**PRESS RELEASE**
**For immediate release**

## COGECO posts strong year-end results thanks to organic and external growth

**Montréal, October 26, 2011** – Today, COGECO Inc. (TSX: CGO) ("COGECO" or the "Corporation") announced its financial results for the fourth quarter and 2011 fiscal year ended August 31, 2011.

For the fourth quarter and fiscal 2011:

- Fiscal 2011 fourth-quarter consolidated revenue increased by $41.7 million, or 12.5%, to reach $375.4 million, when compared to the corresponding period of the prior year. Revenue in the cable subsidiary, Cogeco Cable Inc. ("Cogeco Cable") went up by $25.8 million, or 8%. Revenue from the radio activities increased by $15.9 million. For the 2011 fiscal year, consolidated revenue grew by 9.2% to reach $1,443.8 million;

- Fiscal 2011 fourth-quarter operating income before amortization[(1)] increased by $21 million, or 15.3%, to reach $158.8 million. The cable sector contributed to the increase by $19.9 million as a result of the revenue increase described above. For fiscal 2011, consolidated operating income before amortization grew by 11.6% to reach $579.6 million;

- Operating margin[(1)] increased to 42.3% for the fourth quarter compared to 41.3% in the corresponding period of the prior year, and to 40.1% during fiscal 2011 from 39.3% the year before;

- Fourth quarter of 2011 consolidated net income amounted to $21.1 million, or $1.26 per share compared to $12.3 million, or $0.73 per share for the corresponding period of the prior year;

- Fiscal 2011 net loss amounted to $9 million, or $0.54 per share. Fiscal 2011 net loss includes an impairment loss of $225.9 million recorded on Cogeco Cable's investment in its subsidiary Cabovisão-Televisão por Cabo, S.A. ("Cabovisão"). Net of non-controlling interest, the impairment loss reduced net income by $72.7 million in fiscal 2011. Fiscal 2010 net income of $56.3 million, or $3.36 per share, included a favourable income tax adjustment of $29.8 million related to the reduction of Ontario provincial corporate income tax rates for the Canadian operations of the cable sector. This adjustment, net of non-controlling interest, amounts to $9.6 million. Excluding the effect of these items for both fiscal years, adjusted net income for fiscal 2011 would have amounted to $63.7 million, or $3.81 per share compared to $46.6 million, or $2.79 per share for the previous year, representing increases of 36.6% respectively;

- Free cash flow[(1)] reached $23 million for the fourth quarter, representing an increase of 22.8% over the prior year. The increase in free cash flow is the result of an increase in cash flow from operations[(1)] outpacing the increase in capital expenditures. Free cash flow stands at $110.5 million for fiscal 2011 or 39.1% lower than free cash flow of $181.3 million in fiscal 2010. The decline in free cash flow when compared to fiscal 2010 is due to an increase of $105.5 million in current income tax expense stemming primarily from the fiscal 2010 modifications to Cogeco Cable's corporate structure, the increase in financial expense and the increase in capital expenditures, which offset the increase in operating income before amortization in the current fiscal year;

- On April 30, 2010, COGECO concluded, via its radio subsidiary, Cogeco Diffusion Inc ("CDI"), an agreement with Corus Entertainment Inc ("Corus") to acquire its Québec radio stations ("Québec Radio Stations Acquisition") for $80 million, subject to customary closing adjustments and conditions, including approval by the Canadian Radio-television Telecommunications Commission ("CRTC"). On June 30, 2010, the Corporation submitted its application for approval of the Québec Radio Stations Acquisition to the CRTC. On December 17, 2010, the CRTC approved the transaction essentially as proposed. On January 11, 2011, the Corporation was served with an application by Astral to the Court for leave to appeal the CRTC decision approving the transaction, and a related application by Astral for a stay of execution of that decision until final judgement of the Court. On February 21, 2011 the Court has rejected applications filed by Astral in the matter of the Québec Radio Stations Acquisition. The transaction with Corus was concluded on February 1, 2011;

- On June 27, 2011, Cogeco Cable concluded an agreement to acquire all of the shares of Quiettouch Inc. ("Quiettouch"), a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services that allow customers to outsource their mission-critical information technology infrastructure and application requirements, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional co-location services. Quiettouch operates three data

centres in Toronto and Vancouver, as well as a fibre network within key business areas of downtown Toronto. The transaction was completed on August 2, 2011;

- On August 31, 2011, Cogeco Cable concluded and completed an agreement to acquire all the shares of MTO Telecom Inc. ("MTO"). With over 1,500 kilometres of network, MTO, the largest private telecommunications provider in the Greater Montréal Area and the Province of Québec, offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers;

- In the cable sector, Revenue-Generating Units ("RGU")[(1)] grew by 38,344 and 228,111 net additions in the quarter and fiscal year, respectively, for a total of 3,407,460 RGU at August 31, 2011.

"COGECO posted strong results for fiscal 2011, a year marked by both organic and external growth. In 2011, we welcomed Corus' Québec radio stations, Quiettouch and MTO into the COGECO family. Canada's cable sector, to keep pace with customer needs, continued to enhance its product offering by further implementing DOCSIS 3.0 technology to utilize bandwidth more efficiently and starting to migrate analogue packages to digital. In Portugal, the economic crisis facing the country and the government's economic reforms resulted in net customer losses for Cabovisão, leading Cogeco Cable to write off its net investment in the subsidiary during the fiscal year. Cabovisão is working to hold its own until conditions return to normal. Cogeco Diffusion Inc, our radio subsidiary, was very successful in consolidating its strong position as a radio industry leader while carefully integrating its new radio stations.

For fiscal 2012, we expect growth in most of our performance indicators. Our primary focus will be to integrate our new acquisitions, strengthen our competitive positioning and continuously improve our processes and practices to create more value for our customers, announcers, listeners, shareholders and employees,'' declared Louis Audet, President and CEO of COGECO.

## Fiscal 2012 Financial Guidelines

The preliminary financial guidelines for COGECO, as issued on July 6, 2011, have been updated to reflect the fiscal 2011 business acquisitions in the cable sector. The Corporation now expects revenue of approximately $1,567 million and operating income before amortization of approximately $615 million. Free cash flow should generate approximately $110 million and net income of approximately $80 million should be earned as a result of growth in operating income before amortization outpacing fixed charges. Please consult the "Fiscal 2012 financial guidelines" section of the Corporation's 2011 Annual Report for further details.

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

## FINANCIAL HIGHLIGHTS

| *($000, except percentages, RGU growth and per share data)* | Quarters ended August 31, **2011** **$** | 2010 $ | Change % | Years ended August 31, **2011** **$** | 2010 $ | Change % |
|---|---|---|---|---|---|---|
| | **(unaudited)** | (unaudited) | | **(audited)** | (audited) | |
| **Operations** | | | | | | |
| Revenue | **375,402** | 333,671 | 12.5 | **1,443,769** | 1,321,694 | 9.2 |
| Operating income before amortization[1] | **158,800** | 137,785 | 15.3 | **579,590** | 519,339 | 11.6 |
| Operating margin[1] | **42.3%** | 41.3% | – | **40.1%** | 39.3% | – |
| Operating income | **104,626** | 73,942 | 41.5 | **330,578** | 259,882 | 27.2 |
| Impairment of goodwill and fixed assets | **–** | – | – | **225,873** | – | – |
| Net income (loss) | **21,073** | 12,265 | 71.8 | **(8,979)** | 56,264 | – |
| Adjusted net income[1] | **21,073** | 12,265 | 71.8 | **63,700** | 46,644 | 36.6 |
| **Cash Flow** | | | | | | |
| Cash flow from operating activities | **225,647** | 198,492 | 13.7 | **527,127** | 425,336 | 23.9 |
| Cash flow from operations[1] | **153,681** | 127,230 | 20.8 | **452,016** | 502,219 | (10.0) |
| Capital expenditures and increase in deferred charges | **130,693** | 108,515 | 20.4 | **341,541** | 320,962 | 6.4 |
| Free cash flow[1] | **22,988** | 18,715 | 22.8 | **110,475** | 181,257 | (39.1) |
| **Financial Condition** | | | | | | |
| Total assets | **–** | – | – | **2,897,254** | 2,744,656 | 5.6 |
| Indebtedness[2] | **–** | – | – | **1,056,214** | 961,354 | 9.9 |
| Shareholders' equity | **–** | – | – | **365,401** | 381,635 | (4.3) |
| **RGU growth** | **38,344** | 64,303 | (40.4) | **228,111** | 287,111 | (20.5) |
| **Per Share Data**[3] | | | | | | |
| Earnings (loss) per share | | | | | | |
| Basic | **1.26** | 0.73 | 72.6 | **(0.54)** | 3.36 | – |
| Diluted | **1.26** | 0.73 | 72.6 | **(0.54)** | 3.35 | – |
| Adjusted earnings per share[1] | | | | | | |
| Basic | **1.26** | 0.73 | 72.6 | **3.81** | 2.79 | 36.6 |
| Diluted | **1.25** | 0.73 | 71.2 | **3.78** | 2.78 | 36.0 |

(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 of the Results overview.
(2) Indebtedness is defined as the total of bank indebtedness, principal on long-term debt, promissory note payable, balance due on a business acquisition and obligations under derivative financial instruments.
(3) Per multiple and subordinate voting shares.

## FORWARD-LOOKING STATEMENTS

*Certain statements in this press release may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to COGECO's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the current economic uncertainties make forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation's expectations. It is impossible for COGECO to predict with certainty the impact that this economic environment may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Corporation's 2011 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 Corporation'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 Corporation is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter, except as required by Law.*

*This press release should be read in conjunction with the Corporation's consolidated financial statements, and the notes thereto, prepared in accordance with Canadian GAAP and the MD&A included in the Corporation's 2011 Annual Report. Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.*

## RESULTS OVERVIEW

This analysis should be read in conjunction with the Corporation's 2011 Annual Report available on SEDAR at www.sedar.com. Please refer to the Corporation's 2011 Annual Report for more details on annual results.

### CABLE SECTOR CUSTOMER STATISTICS

| | | | August 31, 2011 | | Net additions (losses) Quarters ended August 31, 2011 | |
|---|---|---|---|---|---|---|
| | **Canada** | **Europe** | **Consolidated** | **Canada** | **Europe** | **Consolidated** |
| RGU | **2,575,795** | **831,665** | **3,407,460** | **49,204** | **(10,860)** | **38,344** |
| Basic Cable service customers | **877,985** | **255,777** | **1,133,762** | **(1,369)** | **(2,350)** | **(3,719)** |
| HSI service customers | **601,214** | **162,436** | **763,650** | **7,746** | **(2,556)** | **5,190** |
| Digital television service customers | **678,326** | **164,580** | **842,906** | **29,464** | **(5,182)** | **24,282** |
| Telephony service customers | **418,270** | **248,872** | **667,142** | **13,363** | **(772)** | **12,591** |

| | | | August 31, 2010 | | Net additions Quarters ended August 31, 2010 | |
|---|---|---|---|---|---|---|
| | Canada | Europe | Consolidated | Canada | Europe | Consolidated |
| RGU | 2,350,577 | 828,772 | 3,179,349 | 43,707 | 20,596 | 64,303 |
| Basic Cable service customers | 874,505 | 260,267 | 1,134,772 | 433 | 1,591 | 2,024 |
| HSI service customers | 559,057 | 163,187 | 722,244 | 8,904 | 2,778 | 11,682 |
| Digital television service customers | 559,418 | 159,852 | 719,270 | 17,472 | 12,017 | 29,489 |
| Telephony service customers | 357,597 | 245,466 | 603,063 | 16,898 | 4,210 | 21,108 |

In Canada, fiscal 2011 fourth-quarter RGU net additions were higher than in the comparable periods of the prior year, and the Canadian operations continue to generate RGU growth despite higher penetration rates, category maturity and aggressive competition. Basic Cable service customer net losses stood at 1,369 for the quarter, compared to net additions of 433 in the fourth quarter of the prior year. Fourth quarter Basic Cable service customer losses are usual and due to the end of the school year for college and university students. In the quarter, Telephony service customers grew by 13,363 compared to 16,898 for the same period last year, and the number of net additions to the HSI service stood at 7,746 customers compared to 8,904 customers in the fourth quarter of the prior year. HSI and Telephony net additions continue to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities. For the three-month period ended August 31, 2011, additions to the Digital Television service stood at 29,464 customers, compared to 17,472 for the comparable period of the prior year. Digital Television service net additions are due to targeted marketing initiatives to improve penetration, the launch of new HD channels, the continuing interest for HD television service and the deployment of the Digital Terminal Adapter ("DTA") technology in most of Cogeco Cable's markets.

Economic conditions in Portugal continued to be difficult. During the second half of fiscal 2011, and as part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. Please consult the "Impairment of goodwill and fixed assets" section for further details. These measures are expected to put further downwards pressure on consumer spending. The rate of growth for our services has diminished in this environment, with net customer losses across all of the Corporation's services in the European operations in the fourth quarter of fiscal 2011. The number of Basic Cable service customers decreased by 2,350 in the fourth quarter, compared to an increase of 1,591 customers in the comparable period of the prior year. HSI service customers decreased by 2,556 for the quarter compared to an increase of 2,778 in the fourth quarter of the prior year. The number of Digital Television service customers decreased by 5,182 customers in the fourth quarter of fiscal 2011, compared to a growth of 12,017 customers in the same quarter of fiscal 2010. The number of Telephony service customers fell by 772 in the three months ended August 31, 2011, compared to a growth of 4,210 customers in the same period of the prior year.

### OPERATING RESULTS – CONSOLIDATED OVERVIEW

| | Quarters ended August 31, | | | Years ended August 31, | | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | Change | **2011** | 2010 | Change |
| *($000, except percentages)* | **$** | $ | % | **$** | $ | % |
| | **(unaudited)** | (unaudited) | | **(audited)** | (audited) | |
| Revenue | **375,402** | 333,671 | 12.5 | **1,443,769** | 1,321,694 | 9.2 |
| Operating costs | **216,602** | 195,886 | 10.6 | **864,179** | 802,355 | 7.7 |
| Operating income before amortization[(1)] | **158,800** | 137,785 | 15.3 | **579,590** | 519,339 | 11.6 |
| Operating margin[(1)] | **42.3%** | 41.3% | | **40.1%** | 39.3% | |

(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.

Consolidated revenue for the fourth quarter rose by $41.7 million, or 12.5% compared to the corresponding period last year. Cable revenue, driven by RGU growth combined with an increase in rentals of home terminal devices stemming from the strong growth in Digital Television services and rate increases in the Canadian operations, increased by $25.8 million, or 8%. Revenue from the radio activities increased by $15.9 million in the fourth quarter of 2011 due to the Québec Radio Stations Acquisition.

For fiscal 2011, the Corporation's revenue totalled $1,443.8 million, an increase of $122.1 million, or 9.2% compared to the prior year. Cable sector revenue increased by $79.8 million, or 6.2%, for fiscal 2011, primarily due to strong RGU growth in the Canadian operations which offset the decline in Basic Cable service customers in the European operations and the depreciation of the Euro in relation to the Canadian dollar. Revenue from the radio activities increased by $42.3 million, mainly due to the Québec Radio Stations Acquisition.

Operating costs increased by $20.7 million, or 10.6%, at $216.6 million compared to the fourth quarter of fiscal 2010 mainly due to the Québec Radio Stations Acquisition. The operating cost increase in the cable sector, resulting from servicing additional RGU, the launch of new HD channels, additional marketing initiatives in the Canadian operations and the higher value of the Euro in relation to the Canadian dollar also contributed to the consolidated increase.

Fiscal 2011 operating costs amounted to $864.2 million compared to $802.4 million in fiscal 2010, an increase of $61.8 million, or 7.7%. The increase in operating costs was mainly due to servicing additional RGU, the launch of new HD channels and additional marketing initiatives in the Canadian operations of the cable sector, and by the Québec Radio Stations Acquisition. The increase in operating costs was partly offset by the lower value of the Euro in relation to the Canadian dollar combined with the lower cost of servicing fewer Basic Cable service customers in the European operations.

Operating income before amortization increased by $21 million, or 15.3%, at $158.8 million in the fourth quarter of fiscal 2011, compared to $137.8 million for the corresponding period last year. As a result, the Corporation's fourth-quarter operating margin increased to 42.3% from 41.3% for the corresponding period of the prior year. The operating margin increased year over year as a result of rate increases and RGU growth in the Canadian operations of the cable sector which offset the decline in the operating margin of the European operations.

As a result of the increase in revenue which surpassed the increase in operating costs, operating income before amortization increased to $579.6 million in fiscal 2011 from $519.3 million in 2010, an increase of $60.3 million, or 11.6%. The cable sector contributed $55.9 million to the consolidated increase.

**IMPAIRMENT OF GOODWILL AND FIXED ASSETS**

During the third quarter of fiscal 2011, the economic environment in Portugal continued to deteriorate, with the Country ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank. As part of the negotiated financial assistance package, the Portuguese government has committed to financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs. These measures are expected to put further downwards pressure on consumer spending capacity. The rate of growth for Cogeco Cable's services has diminished in this environment, with net customer losses and service downgrades by customers in the European operations in the third quarter of fiscal 2011. In accordance with current accounting standards, Cogeco Cable's management considered that this situation combined with net customer losses in the third quarter, which were significantly more important and persistent than expected, will continue to negatively impact the financial results of the European operations and indicate a decrease in the value of Cogeco Cable's investment in its Portuguese subsidiary. As a result, Cogeco Cable tested goodwill and all long-lived assets for impairment at May 31, 2011.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. Cogeco Cable completed its impairment test on goodwill and concluded that goodwill was impaired at May 31, 2011. As a result, a non-cash impairment loss of $29.3 million was recorded in the third quarter of the 2011 fiscal year. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgement was necessary to estimate future cash flows.

Long-lived assets with finite useful lives, such as fixed assets, are tested for impairment by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. Accordingly, Cogeco Cable completed its impairment test on the fixed assets of the Portuguese subsidiary at May 31, 2011, and determined that the carrying value of these assets exceeded the expected future undiscounted cash flows to be generated by these assets. As a result, a non-cash impairment loss of $196.5 million was recognized in the third quarter of the 2011 fiscal year.

The impairment of goodwill and fixed assets (the "impairment loss"), of Cogeco Cable's net investment in Cabovisão affected the Corporation's financial results as follows for the third quarter and 2011 fiscal year:

| *($000)* | |
|---|---|
| Impairment of goodwill | 29,344 |
| Impairment of fixed assets | 196,529 |
| Impairment loss | 225,873 |
| Income taxes | – |
| Non-controlling interest | (153,194) |
| Impairment loss net of income taxes and non-controlling interest | 72,679 |

## CASH FLOW ANALYSIS

| | Quarters ended August 31, | | Years ended August 31, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| *($000)* | **$** | $ | **$** | $ |
| | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| **Operating activities** | | | | |
| Cash flow from operations[1] | **153,681** | 127,230 | **452,016** | 502,219 |
| Changes in non-cash operating items | **71,966** | 71,262 | **75,111** | (76,883) |
| | **225,647** | 198,492 | **527,127** | 425,336 |
| **Investing activities**[2] | **(263,029)** | (108,492) | **(549,544)** | (320,653) |
| **Financing activities**[2] | **1,714** | (75,671) | **41,203** | (106,955) |
| **Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency** | **150** | 402 | **588** | (1,344) |
| **Net change in cash and cash equivalents** | **(35,518)** | 14,731 | **19,374** | (3,616) |
| Cash and cash equivalents, beginning of period | **90,734** | 21,111 | **35,842** | 39,458 |
| **Cash and cash equivalents, end of period** | **55,216** | 35,842 | **55,216** | 35,842 |

(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.
(2) Excludes assets acquired under capital leases.

During the fourth quarter of 2011, cash flow from operations reached $153.7 million, 20.8% higher than the comparable period last year, primarily due to the growth in operating income before amortization and the increase in current income tax recovery stemming from the fiscal 2010 modifications to Cogeco Cable's corporate structure which reduced the future income tax expense accordingly. Changes in non-cash operating items generated cash inflows of $72 million, mainly as a result of increases in accounts payable and accrued liabilities, partly offset by a decrease in income tax liabilities. In the fourth quarter of the prior year, cash inflows of $71.3 million mainly stemmed from an increase in accounts payable and accrued liabilities.

For the fiscal 2011, cash flow from operations amounted to $452 million, $50.2 million, or 10%, lower than the comparable period last year. This reduction is primarily due to the recognition of current income tax expense relating to the modifications of Cogeco Cable's corporate structure which reduced the future income tax expense accordingly and to the payment of a make-whole premium amounting to $8.8 million on the early repayment of the Senior Secured Notes Series B, partly offset by the increase in operating income before amortization. Changes in non-cash operating items generated cash inflows of $75.1 million, mainly as a result of increases in income tax liabilities and accounts payable and accrued liabilities and a decrease in income taxes receivable, partly offset by an increase in accounts receivable. The cash outflows of $76.9 million in the prior year were mainly due to a decrease in income tax liabilities combined with increases in income taxes receivable and accounts receivable, partly offset by an increase in deferred and prepaid revenue and other liabilities.

Investing activities in the fourth quarter of 2011 amounted to $263 million compared to $108.5 million for the same period the year before. For fiscal 2011, investing activities amounted to $549.5 million compared to $320.7 million the year before. Fourth-quarter fiscal 2011 investing activities include the acquisitions, by Cogeco Cable, of Quiettouch and MTO for a total amount of $132.3 million. Fiscal 2011 investing activities also include the Québec Radio Stations Acquisition for an amount of $75.9 million described below.

On April 30, 2010, COGECO concluded an agreement with Corus to acquire its Québec radio stations for $80 million, subject to customary closing adjustments and conditions, including approval by the CRTC. On June 30, 2010, the Corporation submitted its application for approval of the Québec Radio Stations Acquisition to the CRTC. On December 17, 2010, the CRTC approved the transaction essentially as proposed. On January 11, 2011, the Corporation was served with an application by Astral to the Court for leave to appeal the CRTC decision approving the transaction, and a related application by Astral for a stay of execution of that decision until final judgement of the Court. On February 21, 2011 the Court has rejected applications filed by Astral in the matter of the Québec Radio Stations Acquisition. The transaction with Corus was concluded on February 1, 2011.

Pursuant to this acquisition, and as part of the CRTC's decision on the Corporation's transfer application, the Corporation has put up for sale two radio stations acquired in the transaction, CFEL-FM in the Québec City market and CJTS-FM in the Sherbrooke market. Accordingly, the assets and liabilities of the two acquired radio stations put up for sale have been classified as held for sale in the preliminary purchase price allocation presented below. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Corporation has put up for sale radio station CJEC-FM, which it owned prior to the Québec Radio Stations Acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, are managed by a trustee approved by the CRTC pursuant to a voting trust agreement.

On June 27, 2011, Cogeco Cable concluded an agreement to acquire all of the shares of Quiettouch, a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. Quiettouch offers a full suite of differentiated services that allow customers to outsource their mission-critical information technology infrastructure and application requirements, including managed infrastructure and hosting, virtualization, firewall services, data backup with end-to-end monitoring and reporting, and enhanced and traditional co-location services. Quiettouch operates three data centres in Toronto and Vancouver, as well as a fibre network within key business areas of downtown Toronto. The transaction was completed on August 2, 2011.

On August 31, 2011, Cogeco Cable concluded and completed an agreement to acquire all the shares of MTO. With over 1,500 kilometres of network, MTO, the largest private telecommunications provider in the Greater Montréal Area and the Province of Québec, offers high-performance Ethernet broadband connectivity services to carrier, enterprise and public sector customers.

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition dates. The preliminary allocation of the purchase price of these acquisitions, pending the completion of the valuation of the net assets acquired, is as follows:

| *(In thousands of dollars)* | $ Québec radio stations | $ Other | $ Total |
|---|---|---|---|
| **Consideration** | | | |
| Paid | | | |
| Purchase of shares | **75,000** | **133,600** | **208,600** |
| Preliminary working capital adjustment | **–** | **(1,034)** | **(1,034)** |
| Acquisition costs | **1,723** | **1,111** | **2,834** |
| | **76,723** | **133,677** | **210,400** |
| Promissory note payable[1] | **5,000** | **–** | **5,000** |
| Balance due on a business acquisition[2] | **–** | **11,400** | **11,400** |
| Investment previously accounted for | **200** | **–** | **200** |
| Working capital adjustment payable | **4,000** | **–** | **4,000** |
| Preliminary working capital adjustment payable | **–** | **1,429** | **1,429** |
| Acquisition costs payable | **–** | **713** | **713** |
| Acquisition costs previously recorded as deferred charges | **436** | **–** | **436** |
| | **86,359** | **147,219** | **233,578** |
| **Net assets acquired** | | | |
| Cash and cash equivalents | **647** | **1,409** | **2,056** |
| Accounts receivable | **14,103** | **4,619** | **18,722** |
| Income taxes receivable | **189** | **–** | **189** |
| Prepaid expenses and other | **760** | **1,036** | **1,796** |
| Current future income tax assets | **1,303** | **–** | **1,303** |
| Fixed assets | **11,497** | **27,195** | **38,692** |
| Deferred charges and other | **13** | **615** | **628** |
| Customer relationships | **–** | **34,305** | **34,305** |
| Broadcasting licenses | **48,893** | **–** | **48,893** |
| Goodwill | **28,678** | **94,743** | **123,421** |
| Future income tax assets | **678** | **–** | **678** |
| Long-term assets held for sale | **5,506** | **–** | **5,506** |
| Accounts payable and accrued liabilities assumed | **(9,942)** | **(3,626)** | **(13,568)** |
| Current deferred and prepaid revenue | **(379)** | **–** | **(379)** |
| Current liabilities related to assets held for sale | **(498)** | **–** | **(498)** |
| Long-term deferred and prepaid revenue and other liabilities | **(4,467)** | **(1,538)** | **(6,005)** |
| Long-term future income tax liabilities | **(10,132)** | **(11,539)** | **(21,671)** |
| Long-term liabilities related to assets held for sale | **(490)** | **–** | **(490)** |
| | **86,359** | **147,219** | **233,578** |

(1) Non-interest bearing and due on February 1, 2012.
(2) Bearing interest at bank prime rate plus 1% and payable in February 2013.

Other investing activities, including mainly capital expenditures, increased by $22.1 million in the fourth quarter and by $20.5 million in fiscal 2011, mainly due to the following factors:

- An increase in support capital spending stemming from the construction of new facilities and the acquisition of new service vehicles in the Canadian operations;
- An increase in customer premise equipment spending mainly due to the timing of equipment purchases to support RGU growth in the Canadian operations. This increase was partly offset by the decrease in customer premise equipment spending reflecting lower RGU growth in the European operations.

In the fourth quarter of 2011, the Corporation generated free cash flows of $23 million compared to $18.7 million in the prior year. The increase in free cash flow is the result of an increase in cash flow from operations outpacing the increase in capital expenditures. For fiscal 2011, free cash flow of $110.5 million was generated, $70.8 million, or 39.1%, lower than in fiscal 2010. The decline in free cash flow when compared to fiscal 2010 is due to an increase of $105.5 million in current income tax expense stemming primarily from the fiscal 2010 modifications to Cogeco Cable's corporate structure, the increase in financial expense, and the increase in capital expenditures, which offset the increase in operating income before amortization in the current fiscal year.

In the fourth quarter of 2011, Indebtedness affecting cash increased by $11.2 million, mainly due to the business acquisitions by Cogeco Cable for a total amount of $132.3 million and the total dividend payment of $8.9 million described below, partly offset by the cash inflows of $72 million from the changes in non-cash operating items, the decrease in cash and cash equivalents of $35.5 million and the free cash flow of

$23 million. Indebtedness was reduced mainly through net repayments on Cogeco Cable's Term Revolving Facility of $11.2 million. In the fourth quarter of 2010, Indebtedness affecting cash decreased by $63.8 million mainly due to the inflows generated by changes in non-cash operating items of $71.3 million and the free cash flow of $18.7 million, partly offset by the increase in cash and cash equivalents of $14.7 million and the payment of dividends totalling $6.3 million described below and an increase in deferred transaction costs of $5.8 million. Indebtedness mainly reduced through a decrease of $52.2 million in bank indebtedness and net repayments on Cogeco Cable's term and revolving loans of $7.6 million.

During fiscal 2011, the level of Indebtedness affecting cash increased by $71.7 million, mainly due to the business acquisitions for a total of $208.3 million, the dividend payments of $31.7 million described below and the increase in cash and cash equivalents of $19.4 million, offset by the free cash flow of $110.5 million and the cash inflows of $75.1 million from the changes in non-cash operating items. Indebtedness mainly increased through the issuance on November 16, 2010, in the cable sector, of Senior Secured Debentures Series 2 ("Fiscal 2011 debentures") for net proceeds of $198.3 million, combined with a net increase of $53.5 million on the Corporation's Term Revolving Facilities. The proceeds of issuance from the Fiscal 2011 debentures were used to repay on December 22, 2010, the $175 million Senior Secured Notes Series B due on October 31, 2011 and the related make-whole premium on early repayment. In fiscal 2010, Indebtedness affecting cash decreased by $73.8 million, mainly due to the free cash flow of $181.3 million, partly offset by the outflows related to non-cash operating items of $76.9 million, the payment of dividends totalling $25.1 million described below and an increase in deferred transaction costs of $5.8 million. Indebtedness mainly decreased through net repayments on the cable subsidiary's term and revolving loans of $62.4 million and the Corporation's revolving loans of $9.5 million.

During the fourth quarter of fiscal 2011, the Corporation paid a dividend of $0.14 per share to the holders of subordinate and multiple voting shares totalling $2.3 million, compared to a quarterly dividend of $0.10 per share totalling $1.7 million in fiscal 2010. Dividends paid by a subsidiary to non-controlling interests amounted to $6.6 million during the fourth quarter of fiscal 2011 compared to $4.6 million in the fourth quarter of fiscal 2010, bringing the consolidated dividend payments to $8.9 million in the current year compared to $6.3 million in the prior year.

Total dividends of $0.50 per share, comprised of quarterly dividends of $0.12 per share in the first three quarters of the year and a dividend of $0.14 per share in the last quarter, were paid during fiscal 2011, for a total of $8.4 million. In fiscal 2010, quarterly dividends of $0.10 per share, totalling $0.40 per share were paid, for an amount of $6.7 million. Dividends paid by a subsidiary to non-controlling interests were $23.4 million during fiscal 2011 compared to $18.4 million in fiscal 2010, bringing the consolidated dividend payments to $31.7 million for the current year compared to $25.1 million in the prior year.

## NON-GAAP FINANCIAL MEASURES

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

### CASH FLOW FROM OPERATIONS AND FREE CASH FLOW

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

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

| | Quarters ended August 31, | | Years ended August 31, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| *($000)* | **$** | $ | **$** | $ |
| | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| **Cash flow from operating activities** | **225,647** | 198,492 | **527,127** | 425,336 |
| Changes in non-cash operating items | **(71,966)** | (71,262) | **(75,111)** | 76,883 |
| **Cash flow from operations** | **153,681** | 127,230 | **452,016** | 502,219 |

Free cash flow is calculated as follows:

| | Quarters ended August 31, | | Years ended August 31, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| *($000)* | **$** | $ | **$** | $ |
| | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| **Cash flow from operations** | **153,681** | 127,230 | **452,016** | 502,219 |
| Acquisition of fixed assets | **(128,356)** | (105,513) | **(330,669)** | (309,752) |
| Increase in deferred charges | **(2,337)** | (3,002) | **(10,872)** | (11,069) |
| Assets acquired under capital leases | **–** | – | **–** | (141) |
| **Free cash flow** | **22,988** | 18,715 | **110,475** | 181,257 |

**OPERATING INCOME BEFORE AMORTIZATION AND OPERATING MARGIN**

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

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

| | Quarters ended August 31, | | Years ended August 31, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| *($000, except percentages)* | **$** | $ | **$** | $ |
| | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| **Operating income** | **104,626** | 73,942 | **330,578** | 259,882 |
| Amortization | **54,174** | 63,843 | **249,012** | 259,457 |
| **Operating income before amortization** | **158,800** | 137,785 | **579,590** | 519,339 |
| Revenue | **375,402** | 333,671 | **1,443,769** | 1,321,694 |
| **Operating margin** | **42.3%** | 41.3% | **40.1%** | 39.3% |

**ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE**

Adjusted net income and adjusted earnings per share are used by COGECO's management and investors to evaluate what would have been the net income and earnings per share from ongoing operations without the impact of certain adjustments, net of income taxes and non-controlling interest, which could affect the comparability of the Corporation's financial results. The exclusion of these adjustments does not indicate that they are non-recurring.

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 August 31, | | Years ended August 31, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| *(in thousands of dollars, except the number of shares and per share data)* | **$** | $ | **$** | $ |
| **Net income (loss)** | **21,073** | 12,265 | **(8,979)** | 56,264 |
| Adjustments: | | | | |
| Impairment of goodwill and fixed assets net of non-controlling interest | **–** | – | **72,679** | – |
| Reduction of the Ontario provincial income tax rates, net of non-controlling interest | **–** | – | **–** | (9,620) |
| **Adjusted net income** | **21,073** | 12,265 | **63,700** | 46,644 |
| Weighted average number of multiple voting and subordinate voting shares outstanding | **16,736,465** | 16,730,336 | **16,728,863** | 16,726,135 |
| Effect of dilutive stock options | **–** | 9,299 | **5,966** | 10,681 |
| Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan | **121,077** | 71,862 | **123,199** | 67,837 |
| Weighted average number of diluted multiple voting and subordinate voting shares outstanding | **16,857,542** | 16,811,497 | **16,858,028** | 16,804,653 |
| **Adjusted earnings per share** | | | | |
| Basic | **1.26** | 0.73 | **3.81** | 2.79 |
| Diluted | **1.25** | 0.73 | **3.78** | 2.78 |

## SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

| | Fiscal 2011 | | | | Fiscal 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| Quarters ended[1] | **Nov. 30** | **Feb. 28** | **May 31** | **Aug. 31** | Nov. 30 | Feb. 28 | May 31 | Aug. 31 |
| *($000, except percentages and per share data)* | **$** | **$** | **$** | **$** | $ | $ | $ | $ |
| | **(unaudited)** | **(unaudited)** | **(unaudited)** | **(unaudited)** | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | **342,766** | **350,644** | **374,957** | **375,402** | 328,003 | 329,087 | 330,933 | 333,671 |
| Operating income before amortization[2] | **137,031** | **135,952** | **147,807** | **158,800** | 129,263 | 124,363 | 127,928 | 137,785 |
| Operating margin[2] | **40.0%** | **38.8%** | **39.4%** | **42.3%** | 39.4% | 37.8% | 38.7% | 41.3% |
| Operating income | **73,892** | **70,525** | **81,535** | **104,626** | 63,562 | 58,370 | 64,008 | 73,942 |
| Impairment of goodwill and fixed assets | **–** | **–** | **225,873** | **–** | – | – | – | – |
| Net income (loss) | **15,975** | **10,645** | **(56,672)** | **21,073** | 22,748 | 10,511 | 10,740 | 12,265 |
| Adjusted net income[2] | **15,975** | **10,645** | **16,007** | **21,073** | 13,128 | 10,511 | 10,740 | 12,265 |
| Cash flow from operating activities | **57,572** | **96,664** | **147,244** | **225,647** | (1,410) | 117,498 | 110,756 | 198,492 |
| Cash flow from operations [2] | **42,499** | **120,675** | **135,161** | **153,681** | 135,518 | 120,331 | 119,140 | 127,230 |
| Capital expenditures and increase in deferred charges | **66,799** | **72,462** | **71,587** | **130,693** | 68,387 | 74,549 | 69,511 | 108,515 |
| Free cash flow[2] | **(24,300)** | **48,213** | **63,574** | **22,988** | 67,131 | 45,782 | 49,629 | 18,715 |
| Earnings (loss) per share[3] | | | | | | | | |
| Basic | **0.95** | **0.64** | **(3.39)** | **1.26** | 1.36 | 0.63 | 0.64 | 0.73 |
| Diluted | **0.95** | **0.63** | **(3.39)** | **1.26** | 1.35 | 0.63 | 0.64 | 0.73 |
| Adjusted earnings per share[2] [3] | | | | | | | | |
| Basic | **0.95** | **0.64** | **0.96** | **1.26** | 0.79 | 0.63 | 0.64 | 0.73 |
| Diluted | **0.95** | **0.63** | **0.95** | **1.26** | 0.78 | 0.63 | 0.64 | 0.73 |

(1) The addition of quarterly information may not correspond to the annual total due to rounding.
(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 of the Results overview.
(3) Per multiple and subordinate voting share.

## SEASONAL VARIATIONS

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations. However, the customer growth in the Basic Cable and HSI service are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television seasons, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal.

Furthermore, the third and fourth quarter operating margins of the cable subsidiary are usually higher as no management fees are paid to COGECO Inc. Under the management Agreement, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount. As the maximum amount has been reached in the second quarters of fiscal 2011 and fiscal 2010, Cogeco Cable did not pay management fees in the second halves of either year.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation, including its 2011 Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com.

## ABOUT COGECO

COGECO (www.cogeco.ca) is a diversified communications corporation. Through its Cogeco Cable subsidiary, COGECO provides its residential customers with Audio, Analogue and Digital Television, as well as HSI and Telephony services using its two-way broadband cable networks. Cogeco Cable also provides, to its commercial customers, through its subsidiary Cogeco Data Services, data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, VoIP, HSI access, data storage, data security, co-location services, managed IT services, cloud services and other advanced communication solutions. Through its Cogeco Diffusion Inc. subsidiary ("CDI"), COGECO wholly-owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences, as well as Cogeco News, its news agency broadcast in close to 30 independent and community radio stations across Québec. COGECO's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CGO). The subordinate voting shares of Cogeco Cable are also listed on the Toronto Stock Exchange (TSX: CCA).

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**Analyst Conference Call:** **Thursday, October 27, 2011 at 11:00 A.M. (EDT)**
Media representatives may attend as listeners only.

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

Canada and US access number: 1 866-322-8032
International access number: + 1 416-640-3406
Confirmation code: 6470562

A rebroadcast of the conference call will be available until November 3 , by dialing:
Canada and US access number: 1 888-203-1112
International access number: + 1 647-436-0148
Confirmation code: 6470562

## CABLE SECTOR CUSTOMER STATISTICS

(unaudited)

| | 2011 | 2010 |
|---|---|---|
| Homes passed | | |
| **Canada** | **1,622,420** | 1,593,743 |
| **Portugal**[1] | **905,742** | 905,359 |
| Total | **2,528,162** | 2,499,102 |
| Homes connected[2] | | |
| **Canada** | **992,990** | 979,590 |
| **Portugal** | **264,223** | 269,194 |
| Total | **1,257,213** | 1,248,784 |
| Revenue-generating units | | |
| **Canada** | **2,575,795** | 2,350,577 |
| **Portugal** | **831,665** | 828,772 |
| Total | **3,407,460** | 3,179,349 |
| Basic Cable service customers | | |
| **Canada** | **877,985** | 874,505 |
| Penetration as a percentage of homes passed | **54.1%** | 54.9% |
| **Portugal** | **255,777** | 260,267 |
| Penetration as a percentage of homes passed | **28.2%** | 28.7% |
| Total | **1,133,762** | 1,134,772 |
| HSI service customers | | |
| **Canada** | **601,214** | 559,057 |
| Penetration as a percentage of Basic Cable[3] | **70.6%** | 66.2% |
| **Portugal** | **162,436** | 163,187 |
| Penetration as a percentage of Basic Cable[3] | **63.5%** | 62.7% |
| Total | **763,650** | 722,244 |
| Digital Television service customers | | |
| **Canada** | **678,326** | 559,418 |
| Penetration as a percentage of Basic Cable[3] | **78.2%** | 64.8% |
| **Portugal** | **164,580** | 159,852 |
| Penetration as a percentage of Basic Cable[3] | **64.3%** | 61.4% |
| Total | **842,906** | 719,270 |
| Telephony service customers | | |
| **Canada** | **418,270** | 357,597 |
| Penetration as percentage of Basic Cable[3] | **51.3%** | 44.4% |
| **Portugal** | **248,872** | 245,466 |
| Penetration as percentage of Basic Cable[3] | **97.3%** | 94.3% |
| Total | **667,142** | 603,063 |

(1) The Corporation is currently assessing the number of homes passed.
(2) Represents the sum of Basic Cable service customers and HSI and Telephony service customers who do not subscribe to the Basic Cable service.
(3) Calculated on the basis of the systems where the service is offered.