**129,404**	117,206	10.4	**380,771**	326,903	16.5
Operating income from continuing operations	**61,750**	58,642	5.3	**182,269**	158,954	14.7
Impairment of goodwill and intangible assets	**–**	–	–	**399,648**	–	–
Income (loss) from continuing operations	**10,480**	9,538	9.9	**(93,758)**	33,509	–
Loss from discontinued operations	**–**	–	–	**–**	(18,057)	–
Net income (loss)	**10,480**	9,538	9.9	**(93,758)**	15,452	–
Net income excluding the impairment loss, the tax adjustments and the loss from discontinued operations[2]	**8,933**	9,538	(6.3)	**28,646**	25,600	11.9
Cash flow from operating activities from continuing operations	**102,653**	112,893	(9.1)	**253,603**	252,439	0.5
Cash flow from operations from continuing operations[2]	**95,498**	96,068	(0.6)	**291,475**	262,819	10.9
Capital expenditures and increase in deferred charges	**63,082**	58,961	7.0	**205,199**	183,364	11.9
Free cash flow[2]	**32,416**	37,107	(12.6)	**86,276**	79,455	8.6
Earnings (loss) per share						
Basic						
Income (loss) from continuing operations	**0.63**	0.57	10.5	**(5.60)**	2.01	–
Loss from discontinued operations	**–**	–	–	**–**	(1.08)	–
Net income (loss)	**0.63**	0.57	10.5	**(5.60)**	0.93	–
Net income excluding the impairment loss, the income tax adjustment and the loss from discontinued operations[2]	**0.53**	0.57	(7.0)	**1.71**	1.54	11.0
Diluted						
Income (loss) from continuing operations	**0.63**	0.57	10.5	**(5.60)**	2.00	–
Loss from discontinued operations	**–**	–	–	**–**	(1.08)	–
Net income (loss)	**0.63**	0.57	10.5	**(5.60)**	0.92	–
Net income excluding the impairment loss, the tax adjustments and the loss from discontinued operations[2]	**0.53**	0.57	(7.0)	**1.71**	1.53	11.8

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

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

FORWARD-LOOKING STATEMENTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CORPORATE STRATEGIES AND OBJECTIVES

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

Tight control over costs and business processes

- For the first nine months of fiscal 2009, the Company's operating costs increased over last year by 13.6% compared to a revenue growth of 14.8%;
- During the quarter, the Company's cable subsidiary, Cogeco Cable Inc. ("Cogeco Cable") 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 Company 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.

Cable sector
Sustained corporate growth

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 Company invested approximately $76.9 million in its cable infrastructure including head-ends and upgrades and rebuilds.

Other

- Spring's BBM Canada survey conducted with the Portable People Meter ("PPM") shows that RYTHME FM has maintained its leadership position with audiences in the adult and female categories in the Montréal and Trois-

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[1] The indicated terms do not have standardized definitions prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-GAAP financial measures" section.
[2] Represents the sum of Basic Cable, High Speed Internet (HSI), Digital Television and Telephony service customers.

Rivières markets. The other RYTHME FM stations continue to gain market share. As for the 93[3] station in Québec City, it registered its highest numbers ever and has reclaimed the first position in this very competitive market.

Discontinued Operations

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

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

The results of the discontinued operations were as follows:

	Quarters ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
($000)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	–	–	–	38,499
Operating costs	–	–	–	35,822
Operating income before amortization	–	–	–	2,677
Amortization	–	–	–	1,364
Operating income	–	–	–	1,313
Financial expense	–	–	–	291
Impairment of assets	–	–	–	30,298
Loss before income taxes and the following items	–	–	–	(29,276)
Income taxes	–	–	–	–
Non-controlling interest	–	–	–	(11,219)
Loss from discontinued operations	–	–	–	(18,057)

The cash flows of the discontinued operations were 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	–	–	–	(3,973)
Cash flow from investing activities	–	–	–	(133)
Cash flow from financing activities	–	–	–	4,106
Cash flow from discontinued operations	–	–	–	–

Continuing Operations

RGU growth in the cable sector

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 Company's RGU growth projections of 100,000 net additions issued on October 29, 2008 and revised on April 8, 2009, which represents approximately 3.7%, for the fiscal year ending August 31, 2009. Please consult the fiscal 2009 revised projections in the "Fiscal 2010 preliminary financial guidelines" section for further details.

Revenue and operating income from continuing operations before amortization growth

For the third quarter of fiscal 2009, revenue increased by $32.4 million, or 11.4%, to reach $316.3 million while operating income before amortization from continuing operations grew by $12.2 million, or 10.4%, to reach $129.4 million. For the first nine months of the year, revenue increased by $120.5 million, or 14.8%, to reach $936.5 million while operating income before amortization from continuing operations grew by $53.9 million, or 16.5%, to reach $380.8 million and management expects to attain its revised guidelines of $1,238 million in revenue and $505 million in operating income before amortization from continuing operations 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 of fiscal 2009, COGECO generated free cash flow of $32.4 million compared to $37.1 million for the same period last year. For the nine month period ended May 31, 2009, COGECO generated free cash flow of $86.3 million compared to $79.5 million in the prior year. The reduction in free cash flow for the quarter is mainly due to the cable sector and resulted from an increase in capital expenditures and the decrease in cash flow from operations(1), due to the increase in current income taxes. For the first nine months, the growth in free cash flow is essentially from the cable sector and is due to increases in cash flow from operations, resulting primarily from the improvement of Cogeco Cable's operating income before amortization, partly offset by increases in capital expenditures. On April 8, 2009, management revised its guidelines for free cash flow to $85 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 Cogeco Cable's subsidiary 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 the "Cable sector" 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 Cogeco Cable's investment in the Portuguese subsidiary. As a result, Cogeco Cable tested goodwill and all long-lived assets for impairment at February 28, 2009.

Goodwill 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. Cogeco Cable completed its impairment tests on goodwill and concluded that goodwill was impaired at February 28, 2009. As a result, a non-cash impairment loss of $339.2 million was recorded in the second quarter. 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, Cogeco Cable completed its impairment test on customer relationships at February 28, 2009, and determined that the carrying value of customer relationships exceeded its fair value. As a result, a non-cash impairment loss of $60.4 million was recorded in the second quarter.

(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.

The impairment loss affected the Company'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
Non-controlling interest	(259,679)
Impairment loss net of related income taxes and non-controlling interest	123,951

OPERATING RESULTS – CONSOLIDATED OVERVIEW

	Quarters ended May 31,			Nine months ended May 31,		
($000, except percentages)	**2009** **$**	2008(1) $	Change %	**2009** **$**	2008(1) $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**316,310**	283,878	11.4	**936,510**	816,027	14.8
Operating costs	**186,906**	166,672	12.1	**555,739**	489,124	13.6
Operating income from continuing operations before amortization(2)	**129,404**	117,206	10.4	**380,771**	326,903	16.5
Operating margin(2)	**40.9%**	41.3%		**40.7%**	40.1%	

(1) Certain comparative figures have been reclassified to conform to the current year's presentation. Financial information for the previous year has been restated to reflect the presentation of foreign exchange gains or losses as financial expense instead of operating costs.
(2) The indicated terms do not have standardized definitions prescribed by Canadian 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 revenue improved, mainly in its cable sector, by $32.4 million, or 11.4%, to reach $316.3 million. Cable revenue, 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 in the Canadian operations, partly offset by a net RGU loss in European operations, went up by $30.7 million, or 11.2%, in the third quarter of fiscal 2009.

In the first nine months of the year, revenue improved by $120.5 million, or 14.8%, to reach $936.5 million. The majority of the increase is attributable to the cable sector, with an increase of $118.2 million, or 14.9%, due to an increased number of RGU combined with rate increases and the recent acquisitions in the second half of fiscal 2008 in the Canadian operations, and the strength of the Euro against the Canadian dollar, despite a RGU loss in the first nine months of the year in European operations.

Operating costs

Operating costs increased by $20.2 million, or 12.1%, to reach $186.9 million in the third quarter and by $66.6 million, or 13.6%, to reach $555.7 million in the first nine months of fiscal 2009 compared to the prior year. The increase in operating costs was mainly attributable to the cable sector, due to the servicing of additional RGU and the impact of the recent acquisitions in Canada, and in Europe due to the appreciation of the Euro over the Canadian dollar and an increase in the level of uncollectible customer accounts.

Operating income from continuing operations before amortization

Operating income from continuing operations before amortization grew, essentially in its cable segment, by $12.2 million, or 10.4%, to reach $129.4 million in the third quarter of fiscal 2009 compared to the corresponding period of the prior year, and for the nine month period ended May 31, 2009, by $53.9 million, or 16.5%, to reach $380.8 million. The cable sector

contributed to the growth by $11.2 million during the third quarter, and $50.5 million during the first nine months of the fiscal year.

FIXED CHARGES

	Quarters ended May 31,			Nine months ended May 31,		
($000, except percentages)	**2009** $	2008(1) $	Change %	**2009** $	2008(1) $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Amortization	**67,654**	58,564	15.5	**198,502**	167,949	18.2
Financial expense	**14,362**	17,748	(19.1)	**56,168**	51,631	8.8

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

Fiscal 2009 third quarter and first nine-month period amortization amounted to $67.7 million and $198.5 million, respectively, compared to $58.6 million and $167.9 million for the corresponding period the year before. The increase in amortization expense was mainly due the cable sector and attributable to additional capital expenditures arising from customer premise equipment acquisitions to sustain RGU growth, to the recent acquisitions in the Canadian operations and to the appreciation of the Euro currency over the Canadian dollar.

Third-quarter financial expense decreased by $3.4 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 $4.5 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 in the cable sector 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 cable subsidiary 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

COGECO's indirect Portuguese subsidiary, Cabovisão, had recorded contingent liabilities for withholding and stamp taxes relating to fiscal years prior to its acquisition by Cogeco Cable. At the date of acquisition, the amount accrued represented management's best estimate based on the available information. Management reviews its estimate periodically to take into consideration payments made relating to these contingencies as well as newly available information which would allow the cable subsidiary to improve its previous estimate. During the third quarter of fiscal 2009, Cabovisão received a preliminary report from the Portuguese tax authorities with respect to some of the items included in the contingent liabilities. Accordingly, management 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 $26.3 million compared to $10.3 million in fiscal 2008. The income tax expense in the cable sector for the third 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 $20.2 million compared to $10.3 million in the prior year. For the first nine months of the year, income tax expense amounted to $36.4 million compared to $5.1 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, both in the cable sector. 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 $24.1 million in the first nine months of fiscal 2008. Excluding the effects of these items, income tax expense would have amounted to $46.2 million for the first nine months of fiscal 2009, compared to $29.3 million in 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.

NON-CONTROLLING INTEREST

The non-controlling interest represents a participation of approximately 67.7% in Cogeco Cable’s results. During the third quarter of fiscal 2009 the income attributable to non-controlling interest amounted to $21.5 million, and a loss of $205.3 million for the nine months ended May 31, 2009, due to the impairment loss recorded in the cable sector. The income attributable to non-controlling interest for the comparable periods of the prior year amounted to $21.1 million and $68.6 million, respectively.

NET INCOME (LOSS)

Fiscal 2009 third-quarter net income amounted to $10.5 million, or $0.63 per share, compared to $9.5 million, or $0.57 per share, for the same period last year. Net income for the third quarter of fiscal 2009 includes an unfavourable impact of $2 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 $3.5 million described above, also in Cabovisão, both net of non-controlling interest. Excluding the impact of these items[1], net income would have amounted to $8.9 million, or $0.53 per share[1], compared to $9.5 million, or $0.57 per share in the prior year, representing decreases of 6.3% and 7%, respectively. Net income reduction for the quarter is mainly attributable to the cable sector and 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 quarter. Please consult the “Non-GAAP financial measures” section for further details.

Net loss in the first nine month period of fiscal 2009 amounted to $93.8 million, or $5.60 per share, compared to net income of $15.5 million, or $0.93 per share, for the same period last year. In addition to the impacts described above for the quarter, the net loss in the first nine months of fiscal 2009 was affected by the impairment loss of $399.6 million recorded in the second quarter of the year in the cable sector, as described in the “Impairment of goodwill and intangible assets” section. Net of related income taxes and non-controlling interest, the impairment loss reduced net income for the first nine months by $124 million. The net income amounts of the 2008 fiscal year included an income tax recovery of $24.1 million resulting from the reduction of corporate income tax rates in the second quarter of fiscal 2008 as described in the “Income taxes” section, net of non-controlling interest of $16.2 million, for a net impact on income of $7.9 million, and losses from discontinued operations of $18.1 million for the first nine months of fiscal 2008. Excluding the effect of the above items, net income would have amounted to $28.6 million, or $1.71 per share, for first nine months ended May 31, 2009, compared to $25.6 million, or $1.54 per share, for the first nine months of the 2008 fiscal year, representing increases of 11.9% and 11%, respectively. Net income progression has resulted mainly from the growth in the cable sector of operating income before amortization exceeding that of fixed charges in the Canadian operations, offset by the decline of the financial results in the European operations and the increase in income tax expense described in the “Income taxes” section above.

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[1] The indicated terms do not have standardized definitions prescribed by Canadian GAAP and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the “Non-GAAP financial measures” section.

CASH FLOW AND LIQUIDITY

	Quarters ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
($000)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Operating activities from continuing operations				
Cash flow from operations[1]	**95,498**	96,068	**291,475**	262,819
Changes in non-cash operating items	**7,155**	16,825	**(37,872)**	(10,380)
	102,653	112,893	**253,603**	252,439
Investing activities from continuing operations[2]	**(61,719)**	(74,415)	**(202,514)**	(197,487)
Financing activities from continuing operations[2]	**(44,677)**	18,771	**(42,266)**	(39,815)
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 from continuing operations	**(5,609)**	58,312	**8,285**	16,402
Cash and cash equivalents, beginning of period	**51,366**	24,369	**37,472**	66,279
Cash and cash equivalents, end of period	**45,757**	82,681	**45,757**	82,681

(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 $95.5 million, 0.6% lower than the comparable period last year, primarily 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 $7.2 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 $16.8 million were mainly a result of an increase in accounts payable and accrued liabilities and in income tax liabilities.

In the first nine months of fiscal 2009, cash flow from operations reached $291.5 million, 10.9% higher than the comparable period last 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 $37.9 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 $10.4 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.

In the third quarter of fiscal 2009, investing activities from continuing operations including assets acquired under capital leases stood at $62.9 million due primarily to the cable sector, with capital expenditures of $57.7 million and an increase of $5.1 million in deferred charges and others. The capital expenditures, stemming essentially from the cable sector, increased compared to the same period last year due to the following factors:

- An increase in 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.

In the first nine months of fiscal 2009, investing activities from continuing operations including assets acquired under capital leases stood at $204.9 million due primarily to the cable sector, with capital expenditures of $186.6 million and an increase of $18 million in deferred charges and others. The capital expenditures, stemming essentially from the cable sector, increased compared to the same period last year due to the following factors:

- An increase in 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 in the cable sector. The increase in deferred charges and others for the third quarter amounted to $5.1 million compared to $7.4 million for the same period the year before, and to $18 million compared to $21.1 million for the first nine months of the year. Slower RGU growth explained the lower increases recorded in fiscal 2009.

In the third quarter and first nine months, the Company generated free cash flows amounting to $32.4 million and $86.3 million, respectively, compared to $37.1 million and $79.5 million for the same periods of the preceding year, representing a decrease of 12.6% for the quarter, and an increase of 8.6% for the nine months ended May 31, 2009. The reduction in free cash flow for the quarter is mainly due to the cable sector and resulted from 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 from the cable sector and is 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 $3.6 million for the quarter ended May 31, 2009, and by $21.1 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 $40.3 million mainly due to the free cash flow of $32.4 million, the increase in non-cash operating items of $7.2 million, and the decrease in cash and cash equivalents of $5.6 million, net of the dividend payment of $5.3 million described below. Indebtedness mainly decreased through the net repayments on Cogeco Cable's revolving loans of $56.5 million, net of an increase of $17 million in bank indebtedness. For the same period of the prior year, Indebtedness affecting cash increased by $22.9 million, primarily due to the issuance by Cogeco Cable 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 by the cable subsidiary to reimburse its 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 in the cable sector and a reduction of the Company's Term Facility for an amount of $2 million from the free cash flow of $37.1 million and the increase in non-cash operating items of $16.8 million.

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

In the first nine months of fiscal 2009, Indebtedness affecting cash decreased by $28 million due to the free cash flow of $86.3 million, partly offset by the reduction of non-cash operating items of $37.9 million, the payment of dividends totalling $15.8 million described below and the increase in cash and cash equivalents of $8.3 million. Indebtedness decreased through the repayment, in the cable sector, of 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 Cogeco Cable'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 $45.1 million in bank indebtedness. For the same period of the prior year, Indebtedness affecting cash decreased by $29.7 million mainly due to a net reduction of the amount outstanding on the revolving credit facility of $123.1 million in the cable sector and a reduction of the Company's Term Facility of $6.5 million, partly offset by the issuance of a senior unsecured debenture, as discussed above.

During the first nine months of fiscal 2009, quarterly dividends of $0.08 per share for subordinate and multiple voting shares, totalling $4 million, were paid by the Company, compared to quarterly dividends of $0.07 per share, totalling $3.5 million in the first nine months of the prior year. Dividends paid by a subsidiary to non-controlling interests amounted to $11.8 million, for consolidated dividend payments of $15.8 million in the nine month period ended May 31, 2009.

At May 31, 2009, the Company had a working capital deficiency of $363.7 million compared to $611.8 million as at August 31, 2008. The decrease in the deficiency is mainly attributable to the cable sector and is due to the repayment of the US$150 million Senior Secured Notes, Series A and the related derivative financial instrument for a total of $238.7 million on October 31, 2008, using the proceeds of issuance of the Senior Secured Notes Series A and B. As part of the usual conduct of its cable business, COGECO maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the cable subsidiary's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling Cogeco Cable to use cash and cash equivalents to reduce Indebtedness.

At May 31, 2009, Cogeco Cable had used $425.4 million of its $885 million Term Facility for a remaining availability of $459.6 million and the Company had drawn $12 million of its $50 million Term Facility, for a remaining availability of $38 million.

On October 1, 2008, the Company's cable subsidiary, Cogeco Cable, 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. Cogeco Cable 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, Cogeco Cable 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.

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

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

FINANCIAL POSITION

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

The $12.3 million increase in fixed assets is mainly related to increases in capital expenditures to sustain RGU growth and to the recent acquisitions in Canada in the cable sector, 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 Cogeco Cable's investment in Cabovisão in the second quarter of this fiscal year. The $12.8 million decrease in future income tax liabilities is attributable to the cable sector and is mainly due to the impairment loss described above. The $46.5 million decrease in accounts payable and accrued liabilities is related to the timing of payments made to suppliers, the reduction of withholding and stamp tax contingent liabilities, and the fluctuations of the Euro currency over the Canadian dollar in the cable sector. 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 in the cable subsidiary. The $8 million increase in income taxes receivable is due to income tax payments relating to fiscal 2008 in the cable sector. The $6.8 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 $18.3 million and cash and cash equivalents has increased by $8.3 million as a result of the factors previously discussed in the "Cash Flow and

Liquidity" section. The $213.7 million decrease in non-controlling interest is due to the impairment loss recorded on the cable subsidiary's investment in Cabovisão in the second quarter of the year as described in the "Impairment of goodwill and intangible assets" section, net of improvements in the cable subsidiary's operating results excluding the impairment loss.

A description of COGECO's share data as at June 30, 2009 is presented in the table below:

	Number of shares/options	Amount ($000)
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,942,470	120,994
Options to purchase subordinate voting shares		
Outstanding options	79,650	
Exercisable options	79,650	

In the normal course of business, COGECO has incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. COGECO's obligations, discussed in the 2008 annual MD&A, have not materially changed since August 31, 2008, except for the new financing in the cable sector discussed in the "Cash Flow and Liquidity" section.

DIVIDEND DECLARATION

At its July 10, 2009 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.08 per share for subordinate and multiple voting shares, payable on 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 Company based upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, their amount and frequency may vary.

FINANCIAL MANAGEMENT

On January 21, 2009, the Company's cable subsidiary, Cogeco Cable, entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest rate swap to hedge the Term Loans has been fixed at 2.08% until their maturity at July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest rate swap of 2.08%, Cogeco Cable will continue to pay the applicable margin on these Term Loans in accordance with its Term Facility. Since the issuance on January 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 and non-controlling interest of $1 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 and non-controlling interest of $3.9 million.

Cogeco Cable's net investment in the self-sustaining foreign subsidiary, Cabovisão, is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the value of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. This debt is designated as a hedge of net investments in self-sustaining foreign subsidiaries and, accordingly, Cogeco Cable realized a foreign exchange gain of $9.6 million in the first nine months of fiscal 2009, which is presented net of non-controlling interest of $6.5 million 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 in the cable sector 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

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

CABLE SECTOR

CUSTOMER STATISTICS

		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	2,810,199	14,985	50,889	93,325	190,109	–	–
Basic Cable service customers	1,130,527	(13,547)	(1,589)	(22,702)	16,001	–	–
HSI service customers[2]	651,617	1,519	6,865	18,849	53,119	59.7	56.7
Digital Television service customers	534,152	19,235	26,055	67,954	60,187	47.8	38.5
Telephony service customers[3]	493,903	7,778	19,558	29,224	60,802	47.2	44.2

(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 86,887 as at May 31, 2009 compared to 82,780 at May 31, 2008.
(3) Customers subscribing to the Telephony service without the Basic Cable service totalled 31,774 as at May 31, 2009 compared to 25,301 at May 31, 2008.

In the cable sector, third quarter and first nine months RGU net additions were lower than for the same periods last year and reflect an early sign of maturation in some services for the Canadian operations and the difficult competitive environment in Portugal. The number of net losses for Basic Cable stood at 13,547 customers for the quarter and 22,702 customers for the first nine months, compared to net losses of 1,589 customers and net additions of 16,001 customers, respectively, for the same periods of the prior year. This decrease is due to net customer losses in the European operations reflecting a continuing 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, partly offset by increases in Canadian operations stemming from continuous improvements to the service offering, targeted marketing activities and an upswing in subscription activity in border markets due to the impending over-the-air digital conversion in the United States. The number of net additions to HSI service stood at 1,519 customers for the quarter and 18,849 customers for the first nine months, compared to 6,865 and 53,119 customers, respectively, for the same periods last year. The growth in HSI customer net additions continues to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities in Canadian operations offset by net customer losses in European operations due to the factors mentioned above. The Digital Television service net additions stood at 19,235 and 67,954 customers, for the quarter and nine month period ended May 31, 2009, respectively, compared to 26,055 and 60,187 customers for the same periods in the prior year due to targeted marketing initiatives in the second half of fiscal 2008 and in 2009 to improve market penetration and to the continuing strong interest for the HD Television service in Canadian operations, as well as the launch of the Digital Television service in Portugal in the third quarter of fiscal 2008. In the quarter and first nine months, Telephony customers grew by 7,778 and 29,224 customers to reach 493,903 at May 31, 2009, compared to a growth of 19,558 and 60,802 customers for the same periods of the prior year. The lower growth is mostly attributable to the increased penetration in areas where the service is already offered and to fewer new areas where the service was launched in Canadian operations offset by net customer losses in European operations due to the difficult competitive environment. Telephony service coverage in Canada, as a percentage of homes passed, is now above 90% compared to 83% at May 31, 2008. The service is offered in all of the Company’s territories in Portugal.

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

OPERATING RESULTS

	Quarters ended May 31,			Nine months ended May 31,		
($000, except percentages)	**2009** **$**	2008[(1)] $	Change %	**2009** **$**	2008[(1)] $	Change %
	(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 from continuing operations before amortization	**128,731**	117,492	9.6	**373,915**	323,452	15.6
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. Financial information for the previous year has been restated to reflect the presentation of foreign exchange gains or losses as financial expense instead of operating costs.

Revenue

Fiscal 2009 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 an increased number of RGU combined with rate increases and 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, Cogeco Cable's 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.

FISCAL 2010 PRELIMINARY FINANCIAL GUIDELINES

Consolidated

(in millions of dollars)	Preliminary Projections Fiscal 2010 $	Revised projections April 8, 2009 Fiscal 2009 $
Financial guidelines		
Revenue	1,285	1,238
Operating income before amortization	505	505
Financial expense	70	70
Current income taxes	(55)	50
Net income (loss)	30	(87)
Capital expenditures and deferred charges	360	300
Free cash flow	130	85

Cable sector

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. Cogeco Cable 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 Cogeco Cable'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.

(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
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.

Other sector

Revenue should increase to approximately $35 million due to improved audience ratings in radio and operating income before amortization should reach $5 million.

(in millions of dollars)	Preliminary Projections Fiscal 2010 $	Revised projections April 8, 2009 Fiscal 2009 $
Financial guidelines		
Revenue	35	33
Operating income before amortization	5	5

CONTROLS AND PROCEDURES

The application of Bill 198 and its regulations represents an exercise in continuous improvement, which is leading the Company to formalize processes and control measures that are already in place and to introduce new ones. COGECO 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 Company'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

Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company 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 Company's cable subsidiary, Cogeco Cable 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 Company'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 Company since August 31, 2008, except as described below. A detailed description of the uncertainties and main risk factors faced by COGECO can be found in the 2008 annual MD&A.

Cogeco Cable's footprint includes certain regions in Ontario (Burlington and Windsor) and in Portugal (Palmela) where the automobile industry is a significant driver of economic activity. The sharp downturn experienced by the automobile industry in recent months may have an adverse impact on the level of economic activity and consumer expenditures on goods and services within those communities. In previous recessionary periods, demand for cable telecommunications services has generally 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 Company's defined benefit pension plans as there is no assurance that the actual rate of return on plan assets will approximate the assumed rate of return used in the most recent actuarial valuation. Market driven changes may impact the assumptions used in future actuarial valuations and could result in the Company being required to make contributions in the future that differ significantly from the current contributions to the Company's defined benefit pension plans.

The Company is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and the collection or repayment of these instruments which could result in a significant impact on the Company's financial expense. At 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 in the cable sector.

ACCOUNTING POLICIES AND ESTIMATES

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

Capital disclosures and financial instruments

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

Capital disclosures

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

Financial instruments

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

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

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

Credit risk and fair value of financial assets and financial liabilities

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

General standards of financial statement presentation

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

FUTURE ACCOUNTING PRONOUNCEMENTS

Business combinations, consolidated financial statements and non-controlling interests

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

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

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

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

Harmonization of Canadian and International accounting standards

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the 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 Company expects that its first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

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

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

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

changes and training programs across the organization, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS in business processes, eliminating any unnecessary data collection processes and finally the approval by the Audit Committee of the IFRS financial statements. Implementation also involves delivery of further training to staff as revised systems begin to take effect.

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

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

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

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

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

NON-GAAP FINANCIAL MEASURES

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

Cash flow from operations from continuing operations and free cash flow

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

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

	Quarters ended May 31,		Nine months ended May 31,	
($000)	2009 $	2008 $	2009 $	2008 $
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities from continuing operations	**102,653**	112,893	**253,603**	252,439
Changes in non-cash operating items	**(7,155)**	(16,825)	**37,872**	10,380
Cash flow from operations from continuing operations	**95,498**	96,068	**291,475**	262,819

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 from continuing operations	**95,498**	96,068	**291,475**	262,819
Acquisition of fixed assets	**(56,664)**	(50,940)	**(184,534)**	(160,286)
Increase in deferred charges	**(5,256)**	(7,050)	**(18,242)**	(20,661)
Assets acquired under capital leases – as per note 13 b)	**(1,162)**	(971)	**(2,423)**	(2,417)
Free cash flow	**32,416**	37,107	**86,276**	79,455

Operating income from continuing operations before amortization and operating margin

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

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

	Quarters ended May 31,		Nine months ended May 31,	
($000, except percentages)	2009 $	2008[(1)] $	2009 $	2008[(1)] $
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating income from continuing operations	**61,750**	58,642	**182,269**	158,954
Amortization	**67,654**	58,564	**198,502**	167,949
Operating income from continuing operations before amortization	**129,404**	117,206	**380,771**	326,903
Revenue	**316,310**	283,878	**936,510**	816,027
Operating margin	**40.9%**	41.3%	**40.7%**	40.1%

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

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

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

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

	Quarters ended May 31,		Nine months ended May 31,	
($000)	**2009** **$**	2008 $	**2009** **$**	2008 $
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net income (loss)	**10,480**	9,538	**(93,758)**	15,452
Adjustments:				
Impairment loss net of related income taxes and non-controlling interest	**–**	–	**123,951**	–
Tax adjustments net of non-controlling interest:				
Reduction of withholding and stamp tax contingent liabilities	**(3,531)**	–	**(3,531)**	–
Utilization of pre-acquisition tax losses	**1,984**	–	**1,984**	–
Reduction of Canadian federal income tax rates	**–**	–	**–**	(7,909)
Loss from discontinued operations	**–**	–	**–**	18,057
Net income excluding the impairment loss, the tax adjustments and the loss from discontinued operations	**8,933**	9,538	**28,646**	25,600
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,758,923**	16,682,468	**16,746,931**	16,676,369
Effect of dilutive stock options	**3,947**	54,599	**11,432**	70,256
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,762,870**	16,737,067	**16,758,363**	16,746,625
Earnings per share excluding the impairment loss, the tax adjustments and the loss from discontinued operations				
Basic	**0.53**	0.57	**1.71**	1.54
Diluted	**0.53**	0.57	**1.71**	1.53

ADDITIONAL INFORMATION

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

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Inc.
Montréal, Québec
July 10, 2009

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)]
($000, except percentages and per share data)	**$**	$	**$**	$	**$**	$	$	$
Revenue	**316,310**	283,878	**311,825**	271,894	**308,375**	260,255	292,873	251,300
Operating income from continuing operations before amortization[(2)]	**129,404**	117,206	**126,663**	109,523	**124,704**	100,174	122,019	100,755
Operating margin[(2)]	***40.9%***	*41.3%*	***40.6%***	*40.3%*	***40.4%***	38.5%	*41.7%*	40.1%
Amortization	**67,654**	58,564	**66,785**	56,346	**64,063**	53,039	61,775	54,723
Operating income from continuing operations	**61,750**	58,642	**59,878**	53,177	**60,641**	47,135	60,244	46,032
Financial expense	**14,362**	17,748	**18,028**	17,550	**23,778**	16,333	19,066	19,084
Reduction of withholding and stamp tax contingent liabilities	**(10,930)**	–	**–**	–	**–**	–	–	–
Impairment of goodwill and intangible assets	**–**	–	**399,648**	–	**–**	–	–	–
Income taxes	**26,334**	10,285	**175**	(14,426)	**9,848**	9,277	9,849	(7,480)
Loss (gain) on dilution	**–**	3	**22**	(25)	**26**	107	19	(27,011)
Non-controlling interest	**21,504**	21,068	**(242,704)**	33,763	**15,936**	13,762	21,559	24,240
Income (loss) from continuing operations	**10,480**	9,538	**(115,291)**	16,315	**11,053**	7,656	9,656	37,097
Loss from discontinued operations	**–**	–	**–**	(425)	**–**	(17,632)	–	(6,713)
Net income (loss)	**10,480**	9,538	**(115,291)**	15,890	**11,053**	(9,976)	9,656	30,384
Net income excluding the impairment loss, the tax adjustments and the loss from discontinued operations[(2)(3)]	**8,933**	9,538	**8,660**	8,406	**11,053**	7,656	9,656	5,309
Cash flow from operations from continuing operations[(2)]	**95,498**	96,068	**100,351**	85,374	**95,626**	81,377	99,969	78,153
Cash flow from operating activities from continuing operations	**102,653**	112,893	**120,480**	92,942	**30,470**	46,604	146,052	107,155
Free cash flow[(2)]	**32,416**	37,107	**32,089**	19,374	**21,771**	22,974	20,981	9,131
Earnings (loss) per share								
Basic								
Income (loss) from continuing operations	**0.63**	0.57	**(6.89)**	0.98	**0.66**	0.46	0.58	2.23
Loss from discontinued operations	**–**	–	**–**	(0.03)	**–**	(1.06)	–	(0.40)
Net income (loss)	**0.63**	0.57	**(6.89)**	0.95	**0.66**	(0.60)	0.58	1.83
Net income excluding the impairment loss, the tax adjustments and the loss from discontinued operations[(2)(3)]	**0.53**	0.57	**0.52**	0.50	**0.66**	0.46	0.58	0.32
Diluted								
Income (loss) from continuing operations	**0.63**	0.57	**(6.89)**	0.97	**0.66**	0.46	0.58	2.21
Loss from discontinued operations	**–**	–	**–**	(0.03)	**–**	(1.06)	–	(0.40)
Net income (loss)	**0.63**	0.57	**(6.89)**	0.95	**0.66**	(0.60)	0.58	1.81
Net income excluding the impairment loss, the tax adjustments and the loss from discontinued operations[(2)(3)]	**0.53**	0.57	**0.52**	0.50	**0.66**	0.46	0.58	0.32

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

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

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

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

Cable Sector 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] Cogeco Cable is currently assessing the number of homes passed.

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

(In thousands of dollars, except per share data)	Three months ended May 31, **2009** **$**	2008 $	Nine months ended May 31, **2009** **$**	2008 $
Revenue	**316,310**	283,878	**936,510**	816,027
Operating costs	**186,906**	166,672	**555,739**	489,124
Operating income from continuing operations before amortization	**129,404**	117,206	**380,771**	326,903
Amortization (note 3)	**67,654**	58,564	**198,502**	167,949
Operating income from continuing operations	**61,750**	58,642	**182,269**	158,954
Financial expense (note 4)	**14,362**	17,748	**56,168**	51,631
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) from continuing operations before income taxes and the following items	**58,318**	40,894	**(262,617)**	107,323
Income taxes (note 7)	**26,334**	10,285	**36,357**	5,136
Loss on dilution resulting from shares issued by a subsidiary	—	3	**48**	85
Non-controlling interest	**21,504**	21,068	**(205,264)**	68,593
Income (loss) from continuing operations	**10,480**	9,538	**(93,758)**	33,509
Loss from discontinued operations (note 16)	—	—	—	(18,057)
Net income (loss)	**10,480**	9,538	**(93,758)**	15,452
Earnings (loss) per share (note 8)				
Basic				
Income (loss) from continuing operations	**0.63**	0.57	**(5.60)**	2.01
Loss from discontinued operations	—	—	—	(1.08)
Net income (loss)	**0.63**	0.57	**(5.60)**	0.93
Diluted				
Income (loss) from continuing operations	**0.63**	0.57	**(5.60)**	2.00
Loss from discontinued operations	—	—	—	(1.08)
Net income (loss)	**0.63**	0.57	**(5.60)**	0.92

COGECO 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)	**10,480**	9,538	**(93,758)**	15,452
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 and non-controlling interest of $22,173,000 and $1,566,000 (income tax expense of $279,000 and income tax recovery of $908,000 and non-controlling interest of $860,000 and $4,653,000 in 2008)	**(10,584)**	412	**(742)**	(2,226)
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 and non-controlling interest of $20,104,000 and $3,037,000 (income tax recovery of $199,000 and income tax expense of $1,465,000 and non-controlling interest of $738,000 and $5,421,000 in 2008)	**9,595**	(353)	**(1,460)**	2,594
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $8,925,000 and $7,528,000 ($15,588,000 and $32,087,000 in 2008)	**(4,260)**	7,454	**3,596**	15,345
Unrealized losses (gains) on translation of long-term debts designated as hedges of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $7,709,000 and $1,033,000 ($10,837,000 and $21,162,000 in 2008)	**3,680**	(5,182)	**(494)**	(10,120)
	(1,569)	2,331	**900**	5,593
Comprehensive income (loss)	**8,911**	11,869	**(92,858)**	21,045

COGECO INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited)

(In thousands of dollars)	Nine months ended May 31, 2009	2008
	$	$
Balance at beginning, as previously reported	**295,808**	274,946
Changes in accounting policies	—	424
Balance at beginning, as restated	**295,808**	275,370
Net income (loss)	**(93,758)**	15,452
Dividends on multiple voting shares	**(442)**	(387)
Dividends on subordinate voting shares	**(3,576)**	(3,114)
Balance at end	**198,032**	287,321

COGECO INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(In thousands of dollars)	**May 31, 2009**	August 31, 2008
	$	$
Assets		
Current		
Cash and cash equivalents	**45,757**	37,472
Accounts receivable	**65,032**	64,910
Income taxes receivable	**11,528**	3,569
Prepaid expenses	**15,196**	13,271
Future income tax assets	**4,263**	8,661
	141,776	127,883
Investments	**739**	739
Fixed assets	**1,273,929**	1,261,610
Deferred charges	**56,703**	57,841
Intangible assets (note 9)	**1,048,969**	1,116,382
Goodwill (note 9)	**153,710**	487,805
Future income tax assets	**5,265**	7,221
	2,681,091	3,059,481
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**55,406**	10,302
Accounts payable and accrued liabilities	**212,518**	259,038
Income tax liabilities	**27,599**	20,793
Deferred and prepaid income	**32,407**	32,859
Derivative financial instruments	**—**	79,791
Current portion of long-term debt (note 10)	**177,504**	336,858
	505,434	739,641
Long-term debt (note 10)	**910,471**	737,055
Derivative financial instruments	**2,319**	—
Deferred and prepaid income and other liabilities	**12,351**	11,859
Pension plan liabilities and accrued employees benefits	**11,510**	9,645
Future income tax liabilities	**243,507**	256,307
	1,685,592	1,754,507
Non-controlling interest	**670,224**	883,948
Shareholders' equity		
Capital stock (note 11)	**121,006**	120,049
Treasury shares (note 11)	**(1,847)**	(1,522)
Contributed surplus	**2,220**	1,727
Retained earnings	**198,032**	295,808
Accumulated other comprehensive income (note 12)	**5,864**	4,964
	325,275	421,026
	2,681,091	3,059,481

COGECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands of dollars)	Three months ended May 31, **2009** **$**	2008 $	Nine months ended May 31, **2009** **$**	2008 $
Cash flow from operating activities				
Income (loss) from continuing operations	**10,480**	9,538	**(93,758)**	33,509
Adjustments for:				
Amortization (note 3)	**67,654**	58,564	**198,502**	167,949
Amortization of deferred transaction costs	**634**	742	**1,985**	2,215
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)	**7,828**	4,690	**566**	(13,050)
Non-controlling interest	**21,504**	21,068	**(205,264)**	68,593
Loss on dilution resulting from shares issued by a subsidiary	—	3	**48**	85
Foreign exchange gain on unhedged long-term debt	**(2,376)**	—	**(2.376)**	—
Stock-based compensation	**396**	1,022	**1,260**	2,092
Loss on disposal of fixed assets	**29**	151	**233**	388
Other	**279**	290	**1,561**	1,038
	95,498	96,068	**291,475**	262,819
Changes in non-cash operating items (note 13 a))	**7,155**	16,825	**(37,872)**	(10,380)
Cash flow from operating activities from continuing operations	**102,653**	112,893	**253,603**	252,439
Cash flow from operating activities from discontinued operations (note 16)	—	—	—	(3,973)
	102,653	112,893	**253,603**	248,466
Cash flow from investing activities				
Acquisition of fixed assets (note 13 b))	**(56,664)**	(50,940)	**(184,534)**	(160,286)
Increase in deferred charges	**(5,256)**	(7,050)	**(18,242)**	(20,661)
Business acquisitions, net of cash and cash equivalents acquired	—	(16,105)	—	(16,105)
Other	**201**	(320)	**262**	(435)
Cash flow from investing activities from continuing operations	**(61,719)**	(74,415)	**(202,514)**	(197,487)
Cash flow from investing activities from discontinued operations (note 16)	—	—	—	(133)
	(61,719)	(74,415)	**(202,514)**	(197,620)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	**16,986**	(15,686)	**45,104**	2,090
Net repayments under the term facilities	**(56,515)**	(60,451)	**(86,464)**	(129,586)
Issuance of long-term debt, net of transaction costs	—	99,759	**254,771**	99,810
Repayments of long-term debt and settlement of derivative financial instruments	**(801)**	(731)	**(241,428)**	(2,007)
Issue of subordinate voting shares	**936**	266	**957**	327
Acquisition of treasury shares	—	—	**(325)**	(468)
Dividends on multiple voting shares	**(147)**	(129)	**(442)**	(387)
Dividends on subordinate voting shares	**(1,192)**	(1,038)	**(3,576)**	(3,114)
Issue of shares by a subsidiary to non-controlling interest	—	62	**964**	3,354
Dividends paid by a subsidiary to non-controlling interest	**(3,944)**	(3,281)	**(11,827)**	(9,834)
Cash flow from financing activities from continuing operations	**(44,677)**	18,771	**(42,266)**	(39,815)
Cash flow from financing activities from discontinued operations (note 16)	—	—	—	4,106
	(44,677)	18,771	**(42,266)**	(35,709)
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	**(5,609)**	58,312	**8,285**	16,402
Cash and cash equivalents at beginning	**51,366**	24,369	**37,472**	66,279
Cash and cash equivalents at end	**45,757**	82,681	**45,757**	82,681

See supplemental cash flow information in note 13.

COGECO INC.

Notes to Consolidated Financial Statements
May 31, 2009
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, present fairly the financial position of COGECO Inc. ("the Company") 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 Inc.'s annual consolidated financial statements for the year ended August 31, 2008. These unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except for the adoption of the new accounting policies described below.

Adoption of new accounting policies

Capital disclosures and financial instruments

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

Capital disclosures

Section 1535 of the CICA Handbook requires that an entity disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance. These new disclosures are included in note 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 Company'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 Company on September 1, 2008 and had no impact on the interim consolidated financial statements.

COGECO INC.
Notes to 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 Company for its second quarter of fiscal 2009 with retrospective application, without restatement of prior periods, to the beginning of its current fiscal year. The adoption of this new abstract during the second quarter decreased derivative financial instruments assets by $3.5 million, decreased future income tax liabilities by $1 million, decreased non-controlling interest by $1.8 million and decreased accumulated other comprehensive income by $0.8 million at December 1, 2008 and had no significant impact on the consolidated balance sheet at September 1, 2008.

Future accounting pronouncement

Business combinations, consolidated financial statements and non-controlling interests

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

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

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

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

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Notes to Consolidated Financial Statements
May 31, 2009
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

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

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

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

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

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

1. Basis of Presentation (continued)

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

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

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

The conversion project is progressing according to the established plan.

COGECO INC.

Notes to Consolidated Financial Statements
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2. Segmented Information

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

	Cable		Other and eliminations		Consolidated	
Three months ended May 31,	**2009**	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Revenue	**305,672**	274,944	**10,638**	8,934	**316,310**	283,878
Operating costs	**176,941**	157,452	**9,965**	9,220	**186,906**	166,672
Operating income (loss) from continuing operations before amortization	**128,731**	117,492	**673**	(286)	**129,404**	117,206
Amortization	**67,513**	58,209	**141**	355	**67,654**	58,564
Operating income (loss) from continuing operations	**61,218**	59,283	**532**	(641)	**61,750**	58,642
Financial expense	**14,206**	17,374	**156**	374	**14,362**	17,748
Reduction of withholding and stamp tax contingent liabilities	**(10,930)**	—	**—**	—	**(10,930)**	—
Income taxes	**26,172**	10,767	**162**	(482)	**26,334**	10,285
Loss on dilution resulting from shares issued by a subsidiary	**—**	3	**—**	—	**—**	3
Non-controlling interest	**21,504**	21,068	**—**	—	**21,504**	21,068
Income (loss) from continuing operations	**10,266**	10,071	**214**	(533)	**10,480**	9,538
Total assets [1]	**2,636,362**	3,019,155	**44,729**	40,326	**2,681,091**	3,059,481
Fixed assets [1]	**1,270,386**	1,257,965	**3,543**	3,645	**1,273,929**	1,261,610
Intangible assets [1]	**1,023,629**	1,091,042	**25,340**	25,340	**1,048,969**	1,116,382
Goodwill [1]	**153,710**	487,805	**—**	—	**153,710**	487,805
Acquisition of fixed assets [2]	**57,663**	51,878	**163**	33	**57,826**	51,911

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

COGECO INC.

Notes to Consolidated Financial Statements
May 31, 2009
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

2. Segmented Information (continued)

	Cable		Other and eliminations		Consolidated	
Nine months ended May 31,	**2009**	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Revenue	**910,030**	791,879	**26,480**	24,148	**936,510**	816,027
Operating costs	**536,115**	468,427	**19,624**	20,697	**555,739**	489,124
Operating income from continuing operations before amortization	**373,915**	323,452	**6,856**	3,451	**380,771**	326,903
Amortization	**198,079**	166,885	**423**	1,064	**198,502**	167,949
Operating income from continuing operations	**175,836**	156,567	**6,433**	2,387	**182,269**	158,954
Financial expense	**55,588**	50,387	**580**	1,244	**56,168**	51,631
Reduction of withholding and stamp tax contingent liabilities	**(10,930)**	—	**—**	—	**(10,930)**	—
Impairment of goodwill and intangible assets	**399,648**	—	**—**	—	**399,648**	—
Income taxes	**34,778**	4,764	**1,579**	372	**36,357**	5,136
Loss on dilution resulting from shares issued by a subsidiary	**48**	85	**—**	—	**48**	85
Non-controlling interest	**(205,264)**	68,593	**—**	—	**(205,264)**	68,593
Income (loss) from continuing operations	**(98,032)**	32,738	**4,274**	771	**(93,758)**	33,509
Loss from discontinued operations	**—**	—	**—**	(18,057)	**—**	(18,057)
Total assets [(1)]	**2,636,362**	3,019,155	**44,729**	40,326	**2,681,091**	3,059,481
Fixed assets [(1)]	**1,270,386**	1,257,965	**3,543**	3,645	**1,273,929**	1,261,610
Intangible assets [(1)]	**1,023,629**	1,091,042	**25,340**	25,340	**1,048,969**	1,116,382
Goodwill [(1)]	**153,710**	487,805	**—**	—	**153,710**	487,805
Acquisition of fixed assets [(2)]	**186,611**	162,479	**346**	224	**186,957**	162,703

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

COGECO INC.

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

2. Segmented Information (continued)

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

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Revenue				
Canada	**258,739**	219,862	**755,635**	636,485
Europe	**57,571**	64,016	**180,875**	179,542
	316,310	283,878	**936,510**	816,027

	May 31, 2009	August 31, 2008
	$	$
Fixed assets		
Canada	**982,139**	944,328
Europe	**291,790**	317,282
	1,273,929	1,261,610
Intangible assets		
Canada	**1,048,969**	1,052,608
Europe	**—**	63,774
	1,048,969	1,116,382
Goodwill		
Canada	**116,890**	116,890
Europe	**36,820**	370,915
	153,710	487,805

3. Amortization

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Fixed assets	**60,163**	50,105	**171,219**	143,099
Deferred charges	**6,298**	5,684	**18,157**	17,084
Intangible assets	**1,193**	2,775	**9,126**	7,766
	67,654	58,564	**198,502**	167,949

COGECO INC.

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4. Financial expense

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Interest on long-term debt	**15,300**	17,788	**52,599**	51,620
Foreign exchange losses (gains)	**(1,687)**	2	**2,716**	(856)
Amortization of deferred transaction costs	**408**	408	**1,222**	1,222
Other	**341**	(450)	**(369)**	(355)
	14,362	17,748	**56,168**	51,631

5. Reduction of withholding and stamp tax contingent liabilities

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

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

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

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

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7. Income Taxes

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Current	**18,506**	5,595	**35,791**	18,186
Future	**7,828**	4,690	**566**	(13,050)
	26,334	10,285	**36,357**	5,136

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	**58,318**	40,894	**(262,617)**	107,323
Combined income tax rate	**32.49 %**	33.42 %	**32.49 %**	33.39 %
Income taxes at combined income tax rate	**18,949**	13,665	**(85,334)**	35,840
Adjustments for loss or income subject to lower or higher tax rates	**(38)**	(944)	**(918)**	(1,294)
Decrease in future income taxes as a result of decreases in substantively enacted tax rates	—	—	—	(24,146)
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	**238**	298	**512**	602
Effect of foreign income tax rate differences	**1,127**	(2,821)	**25,155**	(6,198)
Other	**(84)**	87	**910**	332
Income taxes at effective income tax rate	**26,334**	10,285	**36,357**	5,136

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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
	$	$	**$**	$
Income (loss) from continuing operations	**10,480**	9,538	**(93,758)**	33,509
Loss from discontinued operations	—	—	—	(18,057)
Net income (loss)	**10,480**	9,538	**(93,758)**	15,452
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,758,923**	16,682,468	**16,746,931**	16,676,369
Effect of dilutive stock options [(1)]	—	54,599	—	70,256
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,758,923**	16,737,067	**16,746,931**	16,746,625
Earnings (loss) per share				
Basic				
Income (loss) from continuing operations	**0.63**	0.57	**(5.60)**	2.01
Loss from discontinued operations	—	—	—	(1.08)
Net income (loss)	**0.63**	0.57	**(5.60)**	0.93
Diluted				
Income (loss) from continuing operations	**0.63**	0.57	**(5.60)**	2.00
Loss from discontinued operations	—	—	—	(1.08)
Net income (loss)	**0.63**	0.57	**(5.60)**	0.92

(1) The weighted average dilutive number of subordinate voting shares, which were anti-dilutive for the three and nine month periods ended May 31, 2009, amounted to 3,947 and 11,432. For the three and nine month periods ended May 31, 2009, 32,782 stock options (33,182 and 22,121 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.

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9. Goodwill and Intangible Assets

	May 31, 2009	August 31, 2008
	$	$
Customer relationships	**34,077**	101,490
Broadcasting licenses	**25,120**	25,120
Customer base	**989,772**	989,772
	1,048,969	1,116,382
Goodwill	**153,710**	487,805
	1,202,679	1,604,187

a) Intangible assets

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

	Customer relationships	**Broadcasting licenses**	**Customer Base**	**Total**
	$	**$**	**$**	**$**
Balance at August 31, 2008	**101,490**	**25,120**	**989,772**	**1,116,382**
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**	**25,120**	**989,772**	**1,048,969**

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	2011 (1)	3.11 (2)	**11,853**	18,748
Obligations under capital leases	2013	6.61 – 9.29	**100**	77
Subsidiaries				
Term Facility				
Term loan – €94,096,350	2011	1.69 (2)(5)	**144,712**	145,832
Term loan – €17,358,700	2011	1.69 (2)(5)	**26,668**	26,881
Revolving loan – €69,250,000 (€126,000,000 at August 31, 2008)	2011	1.63 (2)	**106,873**	196,308
Revolving loan	2011	1.22 (2)	**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 (3)	**—**	159,233
Series B	2011	7.73	**174,482**	174,338
Senior Secured Notes (4)				
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
Obligations under capital leases	2013	6.47 – 9.93	**8,074**	8,492
Other	—	—	**33**	47
			1,087,975	1,073,913
Less current portion			**177,504**	336,858
			910,471	737,055

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

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

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

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

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

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11. Capital Stock

Authorized, an unlimited number

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

Multiple voting shares, 20 votes per share.

Subordinate voting share, 1 vote per share.

	May 31, 2009	August 31, 2008
	$	$
Issued		
1,842,860 multiple voting shares	**12**	12
14,942,470 subordinate voting shares (14,897,586 at August 31, 2008)	**120,994**	120,037
	121,006	120,049

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

	Number of shares	**Amount**
		$
Balance at August 31, 2008	**14,897,586**	**120,037**
Shares issued for cash under the Employee Stock Purchase Plan and Stock Option Plan	**44,884**	**957**
Balance at May 31, 2009	**14,942,470**	**120,994**

Stock-based plans

The Company offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives, which are described in the Company's annual consolidated financial statements. During the first nine months of 2009 and 2008, no stock options were granted to employees by COGECO Inc. However, the Company's subsidiary, Cogeco Cable Inc., 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. The Company records compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $310,000 and $585,000 ($595,000 and $1,502,000 in 2008) was recorded for the three and nine month periods ended May 31, 2009.

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11. Capital Stock (continued)

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

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

At May 31, 2009, the Company had outstanding stock options providing for the subscription of 79,650 subordinate voting shares. These stock options can be exercised at various prices ranging from $20.95 to $37.50 and at various dates up to October 19, 2011.

The Company also offers a senior executives and designated employee incentive unit plan (the "Incentive Share Unit Plan") which is described in the Company's annual consolidated financial statements. During the first nine months, the Company granted 17,702 Incentive Share Units (12,852 in 2008). These shares were purchased for a cash consideration of $325,000 ($468,000 in 2008) and are held in trust for participants until they are completely vested. The trust, considered as a variable interest entity, is consolidated in the Company's financial statements with the value of the acquired shares presented as treasury shares in reduction of capital stock. A compensation expense of $133,000 and $371,000 ($95,000 and $258,000 in 2008) was recorded for the three and nine month periods ended May 31, 2009 related to this plan.

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

12. Accumulated Other Comprehensive Income

	Translation of a net investment in self-sustaining foreign subsidiaries	Cash flow hedges	Total
	$	$	$
Balance at August 31, 2008	**5,064**	**(100)**	**4,964**
Other comprehensive income (loss)	**3,102**	**(2,202)**	**900**
Balance at May 31, 2009	**8,166**	**(2,302)**	**5,864**

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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	**475**	(1,869)	**(19)**	(6,148)
Income taxes receivable	**(1,468)**	199	**(7,990)**	1,406
Prepaid expenses	**(2,200)**	1,222	**(2,026)**	2,418
Accounts payable and accrued liabilities	**(5,732)**	11,371	**(34,730)**	(20,995)
Income tax liabilities	**16,437**	5,643	**6,852**	13,833
Deferred and prepaid income and other liabilities	**(357)**	259	**41**	(894)
	7,155	16,825	**(37,872)**	(10,380)

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	**2,423**	2,417
Interest paid	**22,518**	20,319	**56,488**	53,063
Income taxes paid (received)	**3,168**	(245)	**36,563**	2,895

14. Employees Future Benefits

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

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Contributory defined benefit pension plans	**767**	657	**2,261**	1,973
Defined contribution pension plan and collective registered retirement savings plans	**1,093**	861	**2,919**	2,283
	1,860	1,518	**5,180**	4,256

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15. Financial and Capital Management

a) Financial management

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

Credit risk

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

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

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

	May 31, 2009	August 31, 2008
	$	$
Trade accounts receivable	**77,408**	73,160
Allowance for doubtful accounts	**(17,297)**	(13,181)
	60,111	59,979
Other accounts receivable	**4,921**	4,931
	65,032	64,910

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15. Financial and Capital Management (continued)

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

	May 31, 2009	August 31, 2008
	$	$
Net trade accounts receivable not past due	**44,676**	43,659
Net trade accounts receivable past due	**15,435**	16,320
	60,111	59,979

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At May 31, 2009, the available amount of the Company's Term Facilities was $497.6 million. Management believes that the committed Term Facilities will, until their maturities in July 2011 and December 2011, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

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

	2009 (three months)	2010 (twelve months)	2011 (twelve months)	2012 (twelve months)	2013 (twelve months)	Thereafter	Total
	$	$	$	$	$	$	$
Bank indebtedness	55,406	—	—	—	—	—	55,406
Accounts payable and accrued liabilities	212,518	—	—	—	—	—	212,518
Long-term debt [(1)]	174,218	40,357	319,340	187,000	—	362,423	1,083,338
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)]	1,941	3,276	2,350	1,616	295	6	9,484
	444,083	43,633	321,690	188,616	295	356,881	1,355,198

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

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15. Financial and Capital Management (continued)

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that are due for each of the next five years and thereafter, based on the principal and interest rate prevailing on the current debt at May 31 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	11,081	43,994	42,968	26,999	24,636	78,210	227,888
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)
	11,571	45,733	44,184	27,093	24,730	78,406	231,717

Interest rate risk

The Company is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At May 31, 2009, all of the Company's long-term debt was at fixed rate, except for the Company's Term Facilities. On January 21, 2009, the Company's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity of July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest swap rate of 2.08%, the Company subsidiary will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility. The Company's subsidiary elected to apply cash flow hedge accounting on this derivative financial instrument. The sensitivity of the Company's annual financial expense to a variation of 1% in the interest rate applicable to the Term Facilities is approximately $2.2 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 Company is exposed to foreign exchange risk related to its long-term debt denominated in US dollars. In order to mitigate this risk, the Company has established guidelines whereby currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes. Accordingly, on October 2, 2008, the Company's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Company's subsidiary elected to apply cash flow hedge accounting on these derivative financial instruments.

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15. Financial and Capital Management (continued)

The Company is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At 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 Company's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão-Televisão por Cabo, S.A. was borrowed directly in Euros. At 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 $0.2 million.

Fair value

Fair value is the amount at which willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for debts of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The carrying value of all of the Company'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	**1,087,975**	**1,076,624**	1,073,913	1,068,469

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15. Financial and Capital Management (continued)

b) Capital management

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

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

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

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

	May 31, 2009	August 31, 2008
Net indebtedness (1) / Shareholders' equity	**3.4**	2.7
Net indebtedness (1) / Operating income before amortization (2)	**2.2**	2.5
Operating income before amortization / Financial expense (3)	**6.8**	6.3

(1) Net indebtedness is defined as the total of bank indebtedness, long-term debt and derivative financial instrument liability, less cash and cash equivalents.
(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. Discontinued Operations

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

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

	Three months ended May 31,		Nine months ended May 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Revenue	—	—	—	38,499
Operating costs	—	—	—	35,822
Operating income before amortization	—	—	—	2,677
Amortization	—	—	—	1,364
Operating income	—	—	—	1,313
Financial expense	—	—	—	291
Impairment of assets	—	—	—	30,298
Loss before income taxes and the following items	—	—	—	(29,276)
Income taxes	—	—	—	—
Non-controlling interest	—	—	—	(11,219)
Loss from discontinued operations	—	—	—	(18,057)

17. Subsequent event

On June 9, 2009, the Company's subsidiary, Cogeco Câble Inc., 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 Inc.'s existing indebtedness and for general corporate purposes.

18. 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.