PRESS RELEASE
For immediate release

Solid results and higher dividend for COGECO stemming from continuous growth in Canadian cable operations despite a write-off of Cogeco Cable's Cabovisão investment

Montréal, July 7, 2011 – Today, COGECO Inc. (TSX: CGO) ("COGECO" or the "Company") announced its financial results for the third quarter and first nine months of fiscal 2011, ended May 31, 2011.

For the third quarter and first nine months of fiscal 2011:

- Revenue increased by 13.3% to reach $375 million in the quarter, and by 8.1% to reach $1,068.4 million in the first nine months;

- Operating income before amortization[(1)] grew by 15.5% to reach $147.8 million in the quarter and by 10.3% to reach $420.8 million in the first nine months when compared to the same periods of fiscal 2010;

- Operating margin[(1)] increased to 39.4% in the third quarter and first nine months, compared to 38.7% and 38.6%, respectively, in the third quarter and first nine months of fiscal 2010;

- In the third quarter of fiscal 2011, a write-off of Cogeco Cable Inc.'s net investment in Cabovisão was recorded through a non-cash impairment loss in the amount of $225.9 million as a result of the severe decline in the economic environment in Portugal, with the Country ultimately requiring financial assistance from the International Monetary Fund and the European Central Bank, combined with subscriber losses in the third quarter despite additional marketing initiatives designed to generate RGU growth in the near term. Net of non-controlling interest, the impairment loss reduced the Company's net income by an amount of $72.7 million in the third quarter and first nine months of fiscal 2011;

- In the first nine months, Cogeco Cable Inc. redeemed its $175 million Senior Secured Notes Series B, bearing interest at 7.73%, from the net proceeds of the issuance, in the first quarter of fiscal 2011, of the $200 million Senior Secured Debentures Series 2, bearing interest at 5.15%. A one-time make-whole premium of $8.8 million was paid on the redemption, which increased financial expense;

- Net loss amounted to $56.7 million in the third quarter, compared to net income of $10.7 million for the same period of the previous fiscal year. The net loss in the third quarter of fiscal 2011 was due to the write-off of Cogeco Cable's net investment in Cabovisão described above. Excluding this amount, adjusted net income[(1)] would have amounted to $16 million, an increase of $5.3 million, or 49% when compared to the third quarter of the prior year;

- For the first nine months of fiscal 2011, net loss amounted to $30.1 million, also as a result of the write-off of Cogeco Cable Inc.'s net investment in Cabovisão described above. In the first nine months of fiscal 2010, net income amounted to $44 million, which included a favourable income tax adjustment, net of non-controlling interest, of $9.6 million related to the reduction of Ontario provincial corporate income tax rates for the Company's Canadian operations. Excluding these adjustments, adjusted net income[(1)] of $42.6 million in the first nine months of fiscal 2011 represents a progression of $8.2 million, or 24% when compared to $34.4 million in the first nine months of fiscal 2010;

- Free cash flow[(1)] of $63.6 million was posted in the third quarter, $13.9 million, or 28.1% higher than $49.6 million in the comparable period of the prior year. In the first nine months, free cash flow amounted to $87.5 million, compared to $162.5 million in the first nine months of fiscal 2010. This reduction is primarily due to the recognition of current income tax expense relating to the modifications to the cable subsidiary's corporate structure which reduced the future income tax expense accordingly and to the increase in financial expense;

- Quarterly dividends of $0.12 per share were paid to the holders of subordinate and multiple voting shares, a quarterly increase of $0.02 per share, or 20%, when compared to quarterly dividends of $0.10 per share in the first nine months of fiscal 2010. Dividend payments in the first nine months totalled $0.36 per share in fiscal 2011, compared to $0.30 per share in fiscal 2010. In addition, the Board of Directors declared a dividend of $0.14 per share payable in the fourth quarter of fiscal 2011, an increase of 40% when compared to the prior year, reflecting the continued strong financial performance;

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

- On February 1, 2011, the Company concluded its acquisition of Corus Entertainment Inc.'s Québec radio stations (the "Québec Radio Stations Acquisition") for $80 million, subject to customary closing adjustments and conditions;

- In the cable sector, revenue-generating units ("RGU")[(2)] grew by 41,819 net additions in the quarter and 189,767 net additions in the first nine months, for a total of 3,369,116 RGU at May 31, 2011.

"COGECO's solid results in the third quarter of fiscal 2011 are mainly attributable to the performance of Cogeco Cable's Canadian operations, which generated continued RGU and revenue growth," declared Louis Audet, President and CEO of COGECO. "However, in the European operations, customer losses and service reductions have become more significant and persistent than Cogeco Cable's management expected. This situation is due to economic measures taken by the Portuguese government to reform the economy and reduce the deficit, which led to a decrease in customer spending capacity. Under these prevailing circumstances Cogeco Cable wrote-off its investment in its Portuguese subsidiary, Cabovisão."

"As for our Canadian business activities, Cogeco Cable has concluded in the past weeks an agreement to acquire all of the shares of Quiettouch Inc., a leading independent provider of outsourced managed information technology and infrastructure services to mid-market and larger enterprises in Canada. We expect the transaction, which will boost our business offering, to close during the last quarter of fiscal 2011," continued Mr. Audet.

"On the radio front, Cogeco Diffusion completed its first full quarter since the acquisition Corus Entertainment Inc.'s Québec radio stations was completed on February 1st, 2011. The integration of the newly acquired radio stations, which contributed positively to our quarterly results, continues to go according to plan. COGECO now has a stronger position in the Québec radio market, with 13 stations in five regions. Cogeco Diffusion has also submitted to the CRTC a licence request to operate two AM stations in the Montréal market, which would be entirely dedicated to weather and traffic. A decision is expected in the coming months," added Mr. Audet.

"Despite the Cabovisão situation, we expect to meet most of fiscal 2011 financial targets. Our results and future outlook remain positive, which is why the quarterly dividend has been increased from $0.12 to $0.14 per share. As for our fiscal 2012 preliminary guidelines, we expect to continue to generate growth for most of our key performance indicators, with operating income before amortization growing by 6.3% and free cash flow, by 31.3%", said Mr. Audet.

ABOUT COGECO

COGECO (www.cogeco.ca) is a diversified communications company. 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 and co-location services and other advanced communication solutions. Through its Cogeco Diffusion subsidiary, COGECO owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences. 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, July 7, 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 dialing five minutes before the start of the conference:

Canada/USA Access Number: 1 866 321-8231
International Access Number: + 1 416 642-5213
Confirmation Code: 3298006
By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until July 14, 2011, by dialing:
Canada and USA access number: 1 888 203-1112
International access number: + 1 647 436-0148
Confirmation code: 3298006

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



SHAREHOLDERS' REPORT

Third quarter ended May 31, 2011

FINANCIAL HIGHLIGHTS

	Quarters ended May 31,			Nine months ended May 31,		
	2011	2010	Change	**2011**	2010	Change
($000, except percentages and per share data)	**$**	$	%	**$**	$	%
Operations	**(unaudited)**	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**374,957**	330,933	13.3	**1,068,367**	988,023	8.1
Operating income before amortization[1]	**147,807**	127,928	15.5	**420,790**	381,554	10.3
Operating margin[1]	**39.4%**	38.7%	–	**39.4%**	38.6%	–
Operating income	**81,535**	64,008	27.4	**225,952**	185,940	21.5
Impairment of goodwill and fixed assets	**225,873**	–	–	**225,873**	–	–
Net income (loss)	**(56,672)**	10,740	–	**(30,052)**	43,999	–
Adjusted net income[1]	**16,007**	10,740	49.0	**42,627**	34,379	24.0
Cash Flow						
Cash flow from operating activities	**147,244**	110,756	32.9	**301,480**	226,844	32.9
Cash flow from operations[1]	**135,161**	119,140	13.4	**298,335**	374,989	(20.4)
Capital expenditures and increase in deferred charges	**71,587**	69,511	3.0	**210,848**	212,447	(0.8)
Free cash flow[1]	**63,574**	49,629	28.1	**87,487**	162,542	(46.2)
Financial Condition[2]						
Fixed assets	**–**	–	–	**1,168,001**	1,328,866	(12.1)
Total assets	**–**	–	–	**2,707,787**	2,744,656	(1.3)
Indebtedness[3]	**–**	–	–	**1,033,075**	961,354	7.5
Shareholders' equity	**–**	–	–	**346,745**	381,635	(9.1)
RGU growth	**41,819**	64,241	(34.9)	**189,767**	222,808	(14.8)
Per Share Data[4]						
Earnings (loss) per share						
Basic	**(3.39)**	0.64	–	**(1.80)**	2.63	–
Diluted	**(3.39)**	0.64	–	**(1.80)**	2.62	–
Adjusted earnings per share[1]						
Basic	**0.96**	0.64	50.0	**2.55**	2.06	23.8
Diluted	**0.95**	0.64	48.4	**2.53**	2.05	23.4

(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 of the Management's Discussion and Analysis.
(2) At May 31, 2011 and August 31, 2010.
(3) Indebtedness is defined as the total of bank indebtedness, promissory note payable, principal on long-term debt and obligations under derivative financial instruments.
(4) Per multiple and subordinate voting share.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Third quarter ended May 31, 2011

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 economic downturn experienced over the past two years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Company's expectations. It is impossible for COGECO to predict with certainty the impact that the current economic downturn may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Company's 2010 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 report 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 2010 Annual Report. Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

CORPORATE STRATEGIES AND OBJECTIVES

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

Cable sector

During the first nine months of fiscal 2011, the Company's subsidiary, Cogeco Cable Inc. ("Cogeco Cable" or the "Cable subsidiary"), invested approximately $100 million in its network infrastructure and equipment to upgrade its capacity, improve its robustness and extend its territories in order to better serve and increase its service offerings for new and existing clientele.

RGU growth and service offerings in the cable sector

During the first nine months ended May 31, 2011, the number of RGU in the Cable subsidiary increased by 189,767, or 6%, to reach 3,369,116 RGU, mainly as a result of targeted marketing initiatives in the Canadian operations and to the continuing interest for high definition ("HD") television service, which offset the lower customer growth in the European operations resulting primarily from the impact of further austerity measures announced by the Portuguese government in recent months which adversely impact consumer spending. In light of the lower RGU growth in the European operations during the first nine months of fiscal 2011, Cogeco Cable has revised its guidelines from 275,000 as issued on January 12, 2011 to 250,000 net additions, or approximately 7.9% when compared to August 31, 2010. RGU growth is expected to stem primarily from the Canadian operations of the cable subsidiary and reflect the continued strong interest in Digital Television services, enhanced service offerings and promotional activities. Please consult the "Fiscal 2011 financial guidelines" section for further details.

Operating income before amortization and operating margin

For the first nine months of fiscal 2011, operating income before amortization grew by $39.2 million, or 10.3%, to reach $420.8 million, in line to achieve management's revised projection of $560 million in operating income before amortization for fiscal 2011. Operating margin increased to 39.4%, from 38.6% in the first nine months of the year.

Free cash flow

For the nine-month period ended May 31, 2011, COGECO achieved free cash flow of $87.5 million, compared to $162.5 million for the comparable period of the previous fiscal year, a decrease of $75.1 million. The decrease in free cash flow in the first nine months of fiscal 2011 reflects the timing of the recognition of income tax liabilities as a result of modifications made to Cogeco Cable's corporate structure in fiscal 2009. As a result of an increase in capital expenditures expected in the last quarter of fiscal 2011, management maintains its revised free cash flow guideline of $80 million for the 2011 fiscal year.

Other

BBM Canada's spring 2011 survey and radio broadcast week measures from February 28, 2011 to May 29, 2011, conducted with the Portable People Meter ("PPM"), show that Rythme FM has maintained its leadership position in the competitive Montréal region market.

On June 27, 2011, Cogeco Cable concluded an agreement to acquire all of the shares of Quiettouch Inc. (the "Quiettouch acquisition"), 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 colocation 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 is subject to certain arrangements and commercial approvals, and is expected to close during the last quarter of fiscal 2011.

On April 30, 2010, the Company concluded 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, which was concluded on February 1, 2011.

(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.

OPERATING RESULTS – CONSOLIDATED OVERVIEW

	Quarters ended May 31,			Nine months ended May 31,		
	2011	2010	Change	**2011**	2010	Change
($000, except percentages)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**374,957**	330,933	13.3	**1,068,367**	988,023	8.1
Operating costs	**227,150**	203,005	11.9	**647,577**	606,469	6.8
Operating income before amortization	**147,807**	127,928	15.5	**420,790**	381,554	10.3
Operating margin	**39.4%**	38.7%		**39.4%**	38.6%	

Revenue

Fiscal 2011 third-quarter revenue improved by $44 million, or 13.3%, to reach $375 million primarily due to the cable sector and the results of the Québec Radio Stations Acquisition. Revenue amounted to $1,068.4 million in the first nine months of fiscal 2011, $80.3 million, or 8.1%, higher than in the same period of fiscal 2010.

Cable revenue increased by $23.6 million, or 7.4%, for the third quarter and by $53.9 million, or 5.6%, in the first nine months when compared to the same periods of the prior year. For further details on Cogeco Cable's operating results, please refer to the "Cable sector" section.

Revenue from the radio activities improved by $20.4 million in the third quarter and by $26.4 million in the first nine months, mainly as a result of the Québec Radio Stations Acquisition.

Operating costs

For the third quarter and first nine months of fiscal 2011, operating costs amounted to $227.2 million and $647.6 million, increases of $24.1 million, or 11.9%, and of $41.1 million, or 6.8%, when compared to the prior year, mainly from the Québec Radio Stations Acquisition combined with increases in the cable sector.

Operating costs in the Cable sector increased by $6.2 million, or 3.2%, for the third quarter and by $17.8 million, or 3.1%, in the first nine months when compared to the same periods of the prior year. For further details on Cogeco Cable's operating results, please refer to the "Cable sector" section.

Operating costs from the other activities, including radio activities, grew by $17.9 million in the third quarter and $23.1 million in the first nine months, mainly from the Québec Radio Stations Acquisition.

Operating income before amortization and operating margin

Mainly as a result of the Québec Radio Stations Acquisition and growth in the cable sector, operating income before amortization grew by $19.9 million, or 15.5%, in the third quarter to reach $147.8 million, and by $39.2 million, or 10.3%, at $420.8 million for the first nine months of fiscal 2011, when compared to the same periods the previous year. COGECO's operating margin increased to 39.4% in the three and nine-month periods ended May 31, 2011, from 38.7% in the third quarter and 38.6% in the first nine months of the previous year. For further details on the Company's operating results, please refer to the "Cable sector" section.

FIXED CHARGES

	Quarters ended May 31,			Nine months ended May 31,		
	2011	2010	Change	**2011**	2010	Change
($000, except percentages)	**$**	$	%	**$**	$	%
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Amortization	**66,272**	63,920	3.7	**194,838**	195,614	(0.4)
Financial expense	**16,766**	16,824	(0.3)	**58,172**	48,288	20.5

Third-quarter 2011 amortization amounted to $66.3 million, compared to $63.9 million for the same period of the prior year. The increase is mainly due to additional capital expenditures in Cogeco Cable's Canadian operations arising from customer premise equipment acquisitions to support RGU growth, partly offset by a reduction in amortization in the European operations stemming from certain acquired assets that are now fully amortized. For the first nine months, amortization was essentially the same at $194.8 million when compared to $195.6 million in the first nine months of the prior year.

Financial expense amounted to $16.8 million in the third quarter essentially the same when compared to the prior year. In the first nine months of fiscal 2011, financial expense amounted to $58.2 million, compared to $48.3 million in the first nine months of the prior year. Financial expense in the first nine months includes the payment, in the Cable sector, of a make-whole premium amounting to $8.8 million on the early repayment, on December 22, 2010, of the $175 million Senior Secured Notes Series B due on October 31, 2011. The remaining variance is mainly attributable to the financial expense impact of fluctuations in the level of bank indebtedness, combined with the impact of the lower interest rate on the $200 million Senior Secured Debentures Series 2 issued by Cogeco Cable on November 16, 2010.

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. Please refer to the "Cable sector" section for further details. 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"), which effectively wrote-off Cogeco Cable's net investment in Cabovisão affected the Company's financial results as follows for the third quarter and first nine months of fiscal 2011:

($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

INCOME TAXES

Fiscal 2011 third-quarter income tax expense amounted to $19 million, compared to $15.3 million in the prior year. The increase of $3.7 million, or 24%, is mainly due to operating income before amortization growth, partly offset by the previously announced declines in the enacted Canadian federal and provincial income tax rates.

For the first nine months, income tax expense amounted to $51.5 million, compared to $14 million in the prior year. The income tax expense in the first nine months of the prior year included the impact, in the cable sector, of the reduction in corporate income tax rates announced on March 26, 2009 by the Ontario provincial government and considered substantively enacted on November 16, 2009 (the "reduction of Ontario provincial corporate income tax rates"), which reduced future income tax expense by $29.8 million. Excluding this prior year impact, income tax expense would have amounted to $43.8 million for the first nine months of fiscal 2010. Fiscal 2011 income tax expense increase is mainly due to operating income before amortization growth, partly offset by the increase in financial expense and the previously announced declines in the enacted Canadian federal and provincial income tax rates.

NON-CONTROLLING INTEREST

The non-controlling interest represents a participation of approximately 67.8% in Cogeco Cable's results. During the third quarter of fiscal 2011 the loss attributable to non-controlling interest amounted to $123.4 million, and $79.5 million for the nine months ended May 31, 2011, 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 $79.6 million, respectively.

NET INCOME (LOSS)

For the three and nine-month periods ended May 31, 2011, net losses amounted to $56.7 million, or $3.39 per share, and $30.1 million, or $1.80 per share, respectively, as a result of the previously described impairment loss of $72.7 million, net of income tax and non-controlling interest. For the comparable periods of fiscal 2010, net income amounted to $10.7 million, or $0.64 per share in the quarter, and $44 million, or $2.63 per share in the first nine months. Fiscal 2010 first nine months net income included the reduction of Ontario provincial corporate income tax rates described in the "Income Taxes" section, which increased net income by an amount of $9.6 million net of non-controlling interest.

Excluding the impairment loss in the current year and the reduction of income tax rates in the prior year, fiscal 2011 adjusted net income[1] amounted to $16 million, or $0.96 per share[1] in the third quarter, representing growth of $5.3 million, or 49%, and of $0.32 per share, or 50%, when compared to $10.7 million, or $0.64 per share in the prior year. Adjusted net income in the first nine months of fiscal 2011 grew by $8.2 million, or 24%, and $0.49 per share, or 23.8%, to reach $42.6 million or $2.55 per share when compared to $34.4 million or $2.06 per share in the comparable period of the prior year. Net income progression for both periods has resulted mainly from the growth in operating income before amortization, partly offset in the first nine months by the make-whole premium on early repayment of debt of $2 million, net of income taxes and non-controlling interest.

CASH FLOW AND LIQUIDITY

	Quarters ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
($000)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Operating activities				
Cash flow from operations	**135,161**	119,140	**298,335**	374,989
Changes in non-cash operating items	**12,083**	(8,384)	**3,145**	(148,145)
	147,244	110,756	**301,480**	226,844
Investing activities[1]	**(71,371)**	(69,488)	**(286,515)**	(212,161)
Financing activities[1]	**(12,147)**	(36,043)	**39,489**	(31,284)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**573**	(846)	**438**	(1,746)
Net change in cash and cash equivalents	**64,299**	4,379	**54,892**	(18,347)
Cash and cash equivalents, beginning of period	**26,435**	16,732	**35,842**	39,458
Cash and cash equivalents, end of period	**90,734**	21,111	**90,734**	21,111

(1) Excludes assets acquired under capital leases.

Fiscal 2011 third quarter cash flow from operations reached $135.2 million, compared to $119.1 million in the third quarter of the prior year. The increase of $16 million, or 13.4%, is mainly attributable to the increase in operating income before amortization, partly offset by the decrease in current income tax recovery. Changes in non-cash operating items generated cash inflows of $12.1 million, mainly as a result of an increase in accounts payable and accrued liabilities and a decrease in income taxes receivable, partly offset by a decrease in income tax liabilities. In the prior year, changes in non-cash operating items required cash outflows of $8.4 million, mainly as a result of an increase in income taxes receivable and a decrease in accounts payable and accrued liabilities.

In the first nine months of fiscal 2011, cash flow from operations reached $298.3 million, $76.7 million, or 20.4%, lower than the comparable period last year. This reduction is primarily due to the recognition of current income tax expense relating to the modifications to 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, also in the cable sector, partly offset by the increase in operating income before amortization. Changes in non-cash operating items generated cash inflows of $3.1 million, mainly as a result of an increase in income tax liabilities and a decrease in income taxes receivable, partly offset by a decrease in accounts payable and accrued liabilities and an increase in accounts receivable. In the prior year, changes in non-cash operating items required cash outflows of $148.1 million, mainly as a result of decreases in accounts payable and accrued liabilities and in income tax liabilities, combined with increases in income taxes receivable and accounts receivable, partly offset by an increase in deferred and prepaid revenue and other liabilities.

In the third quarter of fiscal 2011, investing activities, including mainly capital expenditures and the increase in deferred charges, amounted to $71.4 million, an increase of $1.9 million, or 2.7% when compared to $69.5 million for the corresponding period of last year. The most significant variations are in the cable sector and are due to the following factors:

- An increase in 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, net of the impact of the higher value of the Euro relative to the Canadian dollar when compared to the third quarter of the prior year;
- A decrease in support capital spending since there were prior year acquisitions of new facilities in the Canadian operations.

In the first nine months of fiscal 2011, investing activities amounted to $286.5 million as a result of the net outflows related to the Québec Radio Stations Acquisition for an amount of $75.9 million described below, capital expenditures and the increase in deferred charges. This represents an increase of $74.4 million, or 35% when compared to $212.2 million for the corresponding period of last year.

On April 30, 2010, the Company 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 Canadian Radio-television and Telecommunications Commission ("CRTC"). On June 30, 2010, the Company 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 Company 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.

(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.

Pursuant to this acquisition, and as part of the CRTC's decision on the Company's transfer application, the Company 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 Company 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.

This acquisition was accounted for using the purchase method. The results have been consolidated as of the acquisition date. The preliminary allocation of the purchase price of the acquisition, pending the completion of the valuation of the net assets acquired, is as follows:

	$
	(unaudited)
Consideration	
Paid	
Purchase of shares	**75,000**
Acquisition costs	**1,530**
	76,530
Promissory note payable, non-interest bearing and due on February 1, 2012	**5,000**
Investment previously accounted for	**200**
Acquisition costs previously recorded as deferred charges	**435**
Preliminary working capital adjustment payable	**4,000**
	86,165
Net assets acquired	
Cash and cash equivalents	**647**
Accounts receivable	**14,132**
Income tax receivable	**92**
Prepaid expenses and other	**527**
Current future income tax assets	**1,018**
Fixed assets	**11,497**
Deferred charges and other	**99**
Broadcasting licenses	**48,193**
Goodwill	**27,227**
Non-current future income tax assets	**2,272**
Non-current assets held for sale	**9,531**
Accounts payable and accrued liabilities assumed	**(9,058)**
Income tax liabilities assumed	**(194)**
Current liabilities related to assets held for sale	**(797)**
Deferred and prepaid revenue and other liabilities	**(7,390)**
Non-current future income tax liabilities	**(10,656)**
Non-current liabilities related to assets held for sale	**(975)**
	86,165

In the first nine months of fiscal 2011, capital expenditures amounted to $202.3 million, a decrease of $1.9 million, or 0.9%, when compared to $204.2 million in the first nine months of the prior fiscal year. The most significant variations are in the cable sector and are due to the following factors:

- 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 combined with the impact of the lower value of the Euro relative to the Canadian dollar when compared to the same period of the prior year;
- An increase in scalable infrastructure in the Canadian operations to improve network capacity in existing areas served;
- Decreases in upgrades and rebuilds and in line extensions stemming from the timing of the various initiatives undertaken by Cogeco Cable in order to expand its network and improve its capacity;
- A decrease in support capital spending since there were prior year acquisitions of new facilities in the Canadian operations.

In the third quarter, free cash flow amounted to $63.6 million, compared to $49.6 million in the comparable period of fiscal 2010, representing an increase of $13.9 million, or 28.1%. The growth in free cash flow over the prior year is due to the increase in operating income before amortization, partly offset by the decrease in current income tax recovery.

In the first nine months, free cash flow amounted to $87.5 million, a decrease of $75.1 million, or 46.2%, when compared to $162.5 million in the first nine months of fiscal 2010. The decline in free cash flow over the prior year is due to an increase of $109.3 million in current income tax expense in the cable sector stemming primarily from modifications to Cogeco Cable's corporate structure and the increase in financial expense, which offset the increase in operating income before amortization and the decrease in capital expenditures in the first nine months of fiscal 2011.

In the third quarter of fiscal 2011, Indebtedness affecting cash decreased by $5.1 million mainly due to the free cash flow of $63.6 million and the cash inflows of $12.1 million from the changes in non-cash operating items, offset by the increase in cash and cash equivalents of $64.3 million and the dividend payment of $7.6 million described below. Indebtedness mainly decreased through a net repayment of $4.4 million on the Company's Term Revolving Facilities. In the third quarter of the prior year, Indebtedness affecting cash decreased by $29.5 million mainly due to the free cash flow of $49.6 million, partly offset by the cash outflows of $8.4 million from the changes in non-cash operating items, the dividend payment of $6.3 million described below and the increase in cash and cash equivalents of $4.4 million. Indebtedness mainly decreased through a net repayment of $33.2 million on Cogeco Cable's Term Facility.

During the third quarter of fiscal 2011, a dividend of $0.12 per share was paid by the Company to the holders of subordinate and multiple voting shares, totalling $2 million, compared to a dividend of $0.10 per share, or $1.7 million the year before. In addition, dividends paid by a subsidiary to non-controlling interests in the third quarter of fiscal 2011 amounted to $5.6 million, for consolidated dividend payments of $7.6 million, compared to $4.6 million, for consolidated dividend payments of $6.3 million in the third quarter of the prior year.

In the first nine months of fiscal 2011, Indebtedness affecting cash increased by $60.5 million mainly due to the Québec Radio Stations Acquisition for a net amount of $75.9 million, the increase in cash and cash equivalents of $54.9 million and the dividend payments totalling $22.8 million described below. The increase was partly offset by the free cash flow of $87.5 million generated in the first nine months of the fiscal year and the cash inflows of $3.1 million from the changes in non cash operating items. Indebtedness mainly increased through the issuance, on November 16, 2010, of Senior Secured Debentures Series 2 ("Fiscal 2011 debentures") for net proceeds of $198.3 million and a net increase of $41.7 million on the Company's Term Revolving Facilities. The increase was partly offset by the repayment, on December 22, 2010, of Cogeco Cable's $175 million Senior Secured Notes Series B due on October 31, 2011 and the related make-whole premium on early repayment. For the comparable period of fiscal 2010, Indebtedness affecting cash decreased by $10.1 million mainly due to the free cash flow of $162.5 million and the decrease in cash and cash equivalents of $18.3 million, partly offset by the cash outflows of $148.1 million from the changes in non-cash operating items and the dividend payment of $18.8 million described below. Indebtedness mainly decreased through net repayments totalling $61.2 million on the Company's Term Facilities, including net repayments of $54.7 million by the cable subsidiary, partly offset by an increase of $54.1 million in bank indebtedness.

During the first nine months of fiscal 2011, quarterly dividends of $0.12 per share, for a total of $0.36 per share, were paid to the holders of subordinate and multiple voting shares, totalling $6 million, compared to quarterly dividends of $0.10 per share, for a total of $0.30 per share, or $5 million the year before. In addition, dividends paid by a subsidiary to non-controlling interests in the first nine months of fiscal 2011 amounted to $16.8 million, for consolidated dividend payments of $22.8 million, compared to $13.8 million for consolidated dividend payments of $18.8 million in the first nine months of the prior year.

As at May 31, 2011, the Company had a working capital deficiency of $135.3 million compared to $202.9 million as at August 31, 2010. The decrease in the deficiency is mainly attributable to the cable sector and caused by increases in cash and cash equivalents and accounts receivable and decreases in accounts payable and accrued liabilities and future income tax liabilities. The decrease was partly offset by an increase in income tax liabilities and a decrease in income taxes receivable. As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of accounts receivable as a large portion of Cogeco Cable's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling the cable subsidiary to use cash and cash equivalents to reduce Indebtedness.

At May 31, 2011, the Company had used $72.9 million of its $100 million Term Revolving Facility for a remaining availability of $27.1 million. Cogeco Cable had used $112.5 million of its $750 million Term Revolving Facility for a remaining availability of $637.5 million.

Transfers of funds from non-wholly owned subsidiaries to COGECO are subject to approval by the subsidiaries' Boards 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, 2010, there have been significant changes to the balances of "fixed assets", "income tax liabilities", "future income tax liabilities", "income taxes receivable", "cash and cash equivalents", "long-term debt", "intangible assets", "assets held for sale", "accounts payable and accrued liabilities", "accounts receivable", "derivative financial instruments", "deferred and prepaid revenue and other liabilities", "promissory note payable", "goodwill" and "non-controlling interest".

The $160.9 million decrease in fixed assets reflects the impairment loss recorded in the third quarter of the fiscal year, partly offset by the assets acquired in the Québec Radio Stations Acquisition and the capital expenditures discussed in the "Cash Flow and Liquidity" section which surpassed the amortization expense and the impact of the depreciation of the Euro in relation to the Canadian dollar. The increase of $68.2 million in income tax liabilities and the decreases of $18.7 million in future income tax liabilities, $6.6 million in income taxes receivable primarily reflect the timing of the recognition of income tax liabilities as a result of modifications made to Cogeco Cable's corporate structure, combined with the impact of the Québec Radio Stations Acquisition and the increase in operating income before amortization. The increases of $54.9 million in cash and cash equivalents and $49.7 million in long-term debt are due to the factors previously discussed in the "Cash Flow and Liquidity" section combined with the fluctuations in foreign exchange rates. The increases of $44.6 million in intangible assets and $11.6 million in assets held for sale mainly stem from the Québec Radio Stations Acquisition. The $44 million decrease in accounts payable and accrued liabilities is related to the timing of supplier payments, partly offset by the Québec Radio Stations Acquisition. The $28.5 million increase in accounts receivable is due to the Québec Radio Stations acquisition combined with the increase in revenue and the timing of payments received from customers. The $19.4 million decrease in derivative financial instruments is due to the factors discussed in the "Financial management" section. The increases of $10 million in deferred and prepaid revenue and other liabilities and $5 million in promissory note payable are mainly due to the Québec Radio Stations acquisition. The decrease of $1.2 million in goodwill also reflects the Québec Radio Stations Acquisition, entirely offset by the impairment loss recorded in the cable sector. The $89.6 million decrease in non-controlling interest is due to the impairment loss recorded in the European operations of the cable sector, partly offset by improvements in the operating results of the cable subsidiary's Canadian operations in the current fiscal year.

A description of COGECO's share data as at June 30, 2011 is presented in the table below:

	Number of shares/options	Amount ($000)
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,989,338	121,976

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 2010 Annual Report, have not materially changed since August 31, 2010, except as mentioned below.

On November 16, 2010, Cogeco Cable completed, pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2 for net proceeds of $198.3 million, net of discounts and transaction costs. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum, payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries. The net proceeds of sale of the debentures were used to redeem in full, on December 22, 2010, Cogeco Cable's Senior Secured Notes Series B due October 31, 2011 for an amount of $175 million plus accrued interest and make-whole premium, and the remainder for working capital and general corporate purposes.

The Company benefits from Term Revolving Facility of up to $100 million with a group of financial institutions led by a large Canadian bank, which acts as agent for the banking syndicate. The Term Revolving Facility of up to $100 million includes a swingline limit of $7.5 million, is extendable by additional one-year periods on an annual basis, subject to lenders' approval, and if not extended, matures three years after its issuance or the last extension, as the case may be. The Term Revolving Facility is composed of two tranches of $50 million each, one of which was subject to the completion of the Québec Radio Stations Acquisition and which became available on February 1, 2011 with the conclusion of the transaction. The Term Revolving Facility was extended at that same date and currently matures on February 1, 2014. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Company and certain of its subsidiaries, excluding the capital stock and assets of the Company's subsidiary, Cogeco Cable, and guaranteed by its subsidiaries excluding Cogeco Cable. Under the terms and conditions of the credit agreement, the Company must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. The Term Revolving Facility bears interest, at the Company's option, on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion.

DIVIDEND DECLARATION

At its July 6, 2011 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.14 per share for subordinate and multiple voting shares, payable on August 3, 2011, to shareholders of record on July 20, 2011, an increase of 40% compared to the dividend of $0.10 per share declared last year. The increased dividend mainly reflects the strong financial performance of Cogeco Cable's Canadian operations. 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, the amount and frequency may vary.

FINANCIAL MANAGEMENT

Cogeco Cable has entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of the Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, for a notional amount of €111.5 million, which has been reduced to €95.8 million on July 28, 2009, and to €69.6 million on July 28, 2010. The interest rate swap to hedge these loans has been fixed at 2.08% until the settlement of the swap agreement on June 28, 2011. In addition to the interest rate swap of 2.08%, Cogeco Cable continued to pay the applicable margin on these loans in accordance with its Term Revolving Facility. In the first nine months of fiscal 2011, the fair value of the interest rate swap increased by $1.1 million, which is recorded as an increase of other comprehensive income (loss), net of income taxes and non-controlling interest, compared to an increase of $0.6 million in the prior year.

Cogeco Cable has also 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 on October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625 per US dollar. In the first nine months of fiscal 2011, amounts due under the US$190 million Senior Secured Notes Series A decreased by $18.6 million due to the US dollar's depreciation relative to the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $20.4 million, of which a decrease of $18.6 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $1.8 million was recorded as a decrease of other comprehensive income (loss), net of income taxes and non-controlling interest. In the first nine months of the prior year, amounts due under the US$190 million Senior Secured Notes Series A decreased by $9.8 million due to the US dollar's depreciation over the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $3.2 million, of which $9.8 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $6.5 million was recorded as an increase of other comprehensive income (loss), net of income taxes and non-controlling interest.

Furthermore, Cogeco Cable's net investment in self-sustaining foreign subsidiaries was 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 was mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. This debt was designated as a hedge of a net investment in self-sustaining foreign subsidiaries and, accordingly, Cogeco Cable recorded a foreign exchange gain of $3.9 million in the first nine months of

fiscal 2011, compared to a foreign exchange loss of $13.4 million in the comparable period of the prior year, which was deferred and recorded in the consolidated statement of comprehensive income (loss), net of income taxes and non-controlling interest. The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts as at May 31, 2011 was $1.3939 per Euro compared to $1.3515 per Euro as at August 31, 2010. The average exchange rates prevailing during the third quarter and first nine months of fiscal 2011 used to convert the operating results of the European operations were $1.3809 per Euro and $1.3670 per Euro, respectively, compared to $1.3472 per Euro and $1.4703 per Euro in the comparable periods of fiscal 2010. Since Cogeco Cable's consolidated financial statements are expressed in Canadian dollars but a portion of its business is conducted in the Euro currency, exchange rate fluctuations can increase or decrease revenue, operating income before amortization, net income and the carrying value of assets and liabilities.

The following table shows the Canadian dollar impact of a 10% fluctuation in the average exchange rate of the Euro currency into Canadian dollars on European operating results for the nine month period ended May 31, 2011:

Nine months ended May 31, 2011 *($000)*	**As reported** **$**	**Exchange rate impact** **$**
	(unaudited)	**(unaudited)**
Revenue	**128,971**	**12,897**
Operating income before amortization	**14,427**	**1,443**

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) Quarters ended May 31,		Net additions (losses) Nine months ended May 31,		% of Penetration[1] May 31,	
	May 31, 2011	**2011**	2010	**2011**	2010	**2011**	2010
RGU	**3,369,116**	**41,819**	64,241	**189,767**	222,808	**–**	–
Basic Cable service customers	**1,137,481**	**(3,374)**	900	**2,709**	8,463	**–**	–
HSI service customers	**758,460**	**4,760**	12,320	**36,216**	51,896	**68.2**	64.6
Digital Television service customers	**818,624**	**28,039**	30,167	**99,354**	88,630	**72.6**	61.6
Telephony service customers	**654,551**	**12,394**	20,854	**51,488**	73,819	**60.9**	55.1

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

In the cable sector, third quarter and first nine-month RGU net additions amounted to 41,819 and 189,767 RGU, respectively, compared to 64,241 and 222,808 RGU in the comparable periods of the previous fiscal year.

Fiscal 2011 third-quarter and first nine month RGU net additions were lower than in the comparable periods of the prior year, as the strong RGU growth generated by the Canadian operations, despite higher penetration rates, category maturity and aggressive competition, was offset by RGU losses in the European operations reflecting the continuing difficult economic conditions in Portugal. During the third quarter 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 Cogeco Cable's services in the European operations in the third quarter of fiscal 2011.

Basic Cable service customers net losses stood at 3,374 for the quarter, compared to growth of 900 in the third quarter of the prior year. For the first nine months, Basic Cable service customers increased by 2,709, compared to 8,463 in the prior year. In the quarter, Telephony service customers grew by 12,394 compared to 20,854 for the same period last year, and the number of net additions to the HSI service stood at 4,760 customers compared to 12,320 customers in the third quarter of the prior year. For the first nine months, net additions of Telephony service customers amounted to 51,488 compared to 73,819 for the same period last year, and the number HSI service customers grew by 36,216 compared to 51,896 in the first nine months 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 in the Canadian operations. For the three and nine month periods ended May 31, 2011, additions to the Digital Television service stood at 28,039 and 99,354 customers, compared to 30,167 and 88,630 for the comparable periods of the prior year. Digital Television service net additions are due to targeted marketing initiatives to improve penetration, the launch of new HD channels and the continuing interest for HD television service.

OPERATING RESULTS

($000, except percentages)	Quarters ended May 31, 2011 $	2010 $	Change %	Nine months ended May 31, 2011 $	2010 $	Change %
	(unaudited)	(unaudited)		**(unaudited)**	(unaudited)	
Revenue	**342,910**	319,291	7.4	**1,010,998**	957,053	5.6
Operating costs	**198,825**	192,591	3.2	**593,941**	576,115	3.1
Management fees - COGECO Inc.	**–**	–	–	**9,172**	9,019	1.7
Operating income before amortization	**144,085**	126,700	13.7	**407,885**	371,919	9.7
Operating margin	**42.0%**	39.7%		**40.3%**	38.9%	

Revenue

Fiscal 2011 third-quarter revenue improved by $23.6 million, or 7.4%, to reach $342.9 million, when compared to the prior year. For the first nine months of fiscal 2011, revenue amounted to $1,011 million, $53.9 million, or 5.6%, higher when compared to $957.1 million in the comparable period of fiscal 2010.

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 implemented in April 2011 and in the second half of fiscal 2010, the Canadian operations' third-quarter revenue rose by $23.6 million, or 8.6%, to reach $299.3 million, and first nine-month revenue increased by $70.6 million, or 8.7%, at $882 million.

In the third quarter of fiscal 2011 revenue from the European operations remained essentially the same at $43.6 million when compared to the same period of the prior year as a result of the higher value of the Euro in relation to the Canadian dollar in the third quarter of the year when compared to the prior year, partly offset by lower revenue in local currency as a result of a decreased demand for services. First nine-month European operations revenue amounted to $129 million, $16.6 million, or 11.4%, less than in the prior year. The decline in revenue in the first nine months was mainly due to RGU losses combined with the lower value of the Euro in relation to the Canadian dollar. Revenue from the European operations in the local currency for the three and nine-month periods ended May 31, 2011 amounted to €31.6 million and €94.3 million, decreases of €0.8 million, or 2.3%, and €4.6 million, or 4.6%, respectively, when compared to the same periods of the prior year.

Operating costs

For the third quarter of fiscal 2011, operating costs increased by $6.2 million, to reach $198.8 million, an increase of 3.2% compared to the prior year. For the first nine months, operating costs amounted to $593.9 million, $17.8 million, or 3.1% higher than in the same period of fiscal 2010.

In the Canadian operations, for the three and nine month periods ended May 31, 2011, operating costs increased by $5.9 million, or 3.8%, at $161.2 million, and by $24.4 million, or 5.4%, to reach $479.4 million, respectively. The increases in operating costs are mainly attributable to servicing additional RGU, the launch of new HD channels and additional marketing initiatives.

As for the European operations, fiscal 2011 third-quarter operating costs remained essentially the same at $37.6 million when compared to $37.3 million in the third quarter of the prior year, primarily due to the higher value of the Euro in relation to the Canadian dollar in the third quarter of the 2011 fiscal year. 2011 first nine-months operating costs decreased by $6.5 million, or 5.4%, at $114.5 million, mainly reflecting RGU losses combined with the lower value of the Euro in relation to the Canadian dollar. These decreases in operating costs offset increases related to additional marketing initiatives and the launch of new HD channels by Cabovisão. Operating costs of the European operations for the third quarter and first nine months in the local currency amounted to €27.3 million, essentially the same when compared to €27.7 million, and €83.8 million, an increase of €1.4 million, or 1.7%, respectively, when compared to the corresponding periods of the prior year.

Operating income before amortization and operating margin

Fiscal 2011 third-quarter operating income before amortization increased by $17.4 million, or 13.7%, to reach $144.1 million. Cogeco Cable's third-quarter operating margin increased to 42% from 39.7% in the comparable period of the prior year. For the first nine months of fiscal 2011, operating income before amortization amounted to $407.9 million, an increase of $36 million, or 9.7%, when compared to the first nine months of fiscal 2010. The operating margin increased to 40.3% in the first nine months of fiscal 2011 from 38.9% in the same period of the prior year.

Operating income before amortization in the Canadian operations rose by $17.7 million, or 14.7%, to reach $138.1 million in the third quarter, mainly due to revenue growth exceeding the increase in operating costs. Cogeco Cable's Canadian operations' operating margin increased to 46.1% in the third quarter compared to 43.7% for the same period of the prior year. In the first nine months of fiscal 2011, operating income before amortization amounted to $393.5 million, $46.1 million, or 13.3%, higher than in the same period of the prior year. The operating margin increased to 44.6% from 42.8% when compared to the first nine months of fiscal 2010. The growth in the operating margin stems from rate increases and RGU growth.

For the European operations, operating income before amortization amounted to $6 million in the third quarter, compared to $6.3 million for the same period of the prior year. In the first nine months, operating income before amortization decreased by $10.1 million, or 41.1%, at $14.4 million. The reductions are mainly due to decreases in revenue which outpaced the decreases in operating costs. European operations' operating margin decreased to 13.8% in the third quarter and 11.2% in the first nine months of fiscal 2011 from 14.5% and 16.8%, respectively, in the third quarter and first nine months of fiscal 2010. Operating income before amortization in the local currency amounted to €4.4 million compared to €4.7 million in the third quarter of the prior year, representing a decrease of 7.1%, and €10.5 million compared to €16.5 million in the first nine months, representing a decrease of 36.2%.

FISCAL 2011 FINANCIAL GUIDELINES

In the third quarter of fiscal 2011, a non-cash impairment loss of Cogeco Cable's investment in Cabovisão was recorded in the amount of $225.9 million as a result of the severe decline in the economic environment in Portugal, 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 are expected to put further downwards pressure on consumer spending due to increases in taxes. The rate of growth for Cogeco Cable's services has diminished, with net customer losses and service downgrades by customers in the European operations in the third quarter of fiscal 2011. In order to reflect the impact of this unfavourable economic environment and the impairment loss recorded by Cogeco Cable, the cable subsidiary has revised its net income guideline for the 2011 fiscal year to a net loss of approximately $85 million, from net income of $140 million as issued on January 12, 2011. As a result of this revision in Cogeco Cable, COGECO now expects a net loss of approximately $20 million for fiscal 2011.

Additionally, net customer additions in the cable sector are now expected to amount to approximately 250,000 RGU, or 7.9% when compared to August 31, 2010, from 275,000 RGU as issued by Cogeco Cable on January 12, 2011. RGU growth in the fourth quarter of fiscal 2011 will stem primarily from the growth in Digital Television service customers and promotional activities in the Canadian operations. The decrease in revenue stemming from the revision of the RGU growth guideline is expected to be offset by strong continuing interest for HD television services in the Canadian operations, and an increase in operating costs attributable to the launch of new HD channels and increased marketing initiatives. Accordingly, management has not revised its other financial projections for the 2011 fiscal year.

FISCAL 2012 PRELIMINARY FINANCIAL GUIDELINES

Consolidated

For fiscal 2012, COGECO expects revenue of approximately $1,530 million and operating income before amortization should amount to approximately $595 million, as a result of Cogeco Cable's 2012 preliminary guidelines and the full year impact of the Québec Radio Stations Acquisition. Free cash flow should generate approximately $105 million and net income of $80 million should be earned. The fiscal 2012 financial guidelines exclude the Quiettouch acquisition by Cogeco Cable, which is subject to customary closing adjustments and conditions.

(in millions of dollars, except operating margin)	Preliminary projections Fiscal 2012 $	Revised projections January 12, 2011 $
Financial guidelines		
Revenue	1,530	1,442
Operating income before amortization	595	560
Financial expense	63	75
Current income taxes	76	64
Net income (loss)[(1)]	80	(20)
Capital expenditures and increase in deferred charges	351	341
Free Cash Flow	105	80

(1) The net loss guideline for fiscal 2011 was revised on July 6, 2011.

Cable sector

For fiscal 2012, Cogeco Cable expects to achieve revenue of $1,420 million, representing growth of $60 million, or 4.4% when compared to the revised fiscal 2011 guidelines issued on January 12, 2011. The preliminary guidelines take into consideration the current uncertain global economic environment. In Canada, while the recovery phase seems sustainable, recent reforms to the mortgage market and further tightening from the Bank of Canada will nonetheless constrain housing market activity and should coincide with a contraction in consumer spending. In previous recessionary periods, demand for cable telecommunications services has generally proven to be resilient, however there is no assurance that demand would remain resilient in a prolonged difficult economic environment. In Portugal, during the third quarter of fiscal 2011, the unfavourable economic environment 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 and the rate of growth for our services has diminished and is expected to continue to slowdown in this environment. These preliminary guidelines also take into consideration the competitive environment that prevails in Portugal and, in Canada, the deployment of new technologies such as Fibre to the Home ("FTTH"), Fibre to the Node ("FTTN") and Internet Protocol Television ("IPTV") by the incumbent telecommunications providers.

Revenue from the Canadian operations should increase as a result of RGU growth stemming from targeted marketing initiatives to improve penetration rates of the Digital Television, HSI and Telephony services. Furthermore, the Digital Television service should continue to benefit from the customers' ongoing strong interest in Cogeco Cable's growing HD service offerings. Canadian operations revenue will also benefit from the impact of rate increases implemented in April 2011 in Ontario and Québec, averaging $2 per Basic Cable service customer. Cogeco Cable's strategies include consistently effective marketing, competitive product offerings and superior customer service, which combined, lead to the expansion and loyalty of the Canadian operations' Basic Cable Service clientele. As the penetration of HSI, Telephony and Digital Television services increase, the new demand for these products should slow, reflecting early signs of maturity.

Cogeco Cable anticipates that the decline in the customer base of the European operations, which began during the second half of fiscal 2011, is likely to continue in the next year. Net losses are expected in Basic Cable and Digital Television service customers partly offset by net additions coming from HSI and Telephony service customers. Management is expected to maintain its retention strategies and marketing initiatives implemented over the last few years, but the economic difficulties being experienced by the European market at large and

the competitive environment which has plagued the Portuguese telecommunications industry for the past years are continuing to negatively impact the financial results of the European operations. As a result of the economic environment in Portugal, revenue in local currency is expected to decrease in fiscal 2012. For fiscal 2012, it is anticipated that the Euro should be converted at a rate of approximately $1.35 per Euro, essentially the same when compared to the revised fiscal 2011 guidelines issued on January 12, 2011.

As a result of increased costs to service additional RGU, inflation and manpower increases, as well as the continuation of the marketing initiatives and retention strategies launched in Portugal in the past few years, consolidated operating costs are expected to expand by approximately $25 million, or 3.1% in the 2012 fiscal year when compared to the revised projections for fiscal 2011.

For fiscal 2012, Cogeco Cable expects operating income before amortization of $580 million, an increase of $35 million, or 6.4% when compared to the revised fiscal 2011 projections issued on January 12, 2011. The operating margin is expected to reach approximately 40.8% in fiscal 2012, compared to revised projections of 40.1% for the 2011 fiscal year, reflecting revenue growth which is expected to exceed the increase in operating costs.

Cogeco Cable expects the amortization of capital assets and deferred charges to decrease by $45 million for fiscal 2012, mainly from the impairment loss in the third quarter of fiscal 2011 in the European operations, partly offset by capital expenditures and deferred charges related to RGU growth and other initiatives of fiscal 2012 in the Canadian operations and by the full year impact of those of fiscal 2011. Cash flows from operations should finance capital expenditures and the increase in deferred charges amounting to $350 million, an increase of $10 million when compared to the revised fiscal 2011 projections. Capital expenditures projected for the 2012 fiscal year are mainly due to customer premise equipment required to support RGU growth, scalable infrastructure for product enhancements and the deployment of new technologies, line extensions to expand existing territories, and support capital to improve business information systems and support facility requirements.

Fiscal 2012 free cash flow is expected to amount to $95 million, an increase of $25 million, or 35.7% when compared to the projected free cash flow of $70 million for fiscal 2011, resulting from the growth in operating income before amortization. Generated free cash flow should be used primarily to reduce Indebtedness, thus improving Cogeco Cable's leverage ratios. Financial expense will be reduced to $60 million from the projected $72 million in fiscal 2011 revised projections, as a result of an anticipated decrease in Indebtedness and the one-time make-whole premium on the early repayment, in fiscal 2011, of the Senior Secured Notes Series B, partly offset by a slight increase in Cogeco Cable's cost of debt reflecting current market conditions. As a result, net income of approximately $225 million should be achieved compared to a net loss of $85 million for the revised fiscal 2011 projections. Fiscal 2012 projected net income represents an increase of $85 million when compared to the revised fiscal 2011 projection when the impact of the non-cash impairment loss of $225.9 million in the European operations is excluded.

The fiscal 2012 financial guidelines exclude the Quiettouch acquisition, which is subject to customary closing adjustments and conditions.

(in millions of dollars, except net customer additions and operating margin)	Preliminary projections Fiscal 2012 $	Revised projections January 12, 2011 $
Financial guidelines		
Revenue	1,420	1,360
Operating income before amortization	580	545
Operating margin	40.8%	40.1%
Amortization	220	265
Financial expense	60	72
Current income taxes	75	63
Net income (loss)[(1)]	225	(85)
Capital expenditures and increase in deferred charges	350	340
Free Cash Flow	95	70
Net customer addition guidelines		
RGU[(1)]	225,000	250,000

(1) Net loss and net customer addition guidelines for fiscal 2011 were revised on July 6, 2011.

CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with management, are responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting, as defined in NI 52-109. COGECO's internal control framework is based on the criteria published in the report "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The CEO and CFO, supported by management, evaluated the design of the Company's disclosure controls and procedures and internal controls over financial reporting as at May 31, 2011, and have concluded that they were adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended May 31, 2011.

However, in the first quarter of fiscal 2011, the Company introduced a new financial suite under an integrated Oracle platform. This project was required in order to adequately support the implementation of the International Financial Reporting Standards ("IFRS") and to remain

current with the operational platform used by the Company. Following the introduction of this new financial suite, internal controls over financial reporting have been updated in order to support adequate disclosure controls and procedures.

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, 2010. A detailed description of the uncertainties and main risk factors faced by COGECO can be found in the 2010 Annual Report.

ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in COGECO's accounting policies, estimates and future accounting pronouncements since August 31, 2010, except as described below. A description of the Company's policies and estimates can be found in the 2010 Annual Report.

Future accounting pronouncements

Adoption of International accounting standards

In March 2006, the Canadian Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants ("CICA") released its new strategic plan, which proposed to abandon Canadian GAAP and effect a complete convergence to the IFRS for Canadian publicly accountable entities. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Company's first interim consolidated financial statements presented in accordance with IFRS will be for the quarter ending November 30, 2011, and its first annual consolidated financial statements presented in accordance with IFRS will be for the year ending August 31, 2012.

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

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

Phase	Area of impact	Key activities	Status
Scoping and diagnostic	Pervasive	Perform a high-level impact assessment to identify key areas that are expected to be impacted by the transition to IFRS.	Completed
		Rank 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	For each area identified in the scoping and diagnostic phase	Identify the specific changes required to existing accounting policies.	Completed
		Analyse policy choices permitted under IFRS.	
		Present analysis and recommendations on accounting policy choices to the Audit Committee.	
	Pervasive	Identify impacts on information systems and business processes.	Completed
		Prepare draft IFRS consolidated financial statement template.	
		Identify impacts on internal controls over financial reporting and other business processes.	
Implementation and review	For each area identified in the scoping and diagnostic phase	Test and execute changes to information systems and business processes.	Completed
		Obtain formal approval of required accounting policy changes and selected accounting policy choices.	In progress - to be completed in fiscal 2011
		Communicate impact on accounting policies and business processes to external stakeholders.	To be completed during fiscal 2011
	Pervasive	Gather financial information necessary for opening balance sheet and comparative IFRS financial statements.	In progress - to be completed in fiscal 2011
		Update and test internal control processes over financial reporting and other business processes.	
		Collect financial information necessary to compile IFRS-compliant financial statements.	In progress - to be completed during fiscal 2012
		Provide training to employees and end-users across the organization.	
		Prepare IFRS compliant financial statements.	
		Obtain the approval from the Audit Committee of the IFRS consolidated financial statements.	
		Continually review IFRS and implement changes to the standards as they apply to the Company.	To be completed throughout transition and post-conversion periods

The Company has completed all activities included in the scoping and diagnostic and impact analysis, evaluation and design phases. The Company has also completed its implementation of a new financial suite under an integrated Oracle platform in order to adequately support

the implementation of IFRS. This financial suite will facilitate the completion of the Company's transition project and the conversion of the results of operations for fiscal 2011 to be presented as comparative figures to the fiscal 2012 IFRS financial statements. The effects on other information technology, data systems, and internal controls have also been assessed, no significant modifications are necessary on conversion.

The Company's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan and the Company expects to meet its target date for migration.

Upon conversion to IFRS, an entity is required to apply the guidance contained in these standards retrospectively without limitation unless there is a specific exemption which modifies this requirement. IFRS 1 – *First-time adoption of international financial reporting standards* applies only for first-time adopters of IFRS and contains several mandatory exceptions and optional exemptions to be applied to these entities' first IFRS financial statements. Management has completed its analysis of the impact of most of the significant transitional optional exemptions, and Cogeco Cable's elections to be applied at the date of transition to IFRS for these exemptions are as follows:

International standard	Summary of the optional IFRS 1 exemption	Application and impact for the Company
IFRS 3 – Business combinations	A first-time adopter may elect not to apply IFRS 3 retrospectively to past business combinations.	The Company has elected not to restate business combinations completed prior to September 1, 2010.
IFRS 2 – Share-based payments	A first-time adopter may elect to apply IFRS 2 only to equity instruments that were granted after November 7 2002 and which vested after the date of transition to IFRS.	The Company has elected to apply the requirements of IFRS 2 only to equity instruments granted after November 7, 2002 and which vested after the date of transition to IFRS.
IAS 16 – Property, plant and equipment	A first-time adopter may elect to measure an item of property, plant and equipment at its fair value at the date of transition to IFRS and use that fair value as its deemed cost at that date.	The Company has elected not to use the fair value of any of its property, plant and equipment as their deemed cost at the date of transition to IFRS.
IAS 19 – Employee benefits	A first-time adopter may elect to recognise all cumulative actuarial gains and losses at the date of transition to IFRS.	The Company has elected to recognise all actuarial gains and losses at the date of transition to IFRS.
IAS 23 – Borrowing costs	A first-time adopter may elect to apply IAS 23 only to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the date of transition to IFRS.	The Company has elected to apply the requirements of IAS 23 only to borrowing costs relating to assets for which the commencement date for capitalisation is on or after the date of transition to IFRS.

The Company is currently completing the evaluation of the differences between IFRS and Canadian GAAP. The most significant differences in accounting policies adopted on and after transition to IFRS with respect to the recognition, measurement, presentation and disclosure of financial information, along with the related expected financial statement impacts, are expected to be in the following key accounting areas:

International standard	Summary of the difference between IFRS and Canadian GAAP	Application and impact for the Company
IAS 16 – Property, plant and equipment	IFRS requires that each significant component of an asset be depreciated separately.	The Company will apply IAS 16 retroactively to all items of property, plant and equipment. The impact of the retroactive application on the Company's opening IFRS balance sheet at the date of transition will reduce property, plant and equipment and retained earnings by an amount of approximately $6 million before the impact of related income taxes and non-controlling interest. Depreciation expense is also expected to be different under IFRS.
IAS 19 – Employee benefits	IAS 19 requires an entity to recognize the expense related to past service cost on an accelerated basis compared to Canadian GAAP. Furthermore, IAS 19 allows an entity a policy choice for the recognition of actuarial gains and losses on defined benefit pension plans. One of these choices permits the immediate recognition of actuarial gains and losses as a component of other comprehensive income, which was not permitted under Canadian GAAP.	The Company has elected to recognize actuarial gains and losses immediately as a component of other comprehensive income. The impact of this policy choice will depend on the future fluctuations in market interest rates and actual returns on plan assets. In addition, at the date of transition, the IFRS 1 optional election described above will result in a decrease in opening retained earnings and an increase in pension plan liabilities and accrued employee benefits of approximately $14 million before the impact of related income taxes and non-controlling interest.
IFRS 2 – Share-based payment	IFRS 2 requires the graded-vesting method for the recognition of stock-based compensation awards, while Canadian GAAP permitted the straight-line method. IFRS 2 also requires that an entity measure cash-settled stock-based payments at their fair value based on an option pricing model.	The requirement to use the graded-vesting method for the recognition of stock-based compensation awards will result in an accelerated recognition of the expense for the Company. At the date of transition to IFRS, and reflecting the IFRS 1 exemption described above, this difference in accounting policies will result in a decrease in opening retained earnings and an increase in contributed surplus (equity settled employee compensation reserve in the Company's IFRS financial statements) by an amount of approximately $1 million before the impact of non-controlling interest. As a result of this adjustment, operating expense related to employee benefits are expected to be slightly lower in the Company's first IFRS financial statements.

International standard	Summary of the difference between IFRS and Canadian GAAP	Application and impact for the Company
IAS 36 – Impairment of assets	For the purposes of impairment testing, IFRS requires that assets be grouped into cash generating units ("CGU"s). IFRS then requires a one-step approach whereby the carrying value of the CGU is compared to the higher of fair value less costs to sell and the value in use. Canadian GAAP required grouping at the lowest level of independent cash flows and used a two-step approach for impairment testing whereby the carrying values were first compared to the undiscounted future cash flows in order to determine the existence of an impairment, and subsequently compared to the fair value to determine the amount of the impairment. IFRS also requires the reversal of a previous impairment loss on assets other than goodwill in the event a change in circumstances indicates that the impairment no longer exists or has decreased. The reversal of prior impairment losses is not permitted under Canadian GAAP.	The Company has identified and tested its CGUs for impairment at the date of the opening IFRS balance sheet and no impairment was identified.
IAS 38 – Intangible assets	Intangible assets with indefinite lives are not amortized under IFRS or Canadian GAAP. However, IFRS requires full retrospective application, including the reversal of amortization which was not reversed under the transitional provisions of Canadian GAAP.	On transition to IFRS, the Company will reverse all amortization recorded on intangible assets with indefinite lives. The impact will increase opening retained earnings and increase intangible assets by an amount of approximately $58 million, before the impact of related income taxes and non-controlling interest, on the opening IFRS balance sheet.
IFRS 3 – Business combinations	Acquisition-related costs, which the Company capitalized under Canadian GAAP, are expensed under IFRS.	In accordance with the IFRS 1 election described above, the Company will apply the requirements of IFRS 3 prospectively from the date of transition. As part of the application of IFRS 3, the Company will be required to expense acquisition-related costs capitalized on acquisitions completed since the date of transition to IFRS. Also as a result of the IFRS 1 election described above, the Company will be required to reverse the retroactive adjustment to intangible assets acquired in prior business acquisition stemming from the recognition of deferred income taxes upon application of CICA Handbook section 3465, *Income taxes*. The impact will decrease intangible assets by an amount of approximately $73 million, deferred income tax liabilities by an amount of approximately $62 million and retained earnings by an amount of approximately $11 million, before the impact of related income taxes and non-controlling interest, at the transition date.
IAS 39 – Financial instruments: recognition and measurement	The criteria and method used for assessing hedge effectiveness may be different under IFRS than Canadian GAAP.	Upon transition to IFRS, the Company will continue to apply hedge accounting under IFRS to all hedging arrangements which the Company recorded under Canadian GAAP. The hedging documentation and hedge effectiveness tests have been updated to conform to the requirements of IAS 39.
IAS 23 – Borrowing costs	IFRS requires that borrowing costs be capitalized on qualifying assets purchased or constructed by the entity. Canadian GAAP permitted a policy choice to capitalize or expense these costs, which the Company elected to expense.	In light of the Company's election under IFRS 1, this difference will have no impact on the Company's opening IFRS balance sheet. Borrowing costs will be capitalized on any qualifying assets purchased or constructed after the date of transition to IFRS.
IAS 12 – Income taxes	Recognition and measurement criteria for deferred tax assets and liabilities may differ. IFRS also requires that temporary differences relating to current assets and current liabilities be presented as non-current liabilities and non-current assets, whereas these were classified as current under Canadian GAAP.	The differences related to the recognition and measurement of income taxes are expected to have a material impact on the Company's opening IFRS balance sheet. The Company is currently assessing the impact of these differences. The impact on income taxes of other IFRS differences are also being assessed.
IAS 37 – Provisions, contingent liabilities and contingent assets	The threshold for the recognition of a provision is different under IFRS than Canadian GAAP. Presentation differences also exist between the two sets of accounting standards.	The Company is currently assessing the impact of these differences.
IAS 1 – Presentation of financial statements	Additional disclosures are required under IFRS. Presentation differences also exist between IFRS and Canadian GAAP, the most notable of which are presentation choices for the Statement of income and the Statement of comprehensive income and Statement of cash flows.	The Company has elected to present items of revenue and expense on its Consolidated statement of income according to the nature of the item. The Consolidated statement of comprehensive income will be presented separately from the Consolidated statement of income.

Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee ("EIC") of the Canadian AcSB issued a new abstract concerning multiple deliverable revenue arrangements, EIC-175, *Multiple deliverable revenue arrangements*, which amended EIC-142, Revenue *arrangements with multiple deliverables*. EIC-175 requires a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendment also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC-175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The Company has elected not to early-adopt this EIC, and in light of the adoption of International accounting standards taking effect at that same date, this EIC will not be applicable to the Company.

NON-GAAP FINANCIAL MEASURES

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

Cash flow from operations and free cash flow

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

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

	Quarters ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
($000)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash flow from operating activities	**147,244**	110,756	**301,480**	226,844
Changes in non-cash operating items	**(12,083)**	8,384	**(3,145)**	148,145
Cash flow from operations	**135,161**	119,140	**298,335**	374,989

Free cash flow is calculated as follows:

	Quarters ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
($000)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cash flow from operations	**135,161**	119,140	**298,335**	374,989
Acquisition of fixed assets	**(68,806)**	(66,963)	**(202,313)**	(204,239)
Increase in deferred charges	**(2,781)**	(2,548)	**(8,535)**	(8,067)
Assets acquired under capital leases – as per note 13 c)	**–**	–	**–**	(141)
Free cash flow	**63,574**	49,629	**87,487**	162,542

Operating income before amortization and operating margin

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

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

	Quarters ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
($000, except percentages)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Operating income	**81,535**	64,008	**225,952**	185,940
Amortization	**66,272**	63,920	**194,838**	195,614
Operating income before amortization	**147,807**	127,928	**420,790**	381,554
Revenue	**374,957**	330,933	**1,068,367**	988,023
Operating margin	**39.4%**	38.7%	**39.4%**	38.6%

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 Company'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 May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
($000, except numbers of shares and per share data)	**$**	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net income (loss)	**(56,672)**	10,740	**(30,052)**	43,999
Adjustments:				
Impairment of goodwill and fixed assets, net of non-controlling interest	**72,679**	–	**72,679**	–
Reduction of Ontario provincial corporate income tax rates, net of non-controlling interest	**–**	–	**–**	(9,620)
Adjusted net income	**16,007**	10,740	**42,627**	34,379
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,736,587**	16,730,336	**16,726,302**	16,724,720
Effect of dilutive stock options	**–**	9,300	**7,835**	10,969
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan	**95,611**	71,862	**88,329**	66,480
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,832,198**	16,811,498	**16,822,466**	16,802,169
Adjusted earnings per share				
Basic	**0.96**	0.64	**2.55**	2.06
Diluted	**0.95**	0.64	**2.53**	2.05

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended[1]	May 31,		February 28,		November 30,		August 31,	
	2011	2010	**2011**	2010	**2010**	2009	2010	2009
($000, except percentages and per share data)	**$**	$	**$**	$	**$**	$	$	$
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)	(unaudited)
Revenue	**374,957**	330,933	**350,644**	329,087	**342,766**	328,003	333,671	316,284
Operating income before amortization	**147,807**	127,928	**135,952**	124,363	**137,031**	129,263	137,785	144,654
Operating margin	**39.4%**	38.7%	**38.8%**	37.8%	**40.0%**	39.4%	41.3%	45.7%
Operating income	**81,535**	64,008	**70,525**	58,370	**73,892**	63,562	73,942	76,244
Impairment of goodwill and fixed assets	**225,873**	–	**–**	–	**–**	–	–	–
Income taxes	**19,007**	15,334	**14,277**	12,525	**18,244**	(13,818)	17,623	22,306
Net income (loss)	**(56,672)**	10,740	**10,645**	10,511	**15,975**	22,748	12,265	14,631
Adjusted net income	**16,007**	10,740	**10,645**	10,511	**15,975**	13,128	12,265	7,647
Cash flow from operating activities	**147,244**	110,756	**96,664**	117,498	**57,572**	(1,410)	198,492	177,032
Cash flow from operations	**135,161**	119,140	**120,675**	120,331	**42,499**	135,518	127,230	108,744
Capital expenditures and increase in deferred charges	**71,587**	69,511	**72,462**	74,549	**66,799**	68,387	108,515	94,002
Free cash flow	**63,574**	49,629	**48,213**	45,782	**(24,300)**	67,131	18,715	14,742
Earnings (loss) per share[2]								
Basic	**(3.39)**	0.64	**0.64**	0.63	**0.95**	1.36	0.73	0.87
Diluted	**(3.39)**	0.64	**0.63**	0.63	**0.95**	1.35	0.73	0.87
Adjusted earnings per share[2]								
Basic	**0.96**	0.64	**0.64**	0.63	**0.95**	0.79	0.73	0.46
Diluted	**0.95**	0.64	**0.63**	0.63	**0.95**	0.78	0.73	0.46

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

ADDITIONAL INFORMATION

This MD&A was prepared on July 6, 2011. Additional information relating to the Company, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com.

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 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 quarter of fiscal 2011, Cogeco Cable will not pay management fees in the second half of fiscal 2011. Similarly, as the maximum amount was paid in the first six months of fiscal 2010, Cogeco Cable paid no management fees in the second half of the previous fiscal year.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

COGECO Inc.
Montréal, Québec
July 7, 2011



INTERIM FINANCIAL STATEMENTS

Third quarter ended May 31, 2011

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

(In thousands of dollars, except per share data)	Three months ended May 31, **2011** **$**	2010 $	Nine months ended May 31, **2011** **$**	2010 $
Revenue	**374,957**	330,933	**1,068,367**	988,023
Operating costs	**227,150**	203,005	**647,577**	606,469
Operating income before amortization	**147,807**	127,928	**420,790**	381,554
Amortization (note 4)	**66,272**	63,920	**194,838**	195,614
Operating income	**81,535**	64,008	**225,952**	185,940
Financial expense (note 5)	**16,766**	16,824	**58,172**	48,288
Impairment of goodwill and fixed assets (note 6)	**225,873**	–	**225,873**	–
Income (loss) before income taxes and the following items	**(161,104)**	47,184	**(58,093)**	137,652
Income taxes (note 7)	**19,007**	15,334	**51,528**	14,041
Loss (gain) on dilution resulting from the issuance of shares by a subsidiary	**1**	–	**(60)**	(18)
Non-controlling interest	**(123,440)**	21,110	**(79,509)**	79,630
Net income (loss)	**(56,672)**	10,740	**(30,052)**	43,999
Earnings (loss) per share (note 8)				
Basic	**(3.39)**	0.64	**(1.80)**	2.63
Diluted	**(3.39)**	0.64	**(1.80)**	2.62

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

(In thousands of dollars)	Three months ended May 31, **2011** **$**	2010 $	Nine months ended May 31, **2011** **$**	2010 $
Net income (loss)	**(56,672)**	10,740	**(30,052)**	43,999
Other comprehensive income (loss)				
Unrealized gains (losses) on derivative financial instruments designated as cash flow hedges, net of income tax expense of $183,000 and income tax recovery of $3,117,000 (income tax expense of $622,000 and income tax recovery of $1,852,000 in 2010) and non-controlling interest of $328,000 and $11,018,000 ($2,802,000 and $531,000 in 2010)	**155**	1,338	**(5,232)**	(253)
Reclassification to financial expense of unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $72,000 and $2,400,000 ($230,000 and $1,316,000 in 2010) and non-controlling interest of $312,000 and $10,979,000 ($1,002,000 and $5,733,000 in 2010)	**148**	478	**5,222**	2,736
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $6,070,000 and $4,885,000 ($17,159,000 and $33,128,000 in 2010)	**2,882**	(8,190)	**2,314**	(15,811)
Unrealized gains (losses) on translation of long-term debt designated as hedges of a net investment in self-sustaining foreign subsidiaries, net of non-controlling interest of $2,530,000 and $2,259,000 ($11,479,000 and $24,052,000 in 2010)	**(1,201)**	5,479	**(1,071)**	11,479
	1,984	(895)	**1,233**	(1,849)
Comprehensive income (loss)	**(54,688)**	9,845	**(28,819)**	42,150

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

(In thousands of dollars)	Nine months ended May 31, **2011** **$**	2010 $
Balance at beginning, as previously reported	**253,169**	211,922
Changes in accounting policies	**–**	(7,894)
Balance at beginning, as restated	**253,169**	204,028
Net income (loss)	**(30,052)**	43,999
Excess of the value attributed to the incentive share units at issuance (price paid for the acquisition of the subordinate voting shares) over the price paid for the acquisition of the subordinate voting shares (value attributed to the incentive share units at issuance)	**56**	(430)
Dividends on multiple voting shares	**(663)**	(553)
Dividends on subordinate voting shares	**(5,360)**	(4,467)
Balance at end	**217,150**	242,577

COGECO INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(In thousands of dollars)	**May 31, 2011** **$**	August 31, 2010 $
Assets		
Current		
Cash and cash equivalents (note 13 b))	**90,734**	35,842
Accounts receivable (note 15)	**103,011**	74,560
Income taxes receivable	**38,805**	45,400
Prepaid expenses and other	**16,106**	14,189
Future income tax assets	**5,541**	6,133
Assets held for sale (note 16)	**1,639**	–
	255,836	176,124
Investments	**539**	739
Fixed assets	**1,168,001**	1,328,866
Deferred charges	**27,051**	27,960
Intangible assets (note 9)	**1,087,610**	1,042,998
Goodwill (note 9)	**143,470**	144,695
Derivative financial instruments	**–**	5,085
Future income tax assets	**15,369**	18,189
Assets held for sale (note 16)	**9,911**	–
	2,707,787	2,744,656
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**–**	2,328
Accounts payable and accrued liabilities	**204,805**	248,775
Income tax liabilities	**68,776**	558
Deferred and prepaid revenue	**47,577**	45,602
Derivative financial instrument	**132**	1,189
Promissory note payable, non-interest bearing and due on February 1, 2012 (note 2)	**5,000**	–
Current portion of long-term debt (note 10)	**2,349**	2,329
Future income tax liabilities	**60,356**	78,267
Liabilities related to assets held for sale (note 16)	**2,153**	–
	391,148	379,048
Long-term debt (note 10)	**1,002,462**	952,741
Derivative financial instruments	**15,339**	–
Deferred and prepaid revenue and other liabilities	**20,242**	12,234
Pension plan liabilities and accrued employees benefits	**12,866**	10,568
Future income tax liabilities	**237,882**	238,699
Liabilities related to assets held for sale (note 16)	**971**	–
	1,680,910	1,593,290
Non-controlling interest	**680,132**	769,731
Shareholders' equity		
Capital stock (note 11)	**119,318**	119,527
Contributed surplus	**3,110**	3,005
Retained earnings	**217,150**	253,169
Accumulated other comprehensive income (note 12)	**7,167**	5,934
	346,745	381,635
	2,707,787	2,744,656

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(In thousands of dollars)	Three months ended May 31, **2011** **$**	2010 $	Nine months ended May 31, **2011** **$**	2010 $
Cash flow from operating activities				
Net income (loss)	**(56,672)**	10,740	**(30,052)**	43,999
Adjustments for:				
Amortization (note 4)	**66,272**	63,920	**194,838**	195,614
Amortization of deferred transaction costs and discounts on long-term debt	**1,141**	772	**2,902**	2,314
Impairment of goodwill and fixed assets (note 6)	**225,873**	–	**225,873**	–
Future income taxes	**20,507**	21,264	**(21,961)**	49,900
Non-controlling interest	**(123,440)**	21,110	**(79,509)**	79,630
Loss (gain) on dilution resulting from the issuance of shares by a subsidiary	**1**	–	**(60)**	(18)
Stock-based compensation (note 11)	**994**	450	**2,987**	2,014
Loss on disposals and write-offs of fixed assets	**231**	2,443	**1,635**	2,505
Other	**254**	(1,559)	**1,682**	(969)
	135,161	119,140	**298,335**	374,989
Changes in non-cash operating items (note 13 a))	**12,083**	(8,384)	**3,145**	(148,145)
	147,244	110,756	**301,480**	226,844
Cash flow from investing activities				
Acquisition of fixed assets (note 13 c))	**(68,806)**	(66,963)	**(202,313)**	(204,239)
Increase in deferred charges	**(2,781)**	(2,548)	**(8,535)**	(8,067)
Business acquisition, net of cash and cash equivalents acquired (note 2)	**–**	–	**(75,883)**	–
Other	**216**	23	**216**	145
	(71,371)	(69,488)	**(286,515)**	(212,161)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	**–**	4,444	**(2,328)**	54,073
Net repayments under the Term Facilities and Term Revolving Facilities	**(4,424)**	(33,150)	**41,679**	(61,220)
Issuance of long-term debt, net of discounts and transaction costs	**–**	–	**198,295**	–
Repayments of long-term debt	**(660)**	(821)	**(177,189)**	(2,907)
Issuance of subordinate voting shares (note 11)	**–**	–	**629**	353
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	**(14)**	–	**(1,296)**	(1,049)
Dividends on multiple voting shares	**(221)**	(187)	**(663)**	(553)
Dividends on subordinate voting shares	**(1,788)**	(1,479)	**(5,360)**	(4,467)
Issuance of shares by a subsidiary to non-controlling interest	**561**	–	**4,740**	283
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 11)	**–**	(264)	**(2,258)**	(2,008)
Dividends paid by a subsidiary to non-controlling interest	**(5,601)**	(4,586)	**(16,760)**	(13,789)
	(12,147)	(36,043)	**39,489**	(31,284)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**573**	(846)	**438**	(1,746)
Net change in cash and cash equivalents	**64,299**	4,379	**54,892**	(18,347)
Cash and cash equivalents at beginning	**26,435**	16,732	**35,842**	39,458
Cash and cash equivalents at end	**90,734**	21,111	**90,734**	21,111

See supplemental cash flow information in note 13.

1. Basis of presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, present fairly the financial position of COGECO Inc. ("the Company") as at May 31, 2011 and August 31, 2010 as well as its results of operations and its cash flows for the three and nine-month periods ended May 31, 2011 and 2010.

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, 2010. These unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods as the most recent annual consolidated financial statements.

Future accounting pronouncements

Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board issued a new abstract concerning multiple deliverable revenue arrangements, EIC-175, *Multiple deliverable revenue arrangements*, which amended EIC-142, *Revenue arrangements with multiple deliverables*. EIC-175 requires a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling price method, thereby eliminating the use of the residual value method. The amendment also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC-175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, with early adoption permitted. The Company has elected not to early-adopt this EIC, and in light of the adoption of International accounting standards taking effect at that same date, this EIC will not be applicable to the Company.

2. Business acquisition

On April 30, 2010, the Company concluded an agreement with Corus Entertainment Inc. ("Corus") to acquire its Québec radio stations for $80 million, subject to customary closing adjustments and conditions, including approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"). On June 30, 2010, the Company submitted its application for approval of the acquisition to the CRTC. On December 17, 2010, the CRTC approved the transaction essentially as proposed. On January 11, 2011, the Company was served with an application by Astral Media Radio Inc. ("Astral") to the Federal Court of Appeal ("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 rejected applications filed by Astral in the matter of COGECO's acquisition of the Corus radio stations in Québec. The transaction with Corus was concluded on February 1, 2011.

Pursuant to this acquisition, and as part of CRTC's decision on the Company's transfer application, the Company has put up for sale two radio stations acquired, 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 Company has put up for sale radio station CJEC-FM, which it owned prior to the 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.

2. Business acquisition (continued)

This acquisition was accounted for using the purchase method. The results have been consolidated as of the acquisition date. The preliminary allocation of the purchase price of the acquisition, pending the completion of the valuation of the net assets acquired, is as follows:

	$
Consideration	
Paid	
Purchase of shares	**75,000**
Acquisition costs	**1,530**
	76,530
Promissory note payable, non-interest bearing and due on February 1, 2012	**5,000**
Investment previously accounted for	**200**
Acquisition costs previously recorded as deferred charges	**435**
Preliminary working capital adjustment payable	**4,000**
	86,165
Net assets acquired	
Cash and cash equivalents	**647**
Accounts receivable	**14,132**
Income taxes receivable	**92**
Prepaid expenses and other	**527**
Current future income tax assets	**1,018**
Fixed assets	**11,497**
Deferred charges and other	**99**
Broadcasting licenses	**48,193**
Goodwill	**27,227**
Non-current future income tax assets	**2,272**
Non-current assets held for sale	**9,531**
Accounts payable and accrued liabilities assumed	**(9,058)**
Income tax liabilities assumed	**(194)**
Current liabilities related to assets held for sale	**(797)**
Deferred and prepaid revenue and other liabilities	**(7,390)**
Non-current future income tax liabilities	**(10,656)**
Non-current liabilities related to assets held for sale	**(975)**
	86,165

3. Segmented information

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

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

	Cable		Other and eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
Three months ended May 31,	**$**	$	**$**	$	**$**	$
Revenue	**342,910**	319,291	**32,047**	11,642	**374,957**	330,933
Operating costs	**198,825**	192,591	**28,325**	10,414	**227,150**	203,005
Operating income before amortization	**144,085**	126,700	**3,722**	1,228	**147,807**	127,928
Amortization	**65,641**	63,771	**631**	149	**66,272**	63,920
Operating income	**78,444**	62,929	**3,091**	1,079	**81,535**	64,008
Financial expense	**16,043**	16,684	**723**	140	**16,766**	16,824
Impairment of goodwill and fixed assets	**225,873**	–	**–**	–	**225,873**	–
Income taxes	**18,547**	15,060	**460**	274	**19,007**	15,334
Loss on dilution resulting from the issuance of shares by a subsidiary	**1**	–	**–**	–	**1**	–
Non-controlling interest	**(123,440)**	21,110	**–**	–	**(123,440)**	21,110
Net income (loss)	**(58,580)**	10,075	**1,908**	665	**(56,672)**	10,740
Total assets[(1)]	**2,543,743**	2,702,819	**164,044**	41,837	**2,707,787**	2,744,656
Fixed assets[(1)]	**1,151,049**	1,325,077	**16,952**	3,789	**1,168,001**	1,328,866
Intangible assets[(1)]	**1,014,077**	1,017,658	**73,533**	25,340	**1,087,610**	1,042,998
Goodwill[(1)]	**116,243**	144,695	**27,227**	–	**143,470**	144,695
Acquisition of fixed assets	**67,781**	66,749	**1,025**	214	**68,806**	66,963

(1) At May 31, 2011 and August 31, 2010.

3. Segmented information (continued)

	Cable		Other and eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
Nine months ended May 31,	**$**	$	**$**	$	**$**	$
Revenue	**1,010,998**	957,053	**57,369**	30,970	**1,068,367**	988,023
Operating costs	**603,113**	585,134	**44,464**	21,335	**647,577**	606,469
Operating income before amortization	**407,885**	371,919	**12,905**	9,635	**420,790**	381,554
Amortization	**193,710**	195,175	**1,128**	439	**194,838**	195,614
Operating income	**214,175**	176,744	**11,777**	9,196	**225,952**	185,940
Financial expense	**56,868**	47,858	**1,304**	430	**58,172**	48,288
Impairment of goodwill and fixed assets	**225,873**	–	**–**	–	**225,873**	–
Income taxes	**48,665**	11,246	**2,863**	2,795	**51,528**	14,041
Gain on dilution resulting from the issuance of shares by a subsidiary	**(60)**	(18)	**–**	–	**(60)**	(18)
Non-controlling interest	**(79,509)**	79,630	**–**	–	**(79,509)**	79,630
Net income (loss)	**(37,662)**	38,028	**7,610**	5,971	**(30,052)**	43,999
Total assets[1]	**2,543,743**	2,702,819	**164,044**	41,837	**2,707,787**	2,744,656
Fixed assets[1]	**1,151,049**	1,325,077	**16,952**	3,789	**1,168,001**	1,328,866
Intangible assets[1]	**1,014,077**	1,017,658	**73,533**	25,340	**1,087,610**	1,042,998
Goodwill[1]	**116,243**	144,695	**27,227**	–	**143,470**	144,695
Acquisition of fixed assets[2]	**199,142**	203,830	**3,171**	550	**202,313**	204,380

(1) At May 31, 2011 and August 31, 2010.
(2) Includes fixed assets acquired through capital leases that are excluded from the consolidated statements of cash flows.

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

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Revenue				
Canada	**331,310**	287,317	**939,396**	842,435
Europe	**43,647**	43,616	**128,971**	145,588
	374,957	330,933	**1,068,367**	988,023

	May 31, 2011	August 31, 2010
	$	$
Fixed assets		
Canada	**1,141,831**	1,098,760
Europe	**26,170**	230,106
	1,168,001	1,328,866
Intangible assets		
Canada	**1,087,610**	1,042,998
Europe	**–**	–
	1,087,610	1,042,998
Goodwill		
Canada	**143,470**	116,243
Europe	**–**	28,452
	143,470	144,695

4. Amortization

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Fixed assets	**62,430**	60,027	**183,215**	183,845
Deferred charges	**2,648**	2,699	**8,042**	8,187
Intangible assets	**1,194**	1,194	**3,581**	3,582
	66,272	63,920	**194,838**	195,614

5. Financial expense

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Interest on long-term debt	**15,234**	15,588	**55,689**	47,277
Foreign exchange losses (gains)	**(113)**	409	**(1,578)**	(470)
Amortization of deferred transaction costs	**474**	408	**1,419**	1,222
Other	**1,171**	419	**2,642**	259
	16,766	16,824	**58,172**	48,288

6. Impairment of goodwill and fixed assets

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Impairment of goodwill	**29,344**	–	**29,344**	–
Impairment of fixed assets	**196,529**	–	**196,529**	–
	225,873	–	**225,873**	–

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 our 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, 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 Inc.'s investment in its Portuguese subsidiary. As a result, the Company's subsidiary 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. The Company's subsidiary 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, the Company's subsidiary 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.

7. Income taxes

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Current	**(1,500)**	(5,930)	**73,489**	(35,859)
Future	**20,507**	21,264	**(21,961)**	49,900
	19,007	15,334	**51,528**	14,041

The following table provides the reconciliation between income tax expense (recovery) at the Canadian statutory federal and provincial income tax rates and the consolidated income tax expense:

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Income (loss) before income taxes	**(161,104)**	47,184	**(58,093)**	137,652
Combined income tax rate	**28.91 %**	31.47 %	**28.91 %**	31.45 %
Income tax expense (recovery) at combined income tax rate	**(46,576)**	14,848	**(16,795)**	43,295
Adjustment for losses or income subject to lower or higher tax rates	**(1,697)**	(1,894)	**(4,139)**	(7,563)
Decrease in future income taxes as a result of decrease in substantively enacted tax rates	**–**	–	**–**	(29,782)
Decrease in income tax recovery arising from the non-deductible impairment of goodwill and fixed assets	**59,856**	–	**59,856**	–
Utilization of pre-acquisition tax losses	**–**	–	**–**	4,432
Income taxes arising from non-deductible expenses	**128**	289	**458**	595
Effect of foreign income tax rate differences	**7,725**	2,177	**12,358**	4,301
Other	**(429)**	(86)	**(210)**	(1,237)
Income tax expense at effective income tax rate	**19,007**	15,334	**51,528**	14,041

8. Earnings (loss) per share

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

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net income (loss)	**(56,672)**	10,740	**(30,052)**	43,999
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,736,587**	16,730,336	**16,726,302**	16,724,720
Effect of dilutive stock options[1][2]	**–**	9,300	**–**	10,969
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan[1]	**–**	71,862	**–**	66,480
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,736,587**	16,811,498	**16,726,302**	16,802,169
Earnings (loss) per share				
Basic	**(3.39)**	0.64	**(1.80)**	2.63
Diluted	**(3.39)**	0.64	**(1.80)**	2.62

(1) The weighted average dilutive potential number of subordinate voting shares which were anti-dilutive for the three and nine-month periods ended May 31, 2011 amounted to 95,611 and 96,164.

(2) For the three and nine-month periods ended May 31, 2011, no stock options (32,782 in 2010) were excluded from the calculation of diluted earnings per share because the exercise price of the options was greater than the average share price of the subordinate voting shares.

9. Goodwill and other intangible assets

	May 31, 2011	August 31, 2010
	$	$
Customer relationships	**24,525**	28,106
Broadcasting licenses	**73,313**	25,120
Customer base	**989,772**	989,772
	1,087,610	1,042,998
Goodwill	**143,470**	144,695
	1,231,080	1,187,693

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, 2010	**28,106**	**25,120**	**989,772**	**1,042,998**
Business acquisition (note 2)	**–**	**48,193**	**–**	**48,193**
Amortization (note 4)	**(3,581)**	**–**	**–**	**(3,581)**
Balance at May 31, 2011	**24,525**	**73,313**	**989,772**	**1,087,610**

b) Goodwill

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

	$
Balance at August 31, 2010	**144,695**
Business acquisition (note 2)	**27,227**
Impairment (note 6)	**(29,344)**
Foreign currency translation adjustment	**892**
Balance at May 31, 2011	**143,470**

10. Long-term debt

	Maturity	Interest rate	**May 31, 2011**	August 31, 2010
		%	**$**	$
Parent company				
Term Revolving Facility	2014[1]	3.39[2]	**69,984**	–
Obligations under capital leases	2013	9.29	**57**	72
Subsidiaries				
Term Revolving Facility				
Revolving loan – €70,000,000 (€90,000,000 at August 31, 2010)	2014	3.25[2][3]	**97,573**	121,635
Senior Secured Notes				
Series A – US$190,000,000	2015	7.00[4]	**182,944**	201,387
Series B	2018	7.60	**54,637**	54,609
Senior Secured Debentures Series 1	2014	5.95	**297,857**	297,379
Senior Secured Debentures Series 2[5]	2020	5.15	**198,367**	–
Senior Secured Notes Series B	2011[6]	7.73	**–**	174,738
Senior Unsecured Debenture	2018	5.94	**99,822**	99,806
Obligations under capital leases	2013	6.71 – 9.93	**3,564**	5,429
Other	2011	–	**6**	15
			1,004,811	955,070
Less current portion			**2,349**	2,329
			1,002,462	952,741

(1) The Company benefits from a Term Revolving Facility of up to $100 million with a group of financial institutions led by a large Canadian bank, which acts as agent for the banking syndicate. The Term Revolving Facility of up to $100 million includes a swingline limit of $7.5 million, is extendable by additional one-year periods on an annual basis, subject to lenders' approval, and if not extended, matures three years after its issuance or the last extension, as the case may be. The Term Revolving Facility is composed of two tranches of $50 million each, one of which was subject to the completion of the acquisition of Corus Québec radios stations and which became available on February 1, 2011 with the conclusion of the transaction. The Term Revolving Facility was extended at that same date and currently matures on February 1, 2014. The Term Revolving Facility can be repaid at any time without penalty. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Company and certain of its subsidiaries, excluding the capital stock and assets of the Company's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries excluding Cogeco Cable Inc. Under the terms and conditions of the credit agreement, the Company must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. The Term Revolving Facility bears interest, at the Company's option, on bankers' acceptance, LIBOR in Euros or in US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion.

(2) Interest rate on debt as at May 31, 2011, including applicable margin.

(3) 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 a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility for a notional amount of €111.5 million which have been reduced to €95.8 million on July 28, 2009 and to €69.6 million on July 28, 2010. The interest swap rate to hedge the Euro-denominated loans has been fixed at 2.08% until the settlement of the swap agreement maturity on June 28, 2011. In addition to the interest swap rate of 2.08%, the Company's subsidiary will continue to pay the applicable margin on these Euro-denominated loans in accordance with the Term Revolving Facility.

(4) Cross-currency swap agreements have resulted in an effective interest rate of 7.24% on the Canadian dollar equivalent of the US denominated debt of the Company's subsidiary, Cogeco Cable Inc.

(5) On November 16, 2010 the Company's subsidiary, Cogeco Cable Inc., completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 2 (the "Debentures") for net proceeds of $198.3 million net of discounts and transaction costs. These Debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Company's subsidiary and certain of its subsidiaries.

(6) On December 22, 2010, the Company's subsidiary, Cogeco Cable Inc., redeemed the 7.73% Senior Secured Notes Series B in the aggregate principal amount of $175 million. As a result, the aggregate redemption cash consideration that the Company's subsidiary paid totalled $183.8 million excluding accrued interest. The excess of the redemption price over the aggregate principal amount was recorded as financial expense during the second quarter of fiscal 2011.

11. Capital stock

Authorized

Unlimited number of:

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

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

Issued

	May 31, 2011	August 31, 2010
	$	$
1,842,860 multiple voting shares	**12**	12
14,989,338 subordinate voting shares (14,959,338 at August 31, 2010)	**121,976**	121,347
	121,988	121,359
95,733 subordinate voting shares held in trust under the Incentive Share Unit Plan (71,862 at August 31, 2010)	**(2,670)**	(1,832)
	119,318	119,527

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

	Number of shares	**Amount**
		$
Balance at August 31, 2010	**14,959,338**	**121,347**
Shares issued for cash under the Employee Stock Option Plan	**30,000**	**629**
Balance at May 31, 2011	**14,989,338**	**121,976**

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

	Number of shares	**Amount**
		$
Balance at August 31, 2010	**71,862**	**1,832**
Subordinate voting shares acquired	**36,460**	**1,296**
Subordinate voting shares distributed to employees	**(12,589)**	**(458)**
Balance at May 31, 2011	**95,733**	**2,670**

11. Capital stock (continued)

Stock-based plans

The Company and its subsidiary, Cogeco Cable Inc., offer, for certain executives Stock Option Plans, which are described in the Company's annual consolidated financial statements. During the first nine months of 2011 and 2010, no stock options were granted to employees by COGECO Inc. However, the Company's subsidiary, Cogeco Cable Inc., granted 69,500 stock options (66,174 in 2010) with an exercise price of $39.00 to $44.00 ($31.82 to $38.86 in 2010), of which 35,800 stock options (33,266 in 2010) were granted to COGECO Inc.'s employees. These options vest over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. As a result, a compensation expense of $139,000 and $446,000 ($218,000 and $774,000 in 2010) was recorded for the three and nine-month periods ended May 31, 2011.

The fair value of stock options granted by the Company's subsidiary, Cogeco Cable Inc., for the nine-month period ended May 31, 2011 was $9.55 ($8.11 in 2010) per option. The weighted average fair value was estimated at the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2011	2010
	%	%
Expected dividend yield	**1.44**	1.49
Expected volatility	**29**	29
Risk-free interest rate	**2.05**	2.67
Expected life in years	**4.9**	4.8

Under the Company's Stock Option Plan, the following options were granted and are outstanding at May 31, 2011:

Outstanding at August 31, 2010	**62,382**
Exercised	**(30,000)**
Expired	**(32,382)**
Outstanding at May 31, 2011	**–**

Under Cogeco Cable Inc.'s Stock Option Plan, the following options were granted and are outstanding at May 31, 2011:

Outstanding at August 31, 2010	**716,760**
Granted	**69,500**
Exercised	**(188,319)**
Forfeited	**(34,706)**
Expired	**(448)**
Outstanding at May 31, 2011	**562,787**
Exercisable at May 31, 2011	**391,802**

11. Capital stock (continued)

The Company and its subsidiary, Cogeco Cable Inc., also offers senior executive and designated employee Incentive Share Unit Plans ("ISU Plans") which are described in the Company's annual consolidated financial statements. During the first nine months of 2011, the Company granted 36,460 (41,571 in 2010) Incentive Share Units ("ISUs") and Cogeco Cable Inc. granted 60,388 ISUs (63,666 in 2010) of which, 10,000 ISUs (9,981 in 2010) were granted to COGECO Inc.'s employees. The Company and its subsidiary established the value of the compensation related to the ISUs granted based on the fair value of the subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuations. The Company and its subsidiary instructed the trustees to purchase 36,460 and 57,203 subordinate voting shares (41,571 and 62,436 in 2010) on the stock market. These shares were purchased for cash consideration of $1,296,000 ($1,049,000 in 2010) and $2,258,000 ($2,008,000 in 2010), respectively, and are held in trust for participants until they are completely vested. These trusts, considered as variable interest entities, are consolidated in the Company's financial statements with the value of the acquired shares presented as subordinate voting shares held in trusts under the ISU Plans in reduction of capital stock or non-controlling interest. A compensation expense of $648,000 and $1,834,000 ($338,000 and $840,000 in 2010) was recorded for the three and nine-month periods ended May 31, 2011 related to these plans.

Under the Company's ISU Plan, the following ISUs were granted and are outstanding at May 31, 2011:

Outstanding at August 31, 2010	**71,862**
Granted	**36,460**
Distributed	**(12,589)**
Outstanding at May 31, 2011	**95,733**

Under Cogeco Cable Inc.'s ISU Plan, the following ISUs were granted and are outstanding at May 31, 2011:

Outstanding at August 31, 2010	**57,409**
Granted	**60,388**
Distributed	**(13,184)**
Forfeited	**(885)**
Outstanding at May 31, 2011	**103,728**

The Company and its subsidiary, Cogeco Cable Inc., offer Deferred Share Unit Plans ("DSU Plans") which are described in the Company's annual consolidated financial statements. During the first nine months of 2011, the Company and its subsidiary issued respectively 6,302 and 4,521 (6,987 and 4,422 in 2010) Deferred Share Units ("DSUs") to the participants in connection with the DSU Plans. A compensation expense of $207,000 and $707,000 (reduction of compensation expense of $106,000 and compensation expense of $400,000 in 2010) was recorded for the three and nine-month periods ended May 31, 2011 for the liabilities related to these plans.

Under the Company's DSU Plan, the following DSUs were issued and are outstanding at May 31, 2011:

Outstanding at August 31, 2010	**21,630**
Issued	**6,302**
Dividend equivalents	**240**
Outstanding at May 31, 2011	**28,172**

Under Cogeco Cable Inc.'s DSU Plan, the following DSUs were issued and are outstanding at May 31, 2011:

Outstanding at August 31, 2010	**10,855**
Issued	**4,521**
Dividend equivalents	**166**
Outstanding at May 31, 2011	**15,542**

12. Accumulated other comprehensive income

	Translation of a net investment in self-sustaining foreign subsidiaries	Cash flow hedges	Total
	$	$	$
Balance at August 31, 2010	**4,993**	**941**	**5,934**
Other comprehensive income (loss)	**1,243**	**(10)**	**1,233**
Balance at May 31, 2011	**6,236**	**931**	**7,167**

13. Statements of cash flows

a) Changes in non-cash operating items

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Accounts receivable	**1,498**	1,793	**(15,660)**	(9,887)
Income taxes receivable	**5,212**	(5,671)	**6,752**	(36,670)
Prepaid expenses and other	**(741)**	(437)	**(1,285)**	(1,732)
Accounts payable and accrued liabilities	**10,606**	(3,780)	**(57,457)**	(67,700)
Income tax liabilities	**(6,526)**	(914)	**68,195**	(40,189)
Deferred and prepaid revenue and other liabilities	**2,034**	625	**2,600**	8,033
	12,083	(8,384)	**3,145**	(148,145)

b) Cash and cash equivalents

	May 31, 2011	August 31, 2010
	$	$
Cash	**83,764**	35,842
Cash equivalents[(1)]	**6,970**	–
	90,734	35,842

(1) At May 31, 2011, term deposit of €5,000,000, bearing interest at 0.65%, maturing on June 20, 2011.

c) Other information

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Fixed asset acquisitions through capital leases	**–**	–	**–**	141
Financial expense paid	**19,751**	20,702	**62,376**	52,541
Income taxes paid (received)	**(22)**	(196)	**(1,271)**	41,000

14. Employee future benefits

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

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Contributory defined benefit pension plans	**1,009**	874	**2,931**	2,614
Defined contribution pension plans and collective registered retirement savings plans	**1,363**	1,200	**3,984**	3,438
	2,372	2,074	**6,915**	6,052

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, 2011, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A".

Cash and cash equivalents consist mainly of highly liquid investments, such as term 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, particularly in Portugal, the Company's credit exposure is higher than usual but it is difficult to predict the impact this could have on the Company's accounts receivable balances. To mitigate such risk, the Company continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At May 31, 2011, no customer balance represents a significant portion of the Company's consolidated trade accounts receivable. The Company establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Company believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Company has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Company has a large and diversified clientele dispersed throughout its market areas in Canada and Europe, there is no significant concentration of credit risk. The following table provides further details on the Company's accounts receivable balances:

	May 31, 2011	August 31, 2010
	$	$
Trade accounts receivable	**101,293**	76,243
Allowance for doubtful accounts	**(8,709)**	(8,531)
	92,584	67,712
Other accounts receivable	**10,427**	6,848
	103,011	74,560

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, 2011	August 31, 2010
	$	$
Net trade accounts receivable not past due	**61,894**	46,291
Net trade accounts receivable past due	**30,690**	21,421
	92,584	67,712

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, 2011, the available amount of the Company's Term Revolving Facilities was $664.6 million. Management believes that the committed Term Revolving Facilities will, until their maturities in February 2014 and July 2014, 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:

	2011	2012	2013	2014	2015	Thereafter	Total
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities[1]	191,347	–	–	–	–	–	191,347
Promissory note payable	–	5,000	–	–	–	–	5,000
Long-term debt[2]	6	–	–	467,573	–	539,034	1,006,613
Other liabilities	–	1,253	1,231	1,183	1,145	2,180	6,992
Derivative financial instruments							
Cash outflows (Canadian dollar)	–	–	–	–	–	201,875	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	–	–	–	–	–	(184,034)	(184,034)
Obligations under capital leases[3]	669	2,322	915	13	–	–	3,919
	192,022	8,575	2,146	468,769	1,145	559,055	1,231,712

(1) Excluding accrued interest.
(2) Principal excluding obligations under capital leases.
(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at May 31, 2011 and their respective maturities:

	2011	2012	2013	2014	2015	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	10,311	56,692	56,692	54,912	33,298	95,529	307,434
Interest payments on derivative financial instruments	659	14,614	14,614	14,614	14,614	7,306	66,421
Interest receipts on derivative financial instruments	(526)	(12,882)	(12,882)	(12,882)	(12,882)	(6,442)	(58,496)
	10,444	58,424	58,424	56,644	35,030	96,393	315,359

15. Financial and capital management (continued)

Interest rate risk

The Company is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At May 31, 2011, all of the Company's long-term debt was at fixed rate, except for the Company's Term Revolving Facilities. However, on January 21, 2009, the Company's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of the Euro-denominated loans outstanding under the Term Revolving Facility and previously the Term Facility, for a notional amount of €111.5 million which have been reduced to €95.8 million on July 28, 2009 and to €69.6 million on July 28, 2010. The interest swap rate to hedge the Euro-denominated loans has been fixed at 2.08% until the settlement of the swap agreement on July 28, 2011. In addition to the interest swap rate of 2.08%, the Company's subsidiary will continue to pay the applicable margin on these in accordance with the Term Revolving 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 Revolving Facilities is approximately $0.7 million based on the outstanding debt at May 31, 2011 and taking into consideration the effect of the interest rate swap agreement.

Foreign exchange risk

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

The Company is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At May 31, 2011, cash and cash equivalents denominated in US dollars amounted to US$18,842,000 (US$13,613,000 at August 31, 2010) while accounts payable denominated in US dollars amounted to US$8,901,000 (US$15,850,000 at August 31, 2010). At May 31, 2011, Euro-denominated cash and cash equivalents amounted to €171,000 (€187,000 at August 31, 2010) while there were no accounts payable denominated in Euros at May 31, 2011 and August 31, 2010. Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% change in the foreign exchange rates (US dollar and Euro) would change financial expense by approximately $1 million.

Furthermore, Cogeco Cable Inc.'s net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the 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. At May 31, 2011, the net investment amounted to €1,692,000 (€182,104,000 at August 31, 2010) while long-term debt denominated in Euros amounted to €70,000,000 (€90,000,000 at August 31, 2010). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at May 31, 2011 was $1.3939 per Euro compared to $1.3515 per Euro at August 31, 2010. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change financial expense by approximately $0.4 million and other comprehensive income (loss) by approximately $3.1 million net of non-controlling interest of $6.5 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 Company has determined the fair value of its financial instruments as follows:

a) The carrying amount of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates fair value because of the short-term nature of these instruments.

b) Interest rates under the terms of the Company's Term Revolving Facilities are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus applicable margin. Therefore, the carrying value approximates fair value for the Term Revolving Facilities since the Term Revolving Facilities have financing conditions similar to those currently available to the Company.

c) The fair value of the Senior Secured Debentures Series 1 and 2, Senior Secured Notes Series A and B and Senior Unsecured Debenture are based upon current trading values for similar financial instruments.

d) The fair values of obligations under capital leases are not significantly different from their carrying amounts.

15. Financial and capital management (continued)

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

	May 31, 2011		August 31, 2010	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**1,004,811**	**1,079,666**	955,070	1,050,783

In accordance with CICA Handbook Section 3862, *Financial instruments – disclosures*, all financial instruments recognized at fair value on the consolidated balance sheet must be classified based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments are estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

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 Revolving 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, 2011, and August 31, 2010, the Company was in compliance with all debt covenants and was not subject to any other externally imposed capital requirements.

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

	May 31, 2011	August 31, 2010
Net indebtedness[(1)] / shareholders' equity	**2.7**	2.4
Net indebtedness[(1)] / operating income before amortization[(2)]	**1.7**	1.8
Operating income before amortization[(2)] / financial expense[(2)]	**7.4**	7.9

(1) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, promissory note payable and obligations under derivative financial instruments, less cash and cash equivalents.
(2) Calculation based on operating income before amortization and financial expense for the twelve-month periods ended May 31, 2011 and August 31, 2010.

16. Assets held for sale

Pursuant to the acquisition of Corus Québec radio stations (see note 2), and as part of the CRTC's decision on the Company's transfer application, the Company 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. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Company has put up for sale radio station CJEC-FM, which it owned prior to the acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, is being managed by a trustee approved by the CRTC pursuant to a voting trust agreement. Accordingly, the assets and liabilities of the three radio stations put up for sale have been classified as held for sale as of February 1, 2011 in the Company's consolidated balance sheet.

The assets and liabilities related to the three radio stations held for sale as at May 31, 2011, were as follows:

	$
Accounts receivable	**1,619**
Prepaid expenses	**20**
Current assets held for sale	**1,639**
Fixed assets	**2,171**
Goodwill and other intangible assets	**7,740**
Non-current assets held for sale	**9,911**
Accounts payable and accrued liabilities	**1,922**
Income tax liabilities	**184**
Deferred and prepaid revenue	**47**
Current liabilities related to assets held for sale	**2,153**
Other liabilities	**38**
Future income tax liabilities	**933**
Non-current liabilities related to assets held for sale	**971**

17. Subsequent event

On June 27, 2011, the Company's subsidiary, Cogeco Cable Inc., 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 colocation 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 is subject to certain arrangements and commercial approvals, and is expected to close during the last quarter of fiscal 2011.

CABLE SECTOR CUSTOMER STATISTICS
(unaudited)

	May 31, 2011	August 31, 2010
Homes passed		
Canada	**1,614,210**	1,593,743
Portugal[1]	**905,692**	905,359
Total	**2,519,902**	2,499,102
Homes connected[2]		
Canada	**992,332**	979,590
Portugal	**266,680**	269,194
Total	**1,259,012**	1,248,784
Revenue-generating units[3]		
Canada	**2,526,591**	2,350,577
Portugal	**842,525**	828,772
Total	**3,369,116**	3,179,349
Basic Cable service customers		
Canada	**879,354**	874,505
Portugal	**258,127**	260,267
Total	**1,137,481**	1,134,772
High Speed Internet service customers		
Canada	**593,468**	559,057
Portugal	**164,992**	163,187
Total	**758,460**	722,244
Digital Television service customers		
Canada	**648,862**	559,418
Portugal	**169,762**	159,852
Total	**818,624**	719,270
Telephony service customers		
Canada	**404,907**	357,597
Portugal	**249,644**	245,466
Total	**654,551**	603,063

(1) Cogeco Cable is currently assessing the number of homes passed.
(2) Represents the sum of Basic Cable service customers and High Speed Internet ("HSI") and Telephony service customers who do not subscribe to the Basic Cable service.
(3) Represents the sum of Basic Cable, HSI, Digital Television and Telephony service customers.