2009 ANNUAL REPORT

PROFILE

COGECO INC. (“COGECO” OR “THE COMPANY”) IS A DIVERSIFIED HOLDING COMPANY WITH SUBORDINATE VOTING SHARES LISTED ON THE TORONTO STOCK EXCHANGE (“TSX”), UNDER THE SYMBOL CGO. THE COMPANY’S CURRENT HOLDINGS ARE CONCENTRATED IN VARIOUS SEGMENTS OF THE COMMUNICATIONS SECTOR.

COGECO CABLE INC. (“COGECO CABLE” OR THE “CABLE SUBSIDIARY”) IS A MAJOR CABLE TELECOMMUNICATIONS COMPANY WITH SHARES LISTED ON THE TORONTO STOCK EXCHANGE (“TSX”) UNDER THE SYMBOL CCA. COGECO CABLE BUILDS ON ITS CABLE DISTRIBUTION BASE BY OFFERING ANALOGUE AND DIGITAL TELEVISION, HIGH SPEED INTERNET (“HSI”), TELEPHONY, DATA COMMUNICATIONS AND OTHER ADVANCED TELECOMMUNICATION SERVICES SUCH AS ETHERNET, PRIVATE LINE, VOICE-OVER-INTERNET PROTOCOL (“VOIP”), HSI ACCESS, DARK FIBRE, DATA STORAGE, DATA SECURITY AND CO-LOCATION SERVICES.

COGECO CABLE SERVES 2,892,238 REVENUE-GENERATING UNITS TO THE 2,470,274 HOMES PASSED BY ITS CABLE NETWORK IN THE TERRITORIES IT SERVES. IT IS THE SECOND LARGEST CABLE SYSTEM OPERATOR IN ONTARIO, QUÉBEC AND PORTUGAL IN TERMS OF BASIC CABLE SERVICE CUSTOMERS SERVED.

COGECO CABLE FOCUSES ITS ATTENTION ON THE SATISFACTION OF RESIDENTIAL AND BUSINESS CUSTOMERS’ VARIED ELECTRONIC COMMUNICATION NEEDS BY INVESTING IN STATE-OF-THE-ART BROADBAND NETWORK FACILITIES, DELIVERING A WIDE RANGE OF SERVICES OVER THESE FACILITIES WITH GREAT SPEED AND RELIABILITY AT ATTRACTIVE PRICES, AND STRIVING TO PROVIDE SUPERIOR CUSTOMER SERVICE AND GROWING PROFITABILITY.

THROUGH ITS COGECO DIFFUSION INC. SUBSIDIARY (“CDI”), COGECO OPERATES AND WHOLLY-OWNS THE RYTHME FM NETWORK WHICH HAS FOUR RADIO STATIONS THROUGHOUT THE PROVINCE OF QUÉBEC, IN MONTRÉAL, QUÉBEC CITY, AND IN THE MAURICIE AND EASTERN TOWNSHIPS REGIONS, AS WELL AS THE FM 93 RADIO STATION IN QUÉBEC CITY.

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FORWARD-LOOKING STATEMENTS

Certain statements in this annual report may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to COGECO's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Company, they may prove to be incorrect. The Company cautions the reader that the current adverse economic conditions make forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Company's expectations. It is impossible for COGECO to predict with certainty the impact that the current economic downturn may have on future results. Forward-looking information is also subject to certain factors, including those described in the "Uncertainties and Main Risk Factors" section starting on page 17 of the 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 do so, 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, except as required by law.

This analysis should be read in conjunction with the Company's management's discussion and analysis, consolidated financial statements and the notes thereto, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

Acronyms

ATM	ASYNCHRONOUS TRANSFER MODE
DOCSIS	DATA OVER CABLE SERVICE INTERFACE SPECIFICATIONS
DVR	DIGITAL VIDEO RECORDER (SAME AS PERSONAL VIDEO RECORDER OR PVR)
€	EURO CURRENCY
HD	HIGH DEFINITION
HSI	HIGH SPEED INTERNET
IP	INTERNET PROTOCOL
Kbps	KILOBITS PER SECOND
Mbps	MEGABITS PER SECOND
MHz	MEGAHERTZ
NTSC	NATIONAL TELEVISION SYSTEM COMMITTEE
PAL	PHASE ALTERNATING LINE
RGU	REVENUE GENERATING UNITS INCLUDE BASIC CABLE, HSI, DIGITAL TELEVISION AND TELEPHONY SERVICE CUSTOMERS
SVOD	SUBSCRIPTION VIDEO ON DEMAND SERVICES
VOD	VIDEO ON DEMAND SERVICES
VoIP	VOICE-OVER-INTERNET PROTOCOL
Wi-Fi	WIRELESS FIDELITY

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except percentages, per share data and RGU growth)	**2009** **$**	2008[1][2] $	CHANGE %
OPERATIONS			
REVENUE	**1,252,794**	1,108,900	13.0
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION[3]	**532,013**	448,922	18.5
OPERATING MARGIN[3]	**42.5%**	40.5%	–
OPERATING INCOME FROM CONTINUING OPERATIONS	**261,013**	219,198	19.1
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	**399,648**	–	–
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(78,525)**	43,165	–
LOSS FROM DISCONTINUED OPERATIONS	–	(18,057)	–
NET INCOME (LOSS)	**(78,525)**	25,108	–
ADJUSTED NET INCOME[3]	**36,895**	35,256	4.6
CASH FLOW			
CASH FLOW FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	**437,223**	398,491	9.7
CASH FLOW FROM OPERATIONS FROM CONTINUING OPERATIONS[3]	**406,807**	362,788	12.1
FREE CASH FLOW[3]	**101,018**	100,436	0.6
FINANCIAL CONDITION			
TOTAL ASSETS	**2,704,679**	3,059,481	(11.6)
INDEBTEDNESS[4]	**1,064,542**	1,166,523	(8.7)
SHAREHOLDERS' EQUITY	**340,016**	421,026	(19.2)
RGU GROWTH	**175,364**	231,209	(24.2)
PER SHARE DATA[5]			
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.59	–
LOSS FROM DISCONTINUED OPERATIONS	–	(1.08)	–
NET INCOME (LOSS)	**(4.69)**	1.50	–
ADJUSTED NET INCOME[3]	**2.20**	2.11	4.3
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	**16,756,610**	16,684,809	0.4

(1) INCLUDES THE RESULTS OF COGECO DATA SERVICES INC. SINCE THE DATE OF ACQUISITION OF CONTROL ON JULY 31, 2008.
(2) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE PREVIOUS YEAR HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS.
(3) THE INDICATED TERMS DO NOT HAVE STANDARDIZED DEFINITIONS PRESCRIBED BY CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37 OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS.
(4) INDEBTEDNESS IS DEFINED AS THE TOTAL OF BANK INDEBTEDNESS, PRINCIPAL ON LONG-TERM DEBT AND OBLIGATIONS UNDER DERIVATIVE FINANCIAL INSTRUMENTS.
(5) PER MULTIPLE AND SUBORDINATE VOTING SHARE.

(in millions of dollars, except RGU growth)	ORIGINAL PROJECTIONS NOVEMBER 5, 2008 FISCAL 2009 $	REVISED PROJECTIONS APRIL 8, 2009 FISCAL 2009 $	**ACTUALS FISCAL 2009 $**	ACHIEVEMENT OF THE REVISED PROJECTIONS FISCAL 2009
FINANCIAL GUIDELINES				
REVENUE	1,243	1,238	**1,253**	Surpassed
OPERATING INCOME BEFORE AMORTIZATION	513	505	**532**	Surpassed
OPERATING MARGIN	41%	41%	**42.5%**	Surpassed
NET INCOME (LOSS)	35	(87)	**(79)**	Surpassed
CAPITAL EXPENDITURES AND INCREASE IN DEFERRED CHARGES	300	300	**306**	Under-achieved
FREE CASH FLOW	95	85	**101**	Surpassed
RGU GROWTH	100,000	100,000	**175,364**	Surpassed

MESSAGE TO SHAREHOLDERS

Dear friends,

Fiscal 2009 will remain etched in our memories as a year of economic upheavals. That said, the cable distribution and Québec radio broadcasting industries showed resiliency amid these difficult circumstances.

On a consolidated basis, operating income before amortization[(1)] grew by 18.5% and the operating margin[(1)] increased to 42.5% from 40.5%. Free cash flow[(1)] increased by 0.6% despite a significant increase in capital expenditures in order to support RGU growth in the cable sector. The dividend payout for the fiscal year rose 14.3% to $0.32 per share from $0.28 per share in 2008.

In Canada and in Portugal, the economic crisis was particularly hard on the automobile industry, which is a player in several markets served by our cable distribution subsidiary, Cogeco Cable Inc. Many other industries were also affected, leading to job losses, a decline in confidence and a heightened sense of insecurity among consumers. Despite these difficulties, the telecommunications industry experienced growth in Canada in fiscal 2009 with Cogeco Cable keeping pace.

Customer satisfaction is one of our main objectives. The highly competitive telecommunications environment drives us to excel. Capitalizing on this asset, we strive to satisfy customers by offering increasingly high-performing technologies and services, and a business relationship based on listening and transparency. And thus, on November 18, 2008, for a second year in a row, Cogeco Cable customer service won the Service Quality Measurement ("SQM") award for the telecommunications industry which recognized the highest customer satisfaction towards a call center. We have launched several services that enhance choice and have reviewed the price range of many of our services in both Canada and Portugal: new High Speed Internet packages and improvements in existing packages, an enhanced HD TV and Video on Demand offering, and Telephony services in several markets, to name just a few.

Our aim to offer better performing and more efficient service, from design to after-sales service, recently led us to review the structure of our Canadian operations in the cable sector. The new operational structure allowed us to enhance service quality to clients and create further synergies among Cogeco Cable's different working groups. The new structure will breathe new energy into Cogeco Cable and pave the way for growth in all of our Canadian cable markets.

With its capable and enthusiastic management team, Cogeco Data Services Inc. ("CDS"), Cogeco Cable's subsidiary serving large enterprises, continues to meet our objectives. CDS amply showed its growth potential with three significant accomplishments during the second half of the fiscal year, namely, contracts with the Toronto District School Board, the Toronto District Catholic School Board and the City of Toronto. The CDS team's agility, reliability and listening capacity is the trademark that has inspired trust in our long-time clients and won us new clients.

Consumers were badly hurt by the economic crisis. Competition in the telecommunications sector in Portugal has not abated and Cogeco Cable's subsidiary Cabovisão – Televisão por Cabo, S.A. ("Cabovisão") has been under severe pressure in this fast-paced market. As a result, in compliance with current accounting standards, Cogeco Cable recorded a non-cash impairment loss of $399.6 million during the fiscal year on its investment in the subsidiary, reducing the net value of acquired assets.

That being said, during the first two years of operations within the Cogeco family, Cabovisão generated excellent results, exceeding management's expectations. It is only in the past year that heightened competition from Zon Multimedia, a spinoff of Portugal Telecom, has generated downward price pressure on all players as they strive to gain market share. Cabovisão adapted and responded vigorously. Make no mistake about it, Cabovisão remains an important player in this market, and consolidating and developing the Portuguese subsidiary remains a priority for Cogeco Cable. Cabovisão has implemented far-reaching strategies and management believes that the turnaround phase is underway. The service offering has been enhanced with more HSI packages and increased speeds, more TV and HD channels, and more telephony packages, all of which have been designed to attract specifically targeted consumer groups. These enhancements position Cabovisão as the service supplier that best meets customers' expectations, especially for quality and service reliability.

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(1) THE INDICATED TERMS DO NOT HAVE STANDARDIZED DEFINITIONS PRESCRIBED BY CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37 OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS.

Furthermore, radio retains a place of choice in people's lives, despite the never-ending rise of new technologies. Our RYTHME FM network maintains its leadership position in the Montréal market, keeping well ahead of the competition in the main target groups, namely adults and women in the 25-54 age group. And with advertisers following suit, RYTHME FM has undeniably been the most popular radio station in Montréal since 2004. Other stations in the RYTHME FM network have also carved themselves a constantly growing place in the hearts of listeners and the minds of advertisers. In Québec City, FM 93 is the leading radio station among adults and men aged 25 to 54. Its opinions and classic rock formula fills a need for challenging but respectful radio commentary intended for Québec City audiences.

With this fiscal year-end, one of the directors is leaving our Board of Directors. Mrs Jacqueline L. Boutet, a director of both COGECO Inc., as well as Cogeco Cable Inc., the cable subsidiary, is retiring from the Board. She has been with COGECO since 1993 and deserves all of our heartfelt appreciation. At COGECO Inc., she has served as a member of the Audit Committee, the Corporate Governance Committee and the Human Resources Committee and at Cogeco Cable Inc., as a member of the Audit Committee and the Corporate Governance Committee for several years. Her thoroughness, experience, and availability have been true assets to the Board's deliberations and have helped us to better understand, evaluate, and chart the Company's strategic directions over the years. On behalf of the Board and the entire COGECO team, we extend our sincerest gratitude to her.

As always, the growth of COGECO and its subsidiaries is based on a fine blend of discipline, boldness and effective risk management. With capital markets showing encouraging signs of a necessarily more disciplined recovery, our employees and Board members do their best day after day to satisfy our customers and listeners. COGECO owes its results and success to them and we thank them for their efforts. We can look to the future with optimism. We are guided by our client-focused culture.

Louis Audet
President and Chief Executive Officer

Jan Peeters
Chairman of the Board

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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OVERVIEW OF THE BUSINESS

COGECO is a diversified communications company that provides Cable Television, HSI, Telephony services and other telecommunications services to its residential and commercial customers in Canada and in Portugal through Cogeco Cable Inc. ("Cogeco Cable" or the "cable subsidiary") and is engaged in Radio broadcasting in Canada through Cogeco Diffusion Inc. ("CDI").

Cogeco Cable is the second largest cable system operator in Ontario, Québec and Portugal in terms of the number of Basic Cable service customers served. Cogeco Cable's operations are supported by hybrid fibre and co-axial cable broadband networks. Cogeco Cable provides its residential customers with Audio, Analogue and Digital Television as well as HSI and Telephony services. In Canada, Cogeco Cable provides, as at August 31, 2009, Basic Cable service to 864,805 customers, Digital Television service to 498,398 customers, HSI service to 515,052 customers and Telephony service to 281,608 customers. In Portugal, through its indirect subsidiary Cabovisão – Televisão por Cabo, S.A. ("Cabovisão"), Cogeco Cable provides, as at August 31, 2009, Basic Cable service to 259,480 customers, Digital Television service to 102,753 customers, HSI service to 143,614 customers and Telephony service to 226,528 customers. Cogeco Cable provides its Canadian business customers data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, VoIP, HSI access, dark fibre, data storage, data security and co-location services, and other advanced communications services.

Through its subsidiary, CDI, COGECO wholly-owns and operates the RYTHME FM network which has four radio stations: in Montréal (105.7), Québec City (91.9), Trois-Rivières (100.1) and Sherbrooke (93.7) as well as a repeater station in Magog (98.1). It also wholly-owns Station FM 93 (93.3) in Québec City.

CORPORATE OBJECTIVES AND STRATEGIES

COGECO's business objective is to maximize shareholder value by increasing profitability, notably operating income before amortization[(1)], and by ensuring continued growth. To achieve these objectives, COGECO uses strategies, specific to each activity sector which, in turn, are supported by tight controls over the Company's costs and improved business processes.

The main strategies used to reach COGECO's objectives in the cable sector focus on sustained corporate growth and continuous improvement of networks and equipment.

The radio operations focus on continuous improvement of its programming in order to increase its market share and thereby its profitability.

TIGHT CONTROL OVER COSTS AND IMPROVED BUSINESS PROCESSES

The Company maximizes profitability and shareholder value by maintaining strict controls over spending. In order to achieve this, COGECO has to become more efficient with its processes making its offer more attractive to customers. In addition, tight controls over processes ensure that shareholders receive timely information on the Company's development.

CABLE SECTOR

Cogeco Cable's business objectives are to ensure corporate growth through the expansion of its service offering and its customer base while maximizing shareholder value through profitability, notably operating income before amortization.

To achieve these objectives, Cogeco Cable has developed strategies that focus on expanding its service offering, enhancing its existing services and bundles, improving customer experience and business processes as well as keeping a sound capital management and a strict control over spending. These strategies will be supported by developing continuously the infrastructure network in accordance with sound capital expenditures management. Genuine customer service will arise by focusing on customer needs with services at attractive prices while taking into account the competitive landscape and the market and economic conditions, using a variety of sales channels, simplifying and tightening customer-related processes thus providing better cost controls.

ANTICIPATED RESULTS OF THESE STRATEGIES

The successful implementation of the above-described strategies should result in heightened profitability and ensure continued growth that will be measured based on the following criteria (these criteria are described in greater detail on page 43 in "Fiscal 2010 Financial Guidelines"):

- COGECO expects to achieve operating income before amortization of $486 million in fiscal 2010 as a result of increases in penetration of the various services offered, the rate increases implemented in fiscal 2009 and the further development of its business telecommunications activities from the acquisitions of MaXess Networx®, FibreWired Burlington Hydro

(1) OPERATING INCOME BEFORE AMORTIZATION DOES NOT HAVE A STANDARDIZED DEFINITION PRESCRIBED BY CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37.

Communications and Cogeco Data Services Inc. (“CDS”) completed in fiscal 2008 (together, the “recent acquisitions”) in the cable sector.

- The Company expects to generate a free cash flow[1] of $130 million as a result of the operating income before amortization described above and a recovery in current income taxes stemming from modifications to the cable subsidary’s corporate structure, partly offset by an increase in capital expenditures. The majority of the free cash flow will be used to reduce Indebtedness.
- Cable sector RGU are expected to grow by approximately 125,000 in the coming year. This growth will stem from expanded penetration of Telephony, HSI and Digital Television services, while taking into account the maturation of our services in the Canadian operations and the difficult economic and competitive environment in Portugal.

Please refer to the “Key performance indicators” section on page 10 for further details on the fiscal 2009 results and achievements.

CABLE NETWORKS

CANADA

Cogeco Cable provides its residential and business customers cable, data and telecommunication services in Canada through state-of-the-art fibre optic and broadband distribution networks. It is Cogeco Cable’s general policy to fully own its distribution networks, head-ends and data centres as well as its transmission equipment and access facilities. As at August 31, 2009, Digital Television and VOD services were available to approximately 99% and 92% of homes passed, respectively, and approximately 96% of homes passed were served by a two-way cable plant. Including all acquisitions, Cogeco Cable’s inter-city optical fibre network now extends over 9,849 kilometres and includes 101,142 kilometres of optical fibre. Cogeco Cable has deployed optical fibre to nodes serving clusters of typically at or below 1,000 homes passed, with multiple fibres per node in most cases, which allows Cogeco Cable to further extend the capacity of the fibre plant to clusters of 500 homes or less rapidly if and when necessary. This process, known as “Node Splitting”, leads to further improvement in the quality and reliability and an increase in the capacity of two-way services such as HSI, VOD and Telephony.

Cogeco Cable currently acquires DOCSIS 2.0 & DOCSIS 3.0 equipment. Cogeco Cable uses DOCSIS 1.1, DOCSIS 2.0 and DOCSIS 3.0 standards within its IP platform. The DOCSIS standard includes numerous features including the prioritization of packets to ensure a continuous transmission and quality. This prioritization is important for services that need to be transmitted in real time, such as those of the telephony service. In addition, when required, DOCSIS 2.0 and DOCSIS 3.0 features can be activated to achieve increased speed and capacity in the return path by using advanced modulation or features that can allow the use of portions of the spectrum that are otherwise not usable. This gives Cogeco Cable a flexible and expandable platform for providing other products like symmetrical services, which are particularly well suited for commercial customer applications. The new standard, DOCSIS 3.0, while still compatible with the earlier versions, makes it possible to further increase IP transmission speeds up to 160 Mbps and beyond. Cogeco Cable is in the process of a gradual deployment of DOCSIS 3.0 head-end and customer premise equipment.

Cogeco Cable has implemented an infrastructure with 550 MHz and 750 MHz capacity, depending on the cable system and customer needs. The infrastructure with 550 MHz capacity allows for the transmission of up to 80 analogue channels, and the 750 MHz infrastructure allows for the transmission of up to 110 analogue channels. For reference purposes, each analogue channel (representing 6 MHz of bandwidth), with the current compression, multiplexing and modulation technologies used by Cogeco Cable allows for the transmission of up to 13 standard definition digital television signals, or of up to 3 HD signals.

Cogeco Cable is currently testing the Switched Digital Video (“SDV”) technology in a limited sample system in the province of Ontario in order to assess the applicability of this technology to its network. If successful, these trials are expected to lead to further deployment of this technology in the coming years. The SDV technology allows Cogeco Cable to selectively broadcast the digital television channels that are currently being viewed by customers, effectively allowing Cogeco Cable to offer a greater selection of digital channels, and is used particularly for low viewership content and channels.

Cogeco Cable is also in the process of assessing the applicability of the Digital Terminal Adaptor (“DTA”) technology, which is currently in early field trials. If field trials provide conclusive evidence and subsequent business models demonstrate viability, deployment of this technology could begin in the next few years. DTA technology converts Digital Television signals to Analogue signals in the viewer’s home through a device installed on the television set. Deployment of this technology would allow for a broader use of Digital Television service and for the further conversion of analogue channel capacity.

PORTUGAL

Cabovisão provides its cable services through state-of-the-art 750 MHz broadband distribution networks. Cabovisão fully owns its distribution networks, head-ends and drops. Digital Television service has been launched during the second quarter of fiscal 2008

(1) FREE CASH FLOW DOES NOT HAVE A STANDARDIZED DEFINITION PRESCRIBED BY CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“GAAP”) AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE “NON-GAAP FINANCIAL MEASURES” SECTION ON PAGE 37.

and all existing analogue set-tops have been replaced by digital set-tops. VOD service is not currently offered but is planned for launch in the near future. HSI service using fully certified DOCSIS 1.0 technology is offered to 100% of homes passed and served by a two-way cable plant. DOCSIS 3.0 has been deployed in all major centres and expansion to all homes continues in fiscal 2010. Telephony service is also offered to 100% of homes passed, initially through the use of proprietary network interface units ("NIU"), and, since 2004, with standard based electronic multimedia terminal adapters ("e-MTA"). Cabovisão currently uses class-5 circuit switches and class-5 advanced softswitches. Cabovisão's intercity fibre optic network extends over 3,414 kilometres and includes approximately 232,000 kilometres of optical fibre. Cabovisão has deployed optical fibre to nodes serving clusters of typically 1,200 homes passed, with many fibres per node in most cases, which allows Cabovisão to further extend the fibre plant to smaller clusters of 500 homes rapidly with relative ease if and when necessary. Node splitting leads to further improvement in the quality and reliability of the network and services and allows for increasing traffic of two-way services, such as HSI and Telephony.

In Portugal and in most of Europe, PAL B and PAL G television standards are used and each analogue channel requires 7 MHz (PAL B is used up to 300MHz) and 8 MHz (PAL G is used above 300 MHz) of bandwidth compared to 6 MHz in North America, which uses the NTSC standards. An infrastructure with 750 MHz capacity in Portugal allows for the transmission of up to 83 analogue channels. For reference purposes, each Analogue channel (representing 7 or 8 MHz of bandwidth), with the current compression, multiplexing and modulation technologies used by Cabovisão, allows for the transmission of up to 13 standard definition digital television signals, or of up to 6 HD signals.

KEY PERFORMANCE INDICATORS

COGECO is dedicated to increasing shareholder value and consequently focuses on optimizing profitability while efficiently managing its use of capital without jeopardizing future growth. The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with Canadian GAAP and should not be considered an alternative to other measures of performance in accordance with GAAP. The Company's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies.

(in millions of dollars, except percentages and RGU growth)	ORIGINAL PROJECTIONS NOVEMBER 5, 2008 FISCAL 2009 $	REVISED PROJECTIONS APRIL 8, 2009 FISCAL 2009 $	ACTUALS FISCAL 2009 $	ACHIEVEMENT OF THE REVISED PROJECTIONS FISCAL 2009
FINANCIAL GUIDELINES				
OPERATING INCOME BEFORE AMORTIZATION	513	505	**532**	Surpassed
OPERATING MARGIN[1]	41%	41%	**42.5%**	Surpassed
FREE CASH FLOW	95	85	**101**	Surpassed
RGU GROWTH	100,000	100,000	**175,364**	Surpassed

(1) OPERATING MARGIN DOES NOT HAVE A STANDARDIZED DEFINITION PRESCRIBED BY CANADIAN GAAP AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37 OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS.

OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION AND OPERATING MARGIN

Operating income before amortization and operating margin are benchmarks commonly used in the telecommunications industry, as they allow comparisons with companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Operating income before amortization indicators assess COGECO'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 flow from operations[1] excluding the impact of the capital structure chosen. Consequently, operating income before amortization is one of the key metrics used by the financial community to value the business and its financial strength. Operating margin is calculated by dividing operating income before amortization by revenue. In the 2008 Annual report, the Company projected operating income before amortization of $513 million for the 2009 year, which was then reduced to $505 million in the revised projections issued on April 8, 2009 in order to reflect the continuing difficult competitive environment affecting the cable subsidiary's European operations. Operating income before amortization for the 2009 fiscal year amounted to $532 million, surpassing the Company's revised projections. The operating margin reached 42.5% for the fiscal year, compared to the revised projections of 41%. The favourable results for operating income before amortization and the operating margin were due to RGU growth generating additional revenues in the cable sector and the favourable impact of $21.3 million from the settlement of the Part II licence fees payable to the Canadian Radio-television and Telecommunications Commission ("CRTC") for the 2007 to 2009 fiscal years (the "Part II licence fee settlement agreement") described in the "Operating and financial results" section on page 25.

(1) CASH FLOW FROM OPERATIONS DOES NOT HAVE A STANDARDIZED DEFINITION PRESCRIBED BY CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37.

FREE CASH FLOW

Free cash flow is defined as cash flows from operations less capital expenditures (including assets acquired under capital leases that are disclosed in note 17 B) of the consolidated financial statements on page 75, which are not reflected in the consolidated statements of cash flows) and the increase in deferred charges. The financial community also closely follows this indicator since it measures the Company's ability to repay debt, distribute capital to its shareholders and finance its growth. On April 8, 2009, COGECO issued revised fiscal 2009 free cash flow projections of $85 million, down from the initial projection of $95 million issued in the 2008 annual report. COGECO surpassed the revised projections for the 2009 year with free cash flow of $101 million mainly due to an increase in operating income before amortization, partly offset by an increase in capital expenditures in the cable sector.

CABLE SECTOR

RGU growth and penetration of service offerings
RGU expansion is a critical driver of revenue growth and measures the success of the marketing strategy and the competitiveness of the service offering and pricing. For the 2009 fiscal year, COGECO projected growth of 100,000 RGU in the cable sector, which was surpassed with 175,364 RGU primarily due to strong growth in Digital Television service customers in both Canadian and European cable operations. Penetration statistics measure Cogeco Cable's market share. Cogeco Cable computes the penetration for Basic Cable services as a percentage of homes passed and, in the case of all other services, as a percentage of Basic Cable service customers in the cable systems where the service is offered. For further details please consult the customer statistics in the "Performance highlights" section.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Company's significant accounting policies is presented in note 1 starting on page 52 of the consolidated financial statements. The following accounting policies were identified as critical to COGECO's business operations.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company's revenue is earned mostly from residential and business customers in the cable sector. Accordingly, allowance for doubtful accounts is calculated based on the specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance owing as well as the customer's collection history with the Company. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expense.

ACCRUED LIABILITIES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities at the date of the financial statements and the reported amounts expensed during the year. Actual results could differ from those estimates.

AMORTIZATION POLICIES AND USEFUL LIVES

COGECO amortizes fixed assets and intangible assets with finite useful lives over the estimated useful lives of the items. In estimating useful lives, the Company considers such factors as life expectancy of the assets, changing technologies and industry trends. The Company reviews its useful lives estimates on a regular basis. If changes in the above-mentioned factors happen more quickly than anticipated, COGECO may have to shorten the estimated lives of certain assets, which could result in a higher amortization expense in future periods.

PURCHASE PRICE ALLOCATION

The allocation of the purchase prices for the Company's acquisitions involves considerable judgement in determining the fair values assigned to the tangible and intangible assets acquired and the liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customers. Should actual rates and cash flows differ from these estimates, revisions to the carrying value of the related assets and liabilities acquired may be required, including revisions that may impact net income in future periods.

IMPAIRMENT OF FIXED ASSETS AND INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

The Company reviews, when a triggering event occurs, the carrying values of its fixed assets and intangible assets with finite useful lives 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. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment

loss is measured as the amount by which the asset's carrying amount exceeds its fair value. Future cash flows are based on internal forecasts and consequently, considerable management judgement is necessary to estimate future cash flows. Significant changes in assumptions could result in an impairment of these assets.

IMPAIRMENT OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES AND GOODWILL

The valuation of customer base, broadcasting licences and goodwill are subject to review for impairment annually or whenever significant events or changes in circumstances occur, to determine if the carrying value can be recovered. In conducting impairment testing, the Company compares the carrying value to the sum of the expected future discounted cash flows. Future cash flows are based on internal forecasts and discounted by using a weighted average cost of capital rate. Considerable management judgement is necessary to estimate future cash flows. Significant changes in assumptions could result in an impairment of these assets. The Company's impairment tests are performed as at August 31 of each fiscal year.

INCOME TAXES

The Company uses assumptions to estimate income tax expense as well as future income tax liabilities. This process includes estimating the actual amount of income taxes payable and evaluating income tax loss carryforwards and temporary differences as a result of differences between the values of the items reported for accounting and tax purposes. Realisation of future income tax assets is dependent upon generating sufficient taxable income during the period in which temporary differences are expected to be recovered or settled. The likelihood of realisation of future income tax assets is evaluated by considering such factors as estimated future earnings based on internal forecasts, prudent and feasible tax planning strategies and reversal of temporary differences that result in future income tax liabilities. Future income tax assets and liabilities are calculated according to enacted or substantively enacted income tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Accordingly, changes in assumptions will directly impact the reported amount of income tax expense.

FOREIGN CURRENCY TRANSLATION

Financial statements of self-sustaining foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded in the foreign currency translation adjustment in accumulated other comprehensive income and are included in income only when a reduction in the investment in these foreign subsidiaries is realized.

Other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenue and expenses are translated at average exchange rates prevailing during the period except for transactions being hedged, which are translated using the terms of the hedges. Amounts payable or receivable on cross-currency swap agreements, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the obligations being hedged. Other foreign exchange gains and losses are recognized as financial expense, except for unrealized foreign exchange gains and losses on foreign-denominated long-term debt that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries, which are included in the foreign currency translation adjustment in accumulated other comprehensive income net of income taxes and non-controlling interest.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company's subsidiary, Cogeco Cable, uses cross-currency swap and interest rate swap agreements as derivative financial instruments to manage risks from fluctuations in interest and foreign exchange rates related to its long-term debt. On September 1, 2007, the Company's subsidiary classified all of its derivative financial instruments as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income, except for the changes in fair value of the cross-currency swap and interest rate swap agreements, which are designated as cash flow hedges of the Senior Secured Notes Series A and the Euro-denominated Term Loan facilities and are recorded in other comprehensive income. The Company's subsidiary does not hold or use any derivative instruments for speculative trading purposes. Net receipts or payments arising from cross-currency swap and interest rate swap agreements are recognized as financial expense.

CONTINGENCIES AND COMMITMENTS

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The contractual and other commercial obligations primarily relate to network fees and operating lease agreements for use of transmission facilities. The Company recognizes liabilities for contingencies and commitments when a loss is probable and can be reasonably estimated based on currently available information. Significant changes in assumptions as to the likelihood and estimates of a loss could result in the recognition of an additional liability.

CABLE SECTOR

Revenue recognition
The Company considers revenue to be earned as services are rendered, provided that ultimate collection is reasonably assured. The Company earns revenue from several sources. The recognition of revenue from the principal sources is as follows:

- Revenue from Cable Television, HSI, Telephony and other telecommunications services are recognized when services are rendered;
- Revenue generated from sales of home terminal devices is recorded as equipment revenue upon activation of services since management considers the sale of home terminal devices as a single unit of accounting of a multiple element arrangement;
- Installation revenue is deferred and amortized over the average life of a customer's subscription for residential customers, which is four years, and over the term of the contract for business customers. Management considers that installation revenue is part of a multiple element arrangement and has no standalone value. Accordingly, installation revenue is deferred and amortized at the same pace as revenue from Cable Television, HSI, Telephony and other telecommunications services are earned;
- Promotional offers are accounted for as deductions from revenue when customers take advantage of such offers;

Amounts received or invoiced that do not comply with these criteria are accounted for as deferred and prepaid revenue.

Capitalization of direct labour and overhead
Capitalization of costs includes the expenditures to acquire, construct, develop or improve an item of property, plant or equipment, and includes all costs directly attributable to those activities. The cost of an item includes direct construction or software development costs, such as materials and labour and overhead costs directly attributable to the construction or software development activity. The cost to enhance the service potential of an item is considered an improvement and as a result is capitalized. Costs incurred in the maintenance of service potential are expensed.

Cogeco Cable capitalizes direct labour and direct overhead costs incurred to construct new assets, enhance existing assets and connect new customers. Although capitalization of financial expense is permitted for construction activities, it is Cogeco Cable's policy not to capitalize them.

Capitalization of costs to acquire customers
Cogeco Cable incurs significant costs to reconnect or activate additional services for Basic Cable, HSI, Digital Television and Telephony customers. These costs include material and labour costs incurred to reconnect or activate additional services for customers. Reconnect costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. These costs are amortized over the average life of a customer's subscription, not exceeding four years. The average life of a customer's subscription is reviewed annually and changes could have a significant impact on the amortization expense.

ADOPTION OF NEW ACCOUNTING STANDARDS

ADOPTED DURING FISCAL 2009

CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS

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

Capital disclosures
Section 1535 of the CICA Handbook requires that an entity disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance. These new disclosures are included in note 19 of the Company's consolidated financial statements.

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

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

The adoption of these standards did not have any impact on the classification and measurements of the Company's financial instruments. The new disclosures pursuant to these new Sections are included in note 19 of the Company's consolidated financial statements.

GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION

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

CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

ADOPTED DURING FISCAL 2008

FINANCIAL INSTRUMENTS

Effective September 1, 2007, the Company adopted the CICA Handbook Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation*, Section 3865, *Hedges* and Section 3251, *Equity.*

Statements of comprehensive income

A new statement, entitled consolidated statements of comprehensive income, was added to the Company's consolidated financial statements and includes net income as well as other comprehensive income. Other comprehensive income represents changes in shareholders' equity arising from transactions and events from non-owner sources, such as changes in foreign currency translation adjustments of a net investment in self-sustaining foreign subsidiaries, long-term debt designated as a hedge of a net investment in self-sustaining foreign subsidiaries and changes in the fair value of effective cash flow hedging instruments.

Recognition and measurement of financial instruments

Under these new standards, all financial assets, including derivatives, must be classified as available-for-sale, held-for-trading, held-to-maturity, or loans and receivables. All financial liabilities, including derivatives, must be classified as held-for-trading or other liabilities. All financial instruments classified as available-for-sale or held-for-trading are recognized at fair value on the consolidated balance sheet while financial instruments classified as loans and receivables or other liabilities will continue to be measured at amortized cost using the effective interest rate method. The standards allow the Company the option to designate certain financial instruments, on initial recognition, as held-for-trading.

All of the Company's financial assets are classified as held-for-trading or loans and receivables. The Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable have been classified as loans and receivables. All of the Company's financial liabilities were classified as other liabilities, except for the cross-currency swap agreements, which were classified as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income, except for the changes in fair value of the cross-currency swap agreements, which are designated as cash flow hedges of the Senior Secured Notes Series A and are recorded in other comprehensive income. Loans and receivables and all financial liabilities are carried at amortized cost using the effective interest rate method. Upon adoption, the Company determined that none of its financial assets are classified as available-for-sale or held-to-maturity. Except for the treatment of transaction costs and derivative financial instruments mentioned below, the provisions of the new accounting standards had no impact on the consolidated financial statements on September 1, 2007.

Transaction costs

Effective September 1, 2007, transaction costs are capitalized on initial recognition and presented as a reduction of the related financing, except for transaction costs on the revolving loan and the swingline facility, which are presented as deferred charges. These costs are amortized over the term of the related financing using the effective interest rate method, except for transaction costs on the revolving loan and the swingline facility, which are amortized over the term of the related financing on a straight-line basis. Previously, all transaction costs were capitalized and amortized on a straight-line basis over the term of the related financing, a period not exceeding five years. The impact of these adjustments at September 1, 2007 reduced deferred charges by $1.2 million,

reduced long-term debt by $3.1 million, increased future income tax liabilities by $0.6 million, increased non-controlling interest by $0.9 million and increased retained earnings by $0.4 million.

Cash flow hedge

All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Company's cross-currency swap agreements must be measured at fair value in the consolidated financial statements. Since these cross-currency swap agreements are used to hedge cash flows on Senior Secured Notes Series A denominated in US dollars, the changes in fair value are recorded in other comprehensive income. The impact of measuring the cross-currency swap agreements at fair value on September 1, 2007, increased derivative financial instrument liabilities by $83.5 million, decreased deferred credit presented in long-term debt by $80.2 million, decreased future income tax liabilities by $1.1 million, decreased non-controlling interest by $1.5 million and decreased opening accumulated other comprehensive income by $0.7 million.

Net investment hedge

Financial statements of self-sustaining foreign subsidiaries are translated using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded as foreign currency translation adjustments in accumulated other comprehensive income and are included in income only when a reduction in the investment in these foreign subsidiaries is realized. Unrealized foreign exchange gains and losses on long-term debt denominated in foreign currency that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries are recorded as foreign currency translation adjustments in accumulated other comprehensive income, net of income taxes and non-controlling interest. As a result, an amount of $1.4 million was reclassified as at September 1, 2006 from the foreign currency translation adjustment to accumulated other comprehensive income and the Company's comparative financial statements were restated in accordance with transitional provisions.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts are measured at fair value, with changes in fair value recorded in the consolidated statements of income. On September 1, 2007, there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheets. In accordance with the new standards, the Company selected September 1, 2002, as its transition date for adopting the standard related to embedded derivatives.

ACCOUNTING CHANGES

In July 2006, the CICA issued Section 1506, *Accounting Changes*, which modifies certain aspects of the previous standard. A reporting entity may not change its accounting method unless required by a primary source of GAAP or to provide a reliable and more relevant presentation of the financial statements. In addition, changes in accounting methods must be applied retroactively and additional information must be disclosed. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2007. During the first quarter of fiscal 2008, the Company adopted this new standard and concluded that it had no significant impact on these consolidated financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of this section on September 1, 2009 will decrease deferred charges by $32.4 million, decrease future income tax liabilities by $9.6 million, decrease non-controlling interest by $15.4 million and decrease opening retained earnings by $7.4 million at September 1, 2008. The impact on fiscal 2009 results will increase operating costs by $16.5 million, decrease amortization of deferred charges by $14.4 million, decrease future income tax expense by $0.6 million, decrease non-controlling interest by $1.1 million for a decrease in net income of $0.5 million.

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

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

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

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

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

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

HARMONIZATION OF CANADIAN AND INTERNATIONAL ACCOUNTING STANDARDS

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

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

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

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

The Company completed the scoping and diagnostic phase during fiscal 2009, and is now conducting the impact analysis, evaluation and design phase. As implications of the conversion are identified, impacts on information technology, data systems and business activities will be assessed. As such, COGECO has identified the need to implement a new version of the Oracle financial management and accounting system as a requirement for the transition from Canadian GAAP to IFRS. A project for this conversion has been initiated and the Company expects to have completed its new system implementation by its migration date to IFRS. The Company's analysis of the IFRS and the comparison with currently applied accounting principles has identified a number of

differences that may require further information system changes or which are likely to have a material impact on the financial statements of the Company.

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

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

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

The conversion project is progressing according to the established plan and COGECO expects to meet its target date for migration.

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 and operation of the Company's disclosure controls and procedures and internal controls over financial reporting as of August 31, 2009, and have concluded that they are effective.

Changes were made in the internal controls over financial reporting during the year ended August 31, 2009, to resolve previously disclosed material weaknesses, as follows:

- During fiscal 2009, Cogeco Cable has implemented new processes and software to track its home terminal devices from their initial purchase to their return by customers, and has adjusted the carrying values of the assets accordingly. This adjustment did not have a material impact on the Company's financial statements.
- During fiscal 2009, material weaknesses previously identified related to access controls over various databases and automated controls were remediated.
- On August 1, 2006, Cogeco Cable purchased Cabovisão in Portugal. During the fiscal year ended August 31, 2007, management began a project to review the design of internal controls over financial reporting of significant processes. As at August 31, 2009, the project has been completed successfully.
- The evaluation of CDS was completed during fiscal 2009 and management has concluded that the operations of its indirect cable subsidiary do not meet the materiality criteria on a consolidated basis. As a result, no changes were made to the Company's internal controls over financial reporting in relation with CDS during the year ended August 31, 2009.

UNCERTAINTIES AND MAIN RISK FACTORS

This section outlines general and specific risks faced by COGECO and its subsidiaries which could significantly affect the financial condition, operating results or business of the Company. It does not purport to cover all contingencies, or to describe all possible factors that might have an influence on the Company or its activities at any point in time. Furthermore, the risks and uncertainties outlined in this section may or may not materialize in the end, may evolve differently than expected or may have different consequences than those that are being presently anticipated.

COGECO applies an on-going risk management process that includes an annual assessment of risks for the Company and its subsidiaries, under the oversight of the Audit Committee. As part of this process, the Company endeavours to identify risks that are liable to have a major impact on the Company's financial situation, revenue or activities, and to mitigate such risks proactively as may be reasonable and appropriate in the circumstances. This section reflects management's current views on uncertainties and the main risk factors.

RISKS PERTAINING TO MARKETS AND COMPETITION

Cable sector

Electronic communications markets continue to evolve rapidly and are very competitive in both Canada and Portugal. Competitors offer video distribution, broadband HSI access, fixed telephone, mobile telephone and data services through various means of telecommunications facilities including terrestrial wireline and wireless networks as well as satellite. Rivalry extends over several elements comprising the value proposition, including the features of individual services, the composition of service bundles, quality of service, speed of delivery, regular introductory and promotional pricing or offers, duration of the commitment by the customer, terminal devices and customer service. Service bundles offered by competitors include up to "quadruple-play" offers combining television, HSI, fixed and mobile telecommunications to residential and commercial customers.

Cogeco Cable provides "double-play" and "triple-play" service bundles both in Canada and in Portugal, with various combinations of Telephony, HSI and Television distribution services being offered at attractive bundle prices, but does not offer "quadruple-play" service bundles that include mobile communications. Cogeco Cable does not offer mobile Internet service but continues to focus on its existing lines of service with a view to capturing the remaining growth opportunities for HSI, Digital Television and Telephony services in its footprint, making the most efficient use of its own hybrid fibre-coaxial ("HFC") plant. As markets evolve and mobility becomes a more cost-effective substitute to wireline communications, Cogeco Cable may need to add mobility components to its service offerings, through suitable mobile virtual network ("MVNO") arrangements with existing or future mobile operators, or otherwise through new wireless alternatives. There is no assurance that appropriate MVNO arrangements will be concluded by Cogeco Cable when needed, and their impact on the financial results cannot be assessed at this time. Also, the capital and operating expenditures eventually required to offer quadruple-play service bundles and mobile services may not be offset by the incremental revenue that such new bundles or mobile services would generate, thus resulting in downward pressure on operating margins.

In Canada, Cogeco Cable currently faces competition in its service areas mainly from a few large integrated telecommunications service providers. The largest, Bell Canada ("Bell"), offers through its various subsidiaries, income trusts and partnerships a full range of competitive voice, data and video services to residential, as well as to business customers in the Provinces of Québec and Ontario through a combination of fixed wireline, mobile terrestrial wireless and satellite platforms. It is anticipated that Bell will eventually proceed with the rollout of IPTV services over its fixed wireline platform. Telus Communications Company competes with all of Cogeco Cable's services in the Lower St. Lawrence area of the Province of Québec through the use of its wireline network, and throughout Cogeco Cable's Canadian footprint through the use of its mobile telecommunications network. However, Cogeco Cable's Telephony service is provided with the assistance of certain Telus carrier services through a long-term contractual arrangement. Shaw Direct (formerly Star Choice Television Network Incorporated), an indirect subsidiary of Shaw Communications Inc., competes for video and audio distribution services throughout Cogeco Cable's Canadian footprint. Rogers Wireless Communications Inc., a subsidiary of Rogers Communications Inc., operates a mobile telecommunications network in Ontario and Québec and is the owner of the Inukshuk broadband wireless network in partnership with Bell, Rogers Cablesystems Inc., the cable subsidiary of Rogers Communications Inc., is licenced to extend its services in the Burlington, Oakville and Milton areas, which are part of Cogeco Cable's footprint in Ontario, although there has not been any significant cable overwiring to date. Videotron Ltd. ("Videotron"), an indirect subsidiary of Quebecor Inc., offers competitive telecommunications services in Cogeco Cable's Québec footprint and its new wholly-owned advanced wireless service ("AWS") is expected to be rolled out soon. Cogeco Cable also competes with other telecommunications service providers, including Vonage, Primus and Rogers Home Phone (formerly known as Sprint), with alternative service providers that use resale or third-party access arrangements in effect, and with smaller facilities-based competitors such as Maskatel in certain local markets within its network footprint. It is anticipated that other AWS service providers will launch new wireless voice, HSI, data and video services in the near future within Cogeco Cable's footprint, thus resulting in increased competition for the fixed Telephony, HSI, data and Television services of Cogeco Cable.

In Portugal, Cogeco Cable's indirect subsidiary Cabovisão faces competition for all its lines of business mainly from incumbent telecommunications carrier Portugal Telecom, SGPS, S.A. ("PT"), Zon Multimedia, SGPS, S.A. ("Zon"), Vodafone, as well as from Sonaecom, SGPS, S.A. ("Sonaecom"), a subsidiary of diversified Portuguese conglomerate Sonae, SGPS, S.A. ("Sonae"). Zon owns TV Cabo, the largest cable telecommunications operator in Portugal, and also offers a direct-to-home satellite distribution service to the Portuguese market. Zon's cable plant overlaps the major part of Cabovisão's footprint in Portugal. Zon also owns extensive program content interests, including equity interests in several pay television channels distributed by Cabovisão. PT's national telephone network, PT Communicações, which offers a full range of fixed and mobile telecommunications services throughout Portugal, is aggressively pursuing the rollout of Meo, its competitive IPTV service over its wireline plant, and is offering its own direct-to-home satellite service. In addition, PT has launched in Portugal a new digital terrestrial television service available directly over-the-air. Sonaecom owns and operates the Clix (residential fixed telephony, HSI and IPTV), Novis (business telephony solutions) and Optimus (wireless telephony and wireless HSI) services, which provide voice, data, HSI, video and mobile services to

the residential and business markets. Vodafone recently launched its own video distribution service for bundling with its mobile telephone and Internet services. Cabovisão, Zon, PT, Sonaecom, Vodafone and AR Telecom all have competitive triple-play offers available in the Portuguese market. Cabovisão is aggressively pursuing the rollout of its Digital Television services, which include HD channels, throughout its footprint, but it remains less penetrated than that of its main competitors. Cabovisão intends to eventually launch a VOD service on its digital platform, and thus be able to compete with the other VOD service offerings available in the Portuguese market. While Cabovisão and Zon continue to carry a number of legacy video services on less bandwidth-efficient analog channels, the competitive television service offerings of the other competitors in the Portuguese market are all Digital. PT, Zon and Vodafone each have a significantly larger overall customer base, and both Zon and PT have a larger video customer base, than Cabovisão. Several competitors in the Portuguese market have announced that they are deploying fiber facilities to the premises of customers.

Cogeco Cable's footprint includes certain regions in Ontario (Burlington and Windsor) and in Portugal (Palmela) where the automobile industry is a significant driver of economic activity. The sharp downturn experienced by the automobile industry in fiscal 2009 may have an adverse impact on the level of economic activity and consumer expenditures on goods and services within those communities. In previous recessionary periods, demand for cable telecommunications services has generally proven to be resilient. However, there is no assurance that demand will remain resilient in a prolonged global recession.

The level of piracy of television signals and the actual penetration of illicit reception of television distribution services in households within Cogeco Cable's service areas may also have a significant effect on Cogeco Cable's business and the competitiveness of its service offerings.

TECHNOLOGICAL RISKS

Cable sector

The rapid evolution of telecommunications technologies is fuelled by a highly competitive global market for digital content, consumer electronics and broadband products and services. Cogeco Cable continues to monitor the development of technologies used for the transmission, distribution, reception and storage of data and their deployment by various existing or potential competitors in the broadband telecommunications markets.

There are now several terrestrial and satellite transmission technologies available to deliver a range of electronic communications services to homes and to commercial establishments with varying degrees of flexibility and efficiencies, and thus compete with cable telecommunications. On the other hand, cable telecommunications also continue to benefit from rapid improvements, particularly in the areas of modulation, digital compression, fractioning of optoelectronic links, multiplexing, HD distribution and switched video distribution.

Management of Cogeco Cable believes that broadband wireline distribution over fibre and coaxial cable continues to be an efficient, reliable, economical and competitive platform for the distribution of a full range of electronic communications products and services. However, competitive market forces drive the further deployment of fiber optic facilities right up to the user premises, both for business and residential customers. The competitiveness of the cable broadband telecommunications platform will therefore continue to require substantial additional capital investment on a timely basis in an increasingly competitive and uncertain market environment.

The growth in penetration of broadband connections of all types, the rapid increase in transmission speeds offered by competitors in the market and the deployment of the more powerful and efficient MPEG-4 video compression standard and of other similar compression technologies promote the increased distribution and consumption of video content directly over the Internet. This may eventually lead to fragmentation of the retail market for existing Analogue and Digital Television distribution services provided by Cogeco Cable and gradual disintermediation through direct transactions between video content suppliers and Cogeco Cable's customers. In this context, revenue and margins derived from Cogeco Cable's HSI access services may not entirely compensate for the eventual loss of revenue or margin derived from Cogeco Cable's Television services in the future. Alternative voice and data communications services are proliferating over the Internet, resulting in the risk that fragmentation and disintermediation may also occur in the future with respect to Cogeco Cable's Telephony service.

Electronic communications increasingly rely on advanced security technology, terminal devices, control systems and software to ensure conditional access, appropriate billing and service integrity. Security and business systems technology is provided worldwide by a small pool of global suppliers on a proprietary basis. As other providers of electronic communications, Cogeco Cable depends on the effectiveness of such technology for many of its services and the ability of technological solutions providers to offer cost-effective and timely solutions to deal with security breaches or new developments required in the marketplace.

REGULATORY RISKS

Cable sector

In Canada, electronic communications facilities and services are subject to regulatory requirements depending mainly on the type of facilities involved, the incumbent status of service providers and their relative market power, the technology used and whether the

activities are categorized as telecommunications or broadcasting. Canadian cable telecommunications facilities and services are subject to various requirements, mainly under federal legislation governing broadcasting, radiocommunication, telecommunications, copyright and privacy, and under provincial legislation governing consumer protection and access to certain municipal property and municipally-owned support structures. Broadcasting licences and broadcasting certificates are still required for the operation of larger cable systems. Various licence and licence exemption conditions apply in Canada. Canadian cable operators are also subject to Canadian ownership and control requirements. Changes in the regulatory framework or licences, which are subject to periodic renewal, may affect Cogeco Cable's existing business activities or future prospects.

The CRTC has initiated earlier this year yet another broadcasting proceeding to consider the implementation of a form of fee-for-carriage ("FFC") to be paid by Canadian cable and satellite broadcasting distributors to Canadian conventional over-the-air television broadcasters for the cable and satellite distribution of their local and regional signals. Cogeco Cable will continue to strongly oppose any form of FFC. Such a measure, if implemented by the CRTC, could have an adverse impact on the cost of basic cable service and hence, on RGU growth and the purchase of optional television tiers or on-demand television services. The outcome of this public proceeding will likely be known in the 2010 fiscal year. Cable and satellite broadcasting distributors have indicated that any FFC would be passed on to customers, while television broadcasters have advocated that cable and satellite distributors absorb the cost of FFC. Following the issuance of an Order-in-Council requiring the CRTC to report on the impact of FFC on consumers and on the Canadian broadcasting system, the CRTC has launched a parallel proceeding to consider the affordability of television services, including a low-cost basic television service and more discrete service options for cable and satellite customers.

In addition to the mandatory contribution amounting to 5% of gross revenue derived from broadcasting activities that licenced cable and satellite broadcasting distributors are already required to pay in order to support Canadian television program production and local expression in television, the CRTC has decided to impose an additional levy amounting to 1.5% of gross revenue derived from their broadcasting activities, payable monthly starting in September 2009, in order to finance a new Local Programming Improvement Fund ("LPIF") for the benefit of conventional television broadcasters operating local stations in Canadian television markets of less than 1 million in population. Cogeco Cable may not be able to pass on the full cost of this additional levy to its customers in the 2010 fiscal year.

By way of judicial reference, the CRTC has asked the Federal Court of Appeal to determine whether it has jurisdiction under the Broadcasting Act to regulate Internet Service Providers ("ISP"s) where ISPs provide access through the Internet to "broadcasting" requested by end-users. Cogeco Cable has decided to participate in this reference with a view to have the Court determine that the Commission does not have such jurisdiction. This determination will be important in light of proposals made to the CRTC to impose also a levy of 2.5% of gross revenue derived from ISP activities to further support Canadian programming content.

The CRTC will hold a public hearing starting on January 11, 2010 to consider the appropriateness of mandating certain wholesale high-speed access services for large incumbent telephone companies as well as for large cable telecommunications carriers. As part of this telecommunications proceeding, third party competitors are seeking regulated wholesale access to cable head ends and to dedicated 6 MHz channels on Cogeco Cable's network over and above the third party Internet access ("TPIA") services already provided under the terms of a third party access tariff approved by the CRTC. Since Cogeco Cable's network is a shared network between various users and between various broadcasting and telecommunications services, mandated access by third parties to dedicated channels and to any local head end would adversely affect the capital requirements for cable networks and their efficient operation.

The CRTC has also initiated a telecommunications proceeding to review the large incumbent telephone companies' support structure rates. Cogeco Cable makes significant use of support structures owned by federally-regulated telephone companies within its network footprint in Ontario and Québec. Access to these essential facilities is provided under the terms of tariffs approved by the CRTC. The large incumbent telephone companies are mainly seeking to obtain substantially higher rates for this service.

In Portugal, Cabovisão has prevailed in its complaint to Autoridade da Concorrência ("AdC") against the anticompetitive practices of PT concerning access to support structures and ducts of the incumbent telephone company. AdC has imposed a fine of €38 million to PT, but the AdC decision has since been challenged in court and the matter is still pending. More recently, following complaints by other parties, AdC imposed a further record-breaking €45 million fine to PT as well as an €8 million fine to its former subsidiary Zon for abuse of dominance and margin squeezing of competitors in the broadband Internet access market in Portugal. PT and Zon have both decided to challenge this AdC decision in court. Cabovisão has filed with AdC complaints against Zon that raise further issues of abuse of dominant position by that incumbent cable, satellite and content service provider. In the absence of any significant remaining ex ante regulation of Portuguese incumbents by Autoridade Nacional das Communicações ("Anacom"), the effective enforcement of the decisions issued by AdC, the Portuguese competition watchdog, is essential to discipline the dominant Portuguese incumbents. Of further concern is the fact that the dominant Portuguese incumbents have been given access to funding from the European Investment Bank for debt-financing at favourable terms with the backing of the Portuguese government, with the stated objective of helping these dominant Portuguese incumbents to further deploy fiber optic next generation networks ("NGN") in Portugal.

RISKS PERTAINING TO OPERATING COSTS

Cable sector

Cogeco Cable applies itself to keeping its cost of goods sold in check so as to secure continued operating margin growth. The two largest drivers of cost of goods sold are network fees paid to audio and video programming service suppliers as well as data transport and connectivity charges, mostly for Telephony and HSI traffic.

The market for audio and video content services in Canada is already characterized by high levels of supplier integration and structural rigidities imposed by the CRTC's regulatory framework for broadcasting distribution. While Cogeco Cable has been able to conclude satisfactory distribution agreements with Canadian and foreign programming service suppliers to date, there is no assurance that network fees will not increase by larger increments in future years. There is also no assurance that programming service suppliers will not change other material terms of distribution agreements or extend preferences for the distribution of their content to competing distributors, or push for the distribution of their content over the Internet in the future. In Portugal, the negotiation of suitable arrangements with program suppliers for the offering of digital and HD television content has been largely concluded, but certain additional linear services and VOD content, which are still under negotiation, will eventually add to overall programming costs.

Since the markets for data transport and connectivity remain very competitive in Canada and Portugal, Cogeco Cable and Cabovisão have negotiated cost effective arrangements in the past for voice and data traffic. However, as overall traffic increases and capacity on existing broadband telecommunications facilities becomes more widely used, Cogeco Cable may not be able to secure further cost efficiencies in the future.

RISKS PERTAINING TO INFORMATION SYSTEMS

Flexible, reliable and cost-effective information systems are an essential requirement for the handling of sophisticated service options, customer account management, internal controls, provisioning, billing and the rollout of new services. Cogeco Cable uses different customer relations management tools and databases for its operation respectively in Ontario, Québec and Portugal. There is however no assurance that these or other information systems will be able to adequately meet future business or competitive requirements.

COGECO will need to implement a new version of the Oracle financial management and accounting system in order to implement the transition from Canadian GAAP to IFRS. The operational risks and final costs of this transition cannot be fully determined at this time.

RISKS PERTAINING TO DISASTERS AND OTHER CONTINGENCIES

The Company has a disaster recovery plan for dealing with the occurrence of natural disasters, quarantine, power failures, terrorist acts, intrusions, computer hacking or data corruption, but the operations and facilities of the indirect cable subsidiary, Cabovisão, are not yet integrated into this plan. Cabovisão's insurance coverage has been integrated into Cogeco Cable's insurance coverage. The emergency plans and procedures that are in place cannot provide the assurance that the effect of any disaster can and will be mitigated as planned. COGECO is not insured against the loss of data, hacking or malicious interference with its electronic communications and systems, or against losses resulting from natural disasters affecting the network. In Canada, it relies on data protection and recovery systems that it has put in place with third-party service providers. In Portugal, similar arrangements with third parties have not been implemented as yet. The Company is still working on a more complete and up-to-date business continuity plan, and tests on the implementation of this plan have not taken place as yet.

FINANCIAL RISKS

Cable telecommunications is a very capital-intensive business that requires substantial and recurring investment in property, plant, equipment and customer acquisition. Cogeco Cable depends on capital markets for the availability of additional capital that it must deploy to support its internal and external growth. There is no assurance that future capital requirements will be met when needed, or that the cost to secure such needed incremental capital will not increase Cogeco Cable's weighted average cost of capital. Cogeco Cable entered into cross-currency and interest rate swap agreements to fix the liability for interest and principal payments on certain of its long-term debts. However, the global financial markets crisis and the ensuing global economic slowdown may extend further and constrain Cogeco Cable's ability to meet its future financing requirements, both internal and external, increase its weighted average cost of capital and cause other cost increases from counterparties also faced with liquidity problems and higher cost of capital.

Cogeco Cable's debt financing structure involves the borrowing of money from third parties by Cogeco Cable and the subsequent investment of equity and debt by Cogeco Cable into its direct and indirect subsidiaries. This financing structure requires that Cogeco Cable be able to receive upstream flows of funds from its subsidiaries through capital repayments, interest payments, dividend payments, management fees or other distributions that are sufficient to meet its corporate debt obligations. Future changes to corporate tax, currency exchange and other legal requirements applicable to Cogeco Cable, or to its direct or indirect subsidiaries could adversely affect such upstream flows of funds or the effectiveness of Cogeco Cable's existing debt financing structure.

Cogeco Cable's leverage and corporate risk profile is liable to vary from time to time as a result of new developments in its business activities and the investments required to support internal growth as well as external growth through acquisitions. More particularly, leverage may fluctuate as Cogeco Cable completes further business acquisitions domestically or abroad, and the risk profile may differ from one acquisition to the other depending on the characteristics of the acquired business and its relevant market. The development of new services or additional lines of business, and the acquisition of new business properties, may not necessarily generate the anticipated results or benefits. There is no assurance that Cogeco Cable will be able to maintain or increase distributions to shareholders by way of dividends or otherwise.

The acquisition of Cabovisão has been financed through corporate credit facilities of Cogeco Cable. The major part of the purchase price for the shares of Cabovisão (approximately €461.8 million) was borrowed directly in Euros and a second tranche of $150 million was initially borrowed in Canadian dollars and subsequently drawn in Euros (€104.6 million). There are no financial hedging arrangements in effect at this time for currency fluctuation risk on interest payments resulting from these borrowings. However, in fiscal 2009, there was a partially offsetting relationship between the borrowings in Euros and the inter-corporate debt interest payments and cash distributions in Euros originating from the European subsidiaries. Also, for the purposes of this acquisition, Cogeco Cable has set up an acquisition structure involving one of its operating Canadian subsidiaries and intermediate holding and financing entities located in Luxembourg with a view of maximizing returns. From time to time, Cogeco Cable considers various options to extend the term loan with alternate sources of Euro-denominated financing.

Cogeco Cable is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and the collection or repayment of these instruments which could result in a significant impact on Cogeco Cable's financial expense. At August 31, 2009, over 90% of Cogeco Cable's debt is at fixed interest rates.

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

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

HUMAN RESOURCES

COGECO maintains appropriate labour relations both in Canada and in Portugal, but there is no assurance that requisite collective agreements will be established or renewed without conflict or disruption to the provision of its services. COGECO also maintains appropriate relations with its key personnel. The Company's success depends to a significant extent on its ability to attract and retain its managers and skilled employees in an increasingly competitive market. The Company's inability or failure to recruit, retain or adequately train its human resources may have a materially adverse effect on the Company's business and future prospects.

CONTROLLING SHAREHOLDER AND HOLDING STRUCTURE

Cogeco Cable is controlled by COGECO through the holding of multiple voting shares of Cogeco Cable, and COGECO is in turn controlled by Gestion Audem Inc., a company controlled by Mr. Henri Audet and members of his family (the "Audet Family"), through the holding of multiple and subordinate voting shares of COGECO. Both Cogeco Cable and COGECO are reporting issuers with subordinate voting shares listed on the Toronto Stock Exchange. Pursuant to the Conflicts Agreement in effect between Cogeco Cable and COGECO, all cable properties must be owned or controlled by Cogeco Cable. COGECO is otherwise free to own and operate any other business or invest as it deems appropriate. It is possible that situations could arise where the respective interests of the controlling shareholder, COGECO, and other shareholders of Cogeco Cable, or the respective interests of the Audet Family and other shareholders of COGECO could differ.

ENVIRONMENTAL COMMITMENT

Respect for the environment is one of the basic principles set out in the COGECO Group's Code of Ethics. The Company strives to integrate this important value in all its activities, business relations, and relationships with other stakeholders. COGECO helps achieve a broad-based application of this value mainly through its efficient electronic communications solutions.

In fiscal 2009, the COGECO Board of Directors approved the Group's environmental policy. The policy has four main objectives:

- To ensure a more efficient and responsible use of resources, including energy, water and materials;
- To eliminate, reduce or control pollution and waste as much as possible;
- To make continual improvements by remaining abreast of best practices applied through benchmarking;
- To be an agent of change by collaborating with other stakeholders (partners, suppliers, clients, employees) in a coordinated implementation of responsible practices.

This is a significant step in recognizing that the Company's environmental efforts are an integral part of doing business. COGECO has created a steering committee that, with the support of its operating regions in Canada, will apply this policy, measure progress, and report to COGECO's management.

This initiative has the support of the Company's management and employees in Canada. An initial review of corporate practices has identified various avenues for improving COGECO's environmental practices and to better apply the environmental policy.

An action plan comprising short, medium and long-term initiatives was developed by the various corporate services, approved by the Company's management, and announced to its Canadian employees. In addition, key performance indicators are being developed to measure its progress in carrying out the action plan. The Company is also considering applying the plan and presenting it to its indirect subsidiary, Cabovisão and employees in Portugal.

COGECO's environmental plan has four major action areas:

- Reducing paper use and consuming recycled paper;
- Reducing energy consumption;
- Using environmentally responsible procurement and disposal practices;
- Raising awareness among the Company's stakeholders of the many environmental challenges.

While cable telecommunications and radio activities have a smaller environmental impact as compared to many other industries, COGECO is committed to progressively reducing its environmental footprint within the purview of its activities and achieving a balance between the Company's environmental and economic objectives.

DISCONTINUED OPERATIONS

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

Effective December 18, 2007, the Company has ceased to consolidate the financial statements of the TQS Group. Accordingly, the results of operations and cash flows for the period of September 1, 2007 to December 18, 2007 have been reclassified as discontinued operations. The results of the discontinued operations were as follows:

YEARS ENDED AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $
REVENUE	–	38,499
OPERATING COSTS	–	35,822
OPERATING INCOME BEFORE AMORTIZATION	–	2,677
AMORTIZATION	–	1,364
OPERATING INCOME	–	1,313
FINANCIAL EXPENSE	–	291
IMPAIRMENT OF ASSETS	–	30,298
LOSS BEFORE INCOME TAXES AND THE FOLLOWING ITEMS	–	(29,276)
INCOME TAXES	–	–
NON-CONTROLLING INTEREST	–	(11,219)
LOSS FROM DISCONTINUED OPERATIONS	–	(18,057)

PERFORMANCE HIGHLIGHTS

CABLE SECTOR

CUSTOMER STATISTICS

	AUGUST 31,	NET ADDITIONS (LOSSES) YEARS ENDED AUGUST 31,		% OF PENETRATION[1] AUGUST 31,	
	2009	**2009**	2008	**2009**	2008
RGU	**2,892,238**	**175,364**	231,209	**NA**	NA
BASIC CABLE SERVICE CUSTOMERS	**1,124,285**	**(28,944)**	10,069	**NA**	NA
HSI SERVICE CUSTOMERS[2]	**658,666**	**25,898**	56,909	**60.4**	56.7
DIGITAL TELEVISION SERVICE CUSTOMERS[3]	**601,151**	**134,953**	86,319	**54.1**	40.9
TELEPHONY SERVICE CUSTOMERS[4]	**508,136**	**43,457**	77,912	**48.8**	45.7

(1) AS A PERCENTAGE OF BASIC CABLE SERVICE IN AREAS SERVED.
(2) CUSTOMERS SUBSCRIBING ONLY TO HSI SERVICE TOTALLED 85,610 AS AT AUGUST 31, 2009 COMPARED TO 83,609 AT AUGUST 31, 2008.
(3) THE DIGITAL TELEVISION SERVICE IN PORTUGAL WAS LAUNCHED IN THE THIRD QUARTER OF 2008.
(4) CUSTOMERS SUBSCRIBING ONLY TO TELEPHONY SERVICE TOTALLED 32,858 AS AT AUGUST 31, 2009 COMPARED TO 27,953 AT AUGUST 31, 2008.

RGU net additions were lower in fiscal 2009 compared to fiscal 2008 which reflect an early sign of maturation in some services for the Canadian operations and the difficult competitive environment in Portugal. The number of net losses for Basic Cable stood at 28,944 customers compared to net additions of 10,069 customers. This decrease is due to net customer losses in the European operations reflecting a continuing difficult competitive environment in the Iberian Peninsula, recurring intense promotions and advertising initiatives from competitors for their new respective third leg of the triple-play service in the Portuguese market, partly offset by increases in the Canadian operations stemming from continuous improvements to the service offering, targeted marketing activities and network expansions. The number of net additions to HSI service stood at 25,898 compared to 56,909 for the same period last year. HSI customer growth continues to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Cable Television, HSI and Telephony services, and promotional activities in the Canadian operations offset by net customer losses in the European operations due to the factors mentioned above. The Digital Television service net additions stood at 134,953 compared to 86,319 in fiscal 2008 due to targeted marketing initiatives in the second half of fiscal 2008 and in 2009 to improve market penetration and to the continuing strong interest for the HD Television service in the Canadian operations, as well as the launch of the Digital Television service in Portugal in the third quarter of fiscal 2008. The number of Telephony service customers grew by 43,457 customers compared to a growth of 77,912 in fiscal 2008.The lower growth is mostly attributable to the increased penetration in areas where the service is already offered and to fewer new areas where the service was launched in the Canadian operations offset by net customer losses in the European operations due to the difficult competitive environment. Telephony service coverage in Canada, as a percentage of homes passed, has surpassed 90% on August 31, 2009 compared to 84% the year before. The service is offered in all of the Company's territories in Portugal.

In addition to the launch of new channels and retention strategies during fiscal 2009 in Portugal, new marketing initiatives were implemented, the result of which should reduce customer attrition in the upcoming quarters.

FINANCIAL RESULTS AND CASH FLOWS

CABLE SECTOR

For the 2009 fiscal year, Cogeco Cable achieved consolidated revenue growth of $141.1 million, or 13.1%, to attain $1,217.8 million. The Canadian operations revenue rose by 18.2%, reaching $984.7 million, primarily due to increased RGU combined with rate increases and the recent acquisitions in the second half of fiscal 2008. Revenue from the European operations amounted to $233.1 million, representing a decline of 4.3% over the prior year due to the impact of retention strategies implemented to reduce customer attrition despite of the favourable impact of the appreciation of the Euro over the Canadian dollar. In the local currency, revenue from the European operations fell by €14.6 million, or 9.1% when compared to the 2008 fiscal year. The average exchange rate prevailing during fiscal 2009 was $1.5889 per Euro compared to $1.5098 per Euro during fiscal 2008. The fiscal 2009 consolidated revenue growth of 13.1% to attain $1,217.8 million surpasses the revised projection, issues on April 8, 2009, of $1,205 million, which represented 11.9% revenue growth.

Consolidated operating income before amortization rose by $78.9 million, or 17.7% to reach $524.4 million. Operating income before amortization from the Canadian operations increased by $103.2 million, or 28.9%, reaching $460.3 million. These results are attributable to RGU growth that surpassed the revised projections, various rate increases generating additional revenues in the Canadian operations, and to the favourable impact of $19.8 million from the Part II licence fee settlement agreement described in the "Operating and financial results" section on page 25, all of which outpaced other operating cost increases. The impact of the

recent acquisitions has also contributed to the increase in operating income before amortization in the Canadian operations. European operations' operating income before amortization amounted to $64.1 million, a decrease of $24.2 million or 27.4% when compared to fiscal 2008. Operating income before amortization in the local currency for European operations amounted to €40.4 million, representing a decline of €18.3 millon, or 31.2% when compared to the prior year. Retention strategies combined with higher promotional offers to meet competition and additional marketing efforts explained the lower operating income before amortization of European operations. The consolidated fiscal 2009 operating income before amortization of $524.4 million surpasses the revised projection of $500 million issued on April 8, 2009

Amortization expense increased by $42.1 million to reach $270.4 million, mainly due to additional capital expenditures arising from customer premise equipment acquisitions to sustain RGU growth, to the recent acquisitions in Canada and to the appreciation of the Euro currency over the Canadian dollar. Amortization expense for the 2009 fiscal year was in line with Cogeco Cable's revised projections of $270 million.

Financial expense increased by $0.6 million to reach $69.7 million, mainly due to the recent acquisitions, partly offset by interest rate reductions and free cash flow generated that was used to reduce Indebtedness. Financial expense for the 2009 fiscal year was in line with management's revised guideline of $70 million.

During the fiscal year, Cogeco Cable recorded a $399.6 million non-cash impairment loss on its investment in Cabovisão as a result of recurring competitive pressure resulting in subscriber losses that were more severe than originally anticipated.

Cogeco Cable reports a net loss of $256.7 million, primarily due to the impairment loss of $383.6 million net of related income taxes. The net loss for fiscal 2009 was also affected by an unfavourable impact of $6.1 million from the utilization of Cabovisão's pre-acquisition tax losses and a favourable impact from reduction of withholding and stamp tax contingent liabilities in the amount of $16.1 million, both in Cabovisão, and a favourable impact of $13.4 million from the Part II licence fee settlement agreement net of related income taxes. Excluding the impact of these items, adjusted net income[1] would have amounted to $103.6 million for the year. The fiscal 2009 net loss of $256.7 million compares favourably to the revised projection issued on April 8, 2009 of a net loss of $275 million.

Capital expenditures, including assets acquired under capital leases, and the increase in deferred charges amounted to $305.3 million, were primarily the result of RGU growth driven by increased interest for HD technology in Canada, the continued deployment of Digital Television in Portugal and expansions and improvements to the network infrastructure during the year. Capital expenditures and the increase in deferred charges for the current year were slightly above the revised projections of $300 million.

Free cash flows of $95.4 million were generated as a result of an increase in operating income before amortization, partly offset by an increase in capital expenditures to support RGU growth. Fiscal 2009 free cash flow was $15.4 million higher than the $80 million revised target issued on April 8, 2009.

OPERATING AND FINANCIAL RESULTS

OPERATING RESULTS

YEARS ENDED AUGUST 31, **(in thousands of dollars, except percentages)**	**2009** **$**	2008[1] $	CHANGE %
REVENUE	**1,252,794**	1,108,900	13.0
OPERATING COSTS	**720,781**	659,978	9.2
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**532,013**	448,922	18.5
OPERATING MARGIN	**42.5%**	40.5%	

(1) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE PREVIOUS YEAR HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS.

The Company's revenue totalled $1,252.8 million, an increase of $143.9 million, or 13% compared to the prior year. Cable sector revenue increased by $141.1 million, or 13.1%, for fiscal 2009, driven by various rate increases and RGU growth combined with the recent acquisitions in the Canadian operations.

Fiscal 2009 operating costs amounted to $720.8 million compared to $660 million in fiscal 2008, and increase of $60.8 million, or 9.2%, mainly due to servicing additional RGU and the impact of the recent acquisitions in the cable sector, partly offset by the Part II

(1) ADJUSTED NET INCOME DOES NOT HAVE A STANDARDIZED DEFINITION PRESCRIBED BY CANADIAN GAAP AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37.

licence fee settlement agreement described below. As a result, operating income before amortization increased to $532 million in fiscal 2009 from $448.9 million in 2008, an increase of $83.1 million, or 18.5%. The cable sector contributed an increase of $78.9 million.

Part II licence fees payable to the CRTC have been the subject of litigation between the members of the Canadian Association of Broadcasters ("CAB"), Videotron and CF Cable TV Inc. as plaintiffs and the Crown as the defendant. The Company's subsidiary, Cogeco Cable, sought and obtained intervener status in this proceeding with a view of supporting the position of the plaintiffs and protecting its rights to recover past payments of Part II licence fees. On October 7, 2009, the parties reached an out-of-court settlement in the matter whereby the Part II licence fees for the 2007 through 2009 fiscal years have been waived by the federal government and all pending proceedings discontinued. Accordingly, the Company's subsidiaries, Cogeco Cable and CDI, have reversed their provisions for the Part II licence fees payable for the 2007 through 2009 fiscal years for an aggregate amount of $21.3 million in the current fiscal year. The settlement agreement also provides that the federal government will recommend that the CRTC develop a new, forward-looking fee regime that would be capped at $100 million per year for the aggregate Part II licence fee liability of broadcasting licencees, to be indexed annually based on the Consumer price index.

FIXED CHARGES

YEARS ENDED AUGUST 31,	**2009**	2008[1]	CHANGE
(in thousands of dollars, except percentages)	**$**	$	%
AMORTIZATION	**271,000**	229,724	18.0
FINANCIAL EXPENSE	**70,421**	70,697	(0.4)

(1) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE PREVIOUS YEAR HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS.

Fiscal 2009 amortization amounted to $271 million compared to $229.7 million in fiscal 2008, and increase of $41.3 million or 18%. The increase in amortization stemmed from the cable sector and is attributable to additional capital expenditures arising from customer premise equipment acquisitions to sustain RGU growth, to the recent acquisitions in Canada and to the appreciation of the Euro currency over the Canadian dollar.

Fiscal 2009 financial expense decreased by $0.3 million compared to the prior year. The decrease is mainly due to interest rate reductions and free cash flow generated that was used to reduce Indebtedness, partly offset by the recent acquisitions in the cable sector.

The average interest rate was 5.9% in fiscal 2009 compared to 6.2% in fiscal 2008. The average interest rate reduction is discussed in the "Capital Structure" section on page 32.

REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES

COGECO's indirect Portuguese subsidiary, Cabovisão, recorded contingent liabilities for withholding and stamp taxes relating to fiscal years prior to its acquisition by Cogeco Cable. At the date of acquisition, the amount accrued represented management's best estimate based on the information available at that time. Management reviews its estimate periodically to take into consideration payments made relating to these contingencies as well as newly available information which would allow the cable subsidiary to improve its previous estimate. During fiscal 2009, Cabovisão received reports from the Portuguese tax authorities with respect to some of the items included in the contingent liabilities. Accordingly, management has revised its estimate of the contingent liabilities to reflect the new information available in these reports, and has determined that a reduction of €10.3 million, equivalent to $16.1 million, of the amount previously accrued was required in order to reflect management's best estimate.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

During fiscal 2009, the competitive position of Cogeco Cable's subsidiary, Cabovisão, in the Iberian Peninsula further deteriorated due to the continuing difficult competitive environment and recurring intense promotions and advertising initiatives from competitors in the Portuguese market. Please refer to the "Cable sector" section for further details. In accordance with current accounting standards, management considered that the continued customer, local currency revenue and operating income before amortization decline were more severe and persistent than expected, resulting in a decrease in the value of Cogeco Cable's investment in the Portuguese subsidiary. As a result, Cogeco Cable tested goodwill and all long-lived assets for impairment at February 28, 2009.

Goodwill is tested for impairment using a two step approach. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying amount of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its fair value. Cogeco Cable completed its impairment tests on goodwill and concluded that goodwill was impaired at February 28, 2009. As

a result, a non-cash impairment loss of $339.2 million was recorded in the second quarter. Fair value of the reporting unit was determined using the discounted cash flow method. Future cash flows were based on internal forecasts and consequently, considerable management judgement was necessary to estimate future cash flows. Significant future changes in circumstances could result in further impairments of goodwill.

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

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

(in thousands of dollars)	$
IMPAIRMENT OF GOODWILL	**339,206**
IMPAIRMENT OF CUSTOMER RELATIONSHIPS	**60,442**
FUTURE INCOME TAXES	**(16,018)**
IMPAIRMENT LOSS NET OF RELATED INCOME TAXES	**383,630**
NON-CONTROLLING INTEREST	**(259,679)**
IMPAIRMENT LOSS NET OF RELATED INCOME TAXES AND NON-CONTROLLING INTEREST	**123,951**

At August 31, 2009, Cogeco Cable tested the value of goodwill for impairment, and concluded that no impairment existed.

INCOME TAXES

For fiscal 2009, income tax expense amounted to $59.3 million compared to $15 million for fiscal 2008. The increase in income taxes is mainly due to the increase in operating income before amortization exceeding the increase in fixed charges in the Canadian operations of the cable sector, combined with an unfavourable impact of $6.1 million resulting from the recognition and subsequent utilization of Cabovisão's pre-acquisition income tax losses following the receipt of tax audit reports for the 2003, 2004 and 2005 fiscal years and an unfavourable impact of $6.9 million from the income tax resulting from the Part II licence fee settlement agreement. These factors were partly offset by a future income tax recovery of $16 million in fiscal 2009 related to the impairment loss recorded on Cogeco Cable's investment in the Portuguese subsidiary. The income tax expense for the prior year includes the impact of the reduction in corporate income tax rates announced on October 16, 2007 by the Canadian federal government in its Economic Statement and considered substantively enacted on December 14, 2007 (the "reduction of Canadian federal income tax rates"). The reduction of these corporate income tax rates reduced future income tax expense by $24.1 million in the prior year.

The Company's indirect subsidiary, Cabovisão, has income tax losses for the 2003, 2004 and 2005 years of approximately €27.9 million ($43.8 million), which may be used to reduce future years' taxable income. In accordance with the Portuguese Companies Income Tax Code ("CIRC"), tax losses incurred in a financial year can be carried forward and deducted from taxable profits of one or more of the following six taxation years. However, the CIRC provides for certain exceptions whereby the general rule stated above ceases to apply. One such exception is that tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless a request is filed before such change in the ownership takes place, subject to approval by the Portuguese tax authorities. To this effect, a request for preservation of tax losses for the years preceeding the 2006 taxation year was filed by Cabovisão on July 28, 2006. The Portuguese tax authorities have reviewed Cabovisão's tax returns for the 2003, 2004 and 2005 years, which have resulted in notices of assessment to reduce tax losses by €7.3 million for the 2003 fiscal year, by €29.6 million for the 2004 fiscal year and by €17.1 million for the 2005 fiscal year. Pending the conclusion of these reviews, Cabovisão has not obtained approval to its request for preservation of tax losses from the tax authorities. Until such a response is received, Cabovisão may only use tax losses generated since the beginning of the 2006 taxation year, all of which have been used at August 31, 2009. However, Cabovisão does not agree with the assessments and has initiated legal proceedings against the Portuguese tax authorities. Consequently, the benefits resulting from the tax losses generated for the 2003 through 2005 years have not been recognized in these financial statements and will be recorded as a reduction of goodwill upon realization.

LOSS ON DILUTION RESULTING FROM THE ISSUANCE OF SHARES BY A SUBSIDIARY

During fiscal 2009, the Company's subsidiary, Cogeco Cable Inc. issued 12,030 subordinate voting shares pursuant to its Employee Stock Purchase Plan and 28,785 subordinate voting shares pursuant to its Employee Stock Option Plan for cash consideration of $0.3 million and $0.6 million, respectively. In the prior year, Cogeco Cable Inc. issued 5,543 subordinate voting shares for cash

consideration of $0.2 million as part of its Employee Stock Purchase Plan and 157,481 subordinate voting shares for cash consideration of $3.4 million as part of its Employee Stock Option Plan. As a result of these share issuances, COGECO's interest in Cogeco Cable remained essentially the same at 32.3% and a loss on dilution of approximately $0.1 million was recorded in fiscal 2009 and in fiscal 2008.

NON-CONTROLLING INTEREST

The non-controlling interest represents a participation of approximately 67.7% in Cogeco Cable's results. During fiscal 2009, the loss attributable to non-controlling interest amounted to $173.7 million due to the impairment loss recorded in the cable sector. The net income attributable to non-controlling interest for the prior year amounted to $90.2 million.

NET INCOME (LOSS)

Fiscal 2009 net loss amounted to $78.5 million, or $4.69 per share, compared to a net income of $25.1 million, or $1.50 per share for the prior year. Net loss for fiscal 2009 was affected by the impairment loss of $399.6 million recorded on Cogeco Cable's investment in Cabovisão, as described in the "Impairment of goodwill and intangible assets" section. Net of related income taxes and non-controlling interest, the impairment loss reduced net income by $124 million. Furthermore, the net loss in the cable sector includes an unfavourable impact of $2 million from the utilization of Cabovisão's pre-acquisition tax losses and a favourable impact from the reduction of withholding and stamp tax contingent liabilities in the amount of $5.2 million described above, also in Cabovisão, both net of non-controlling interest, and a favourable impact of $5.3 million from the Part II licence fee settlement agreement net of related income taxes and non-controlling interest. Net income of the prior year included a loss from discontinued operations of $18.1 million and an income tax adjustment, as described in the "Income taxes" section which, net of non-controlling interest, increased the prior year net income by $7.9 million. Excluding the effect of these items, adjusted net income for fiscal 2009 would have amounted to $36.9 million, or $2.20 per share[1], compared to $35.3 million, or $2.11 per share in 2008, increases of 4.6% and 4.3%, respectively.

In fiscal 2009, the Company obtained a negative return on equity[2] of 20.6% due to the impairment loss recorded on Cogeco Cable's investment in Cabovisão as a result of recurring competitive pressure resulting in subscriber losses in Portugal that were more severe than originally anticipated. On the basis of fiscal 2009 adjusted net income, return on equity would have amounted to 8.4%.

CABLE SECTOR

YEARS ENDED AUGUST 31, **(in thousands of dollars, except percentages)**	**2009** **$**	2008[1] $	CHANGE %
REVENUE	**1,217,837**	1,076,787	13.1
OPERATING COSTS	**684,423**	622,621	9.9
MANAGEMENT FEES – COGECO INC.	**9,019**	8,714	3.5
OPERATING INCOME BEFORE AMORTIZATION	**524,395**	445,452	17.7
OPERATING MARGIN	**43.1%**	41.4%	

(1) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE PREVIOUS YEAR HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS.

REVENUE

Fiscal 2009 consolidated revenue increased by $141.1 million, or 13.1%, compared to the same period last year to reach $1,217.8 million.

Revenue from the Canadian operations rose by $151.6 million, or 18.2%, compared to fiscal 2008, mainly due to various rate increases, RGU growth and the recent acquisitions. Despite an increase in RGU for the European operations and the favourable impact of the appreciation of the Euro over the Canadian dollar, revenue from the European operations amounted to $233.1 million compared to $243.7 million, a decrease of $10.6 million, or 4.3%, as a result of the difficult competitive environment and recurring intense promotions and advertising initiatives from competitors in the Portuguese market.

(1) ADJUSTED EARNINGS PER SHARE DOES NOT HAVE A STANDARDIZED DEFINITION PRESCRIBED BY CANADIAN GAAP AND THEREFORE, MAY NOT BE COMPARABLE TO SIMILAR MEASURES PRESENTED BY OTHER COMPANIES. FOR FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37.
(2) RETURN ON EQUITY IS DEFINED AS NET INCOME DIVIDED BY AVERAGE SHAREHOLDERS' EQUITY (COMPUTED ON THE BASIS OF THE BEGINNING AND ENDING BALANCE FOR A GIVEN FISCAL YEAR).

OPERATING COSTS AND MANAGEMENT FEES

Fiscal 2009 consolidated operating costs increased by $61.8 million, or 9.9%, to reach $684.4 million.

The Canadian operations' operating costs, excluding management fees payable to COGECO Inc., rose by $48.2 million, or 10.3%. Network fees increased by 14.4% during the same period, mainly attributable to the continuous rollout of the Telephony service in new areas and RGU growth. The increase of the other operating costs is related to servicing additional RGU and the impact of the recent acquisitions, partly offset by the favourable impact of $19.8 million from the Part II licence fee settlement agreement.

For fiscal 2009, European operations' operating costs increased by $13.6 million to reach $169 million, an increase of 8.8% compared to the prior year. Operating costs have increased mainly due to the unfavourable impact of the appreciation of the Euro over the Canadian dollar and an increase in the amount of bad debts. Operating costs from the European operations in the local currency amounted to €106.3 million, an increase of €3.7 million or 3.6%. Operating initiatives, such as a headcount reduction plan, have been deployed by Cabovisão in order to curtail the increase in operating costs.

Management fees paid to COGECO Inc. amounted to $9 million, an increase of 3.5% over fiscal 2008.

OPERATING INCOME BEFORE AMORTIZATION

Fiscal 2009 consolidated operating income before amortization increased by $78.9 million, or 17.7%, to reach $524.4 million.

In fiscal 2009, operating income before amortization for the Canadian operations rose by $103.2 million, or 28.9%, compared to fiscal 2008. Operating income before amortization has risen due to the growth in revenue outpacing the increase in operating costs in addition to the impact of the recent acquisitions. The operating margin for the Canadian operations rose to 46.7%[1] compared to 42.9% for fiscal 2008.

European operations' operating income before amortization decreased to $64.1 million from $88.3 million, a decrease of 27.4% in fiscal 2009. Operating income before amortization from the European operations in the local currency for fiscal 2009 amounted to €40.4 million, a decrease of €18.3 million or 31.2% Operating income before amortization decreased due to increases in operating costs and decreases in revenue. Fiscal 2009 operating margin decreased to 27.5% from 36.2%.

CASH FLOW ANALYSIS

YEARS ENDED AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $
OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		
CASH FLOW FROM OPERATIONS	**406,807**	362,788
CHANGES IN NON-CASH OPERATING ITEMS	**30,416**	35,703
	437,223	398,491
OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	**–**	(4,676)
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS[1]	**(300,631)**	(487,106)
INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS[1]	**–**	(133)
FINANCING ACTIVITIES FROM CONTINUING OPERATIONS[1]	**(134,614)**	59,240
FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS[1]	**–**	4,106
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS DENOMINATED IN FOREIGN CURRENCIES	**8**	1,271
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,986**	(28,807)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**37,472**	66,279
CASH AND CASH EQUIVALENTS, END OF YEAR	**39,458**	37,472

(1) EXCLUDES ASSETS ACQUIRED UNDER CAPITAL LEASES.

(1) INCLUDES THE FAVOURABLE IMPACT OF $19.8 MILLION FROM THE PART II LICENCE FEE SETTLEMENT AGREEMENT.

OPERATING ACTIVITIES

Fiscal 2009 cash flow from operations from continuing operations reached $406.8 million, an increase of 12.1% compared to the year before, primarily due to the growth in operating income before amortization, partly offset by the growth in current income tax expense.

Changes in non-cash operating items generated cash inflows of $30.4 million, mainly as a result of an increase in accounts payable and accrued liabilities which was offset by the Part II licence fee settlement agreement and an increase in income tax liabilities. The cash inflows of $35.7 million in the prior year were mainly attributable to the cable sector and resulted from increases in accounts payable and accrued liabilities and in income tax liabilities.

INVESTING ACTIVITIES

FISCAL 2009 ADJUSTMENTS RELATED TO A FISCAL 2008 BUSINESS ACQUISITION

In fiscal 2009, Cogeco Cable has finalized the purchase price allocation for the acquisition of CDS. The final allocation resulted in an increase in future income tax assets of $0.4 million as well as a decrease in future income tax liabilities of $0.3 million. The net impact of these adjustments combined with an increase in acquisition costs of $0.1 million, reduced goodwill by $0.6 million at August 31, 2009 in the cable sector.

BUSINESS ACQUISITIONS IN FISCAL 2008

On March 31, 2008, the Company's subsidiary, Cogeco Cable, completed the acquisition of all the assets of MaXess Networx®, ENWIN Energy Ltd.'s (City of Windsor's energy company) telecommunications division for a total consideration of $15.6 million. MaXess Networx® operates a broadband network equipped with next generation ATM and Ethernet technology and provides organizations in south-western Ontario with the broadband capacity required for data networking, HSI access, e-business applications, video conferencing and other advanced communications.

On June 30, 2008, Cogeco Cable completed the acquisition of all the assets of FibreWired Burlington Hydro Communications, Burlington Hydro Electric's (City of Burlington's energy company) telecommunications division for a total consideration of $12.6 million. FibreWired Burlington Hydro Communications operates a broadband network equipped with next generation ATM and Ethernet technology and provides Burlington's organizations with the broadband capacity required for data networking, HSI access, hosting services, e-business applications, video conferencing and other advanced communications.

On July 31, 2008, Cogeco Cable completed the acquisition of all the shares of Toronto Hydro Telecom Inc, the telecommunications subsidiary of Toronto Hydro Corporation Inc. (City of Toronto's energy company) for a total consideration of $200 million. In addition, Cogeco Cable assumed a working capital deficiency and certain liabilities totalling approximately $4 million. Toronto Hydro Telecom Inc., which now operates under the name of Cogeco Data Services Inc., offers data communications and other telecommunications services such as Ethernet, private line, VoIP, HSI access, dark fibre, data storage, data security and co-location to a wide range of business customers and organizations throughout the Greater Toronto Area ("GTA").

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition dates.

The allocation of the purchase price of these acquisitions was as follows:

(in thousands of dollars)	CDS[1] $	OTHER $	TOTAL $
CONSIDERATION PAID			
PURCHASE PRICE OF SHARES OR ASSETS	200,000	28,113	228,113
ACQUISITION COSTS	1,988	852	2,840
	201,988	28,965	230,953
NET ASSETS ACQUIRED			
CASH AND CASH EQUIVALENTS	1,230	–	1,230
ACCOUNTS RECEIVABLE	4,575	968	5,543
PREPAID EXPENSES	535	612	1,147
FIXED ASSETS	57,098	19,102	76,200
DEFERRED CHARGES	–	24	24
CUSTOMER RELATIONSHIPS	33,983	4,220	38,203
GOODWILL[2]	112,228	4,662	116,890
FUTURE INCOME TAX ASSETS	2,335	–	2,335
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES ASSUMED	(4,380)	(361)	(4,741)
DEFERRED AND PREPAID REVENUE AND OTHER LIABILITIES ASSUMED	(4,958)	(262)	(5,220)
PENSION PLAN LIABILITIES AND ACCRUED EMPLOYEE BENEFITS	(356)	–	(356)
FUTURE INCOME TAX LIABILITIES	(302)	–	(302)
	201,988	28,965	230,953

(1) THE PURCHASE PRICE ALLOCATION OF CDS ABOVE WAS PRELIMINARY AT AUGUST 31, 2008, AND WAS FINALIZED DURING FISCAL 2009. SEE THE "FISCAL 2009 ADJUSTMENTS RELATED TO A FISCAL 2008 BUSINESS ACQUISITION" SECTION ABOVE FOR FURTHER DETAILS.
(2) APPROXIMATELY $105.3 MILLION OF THE GOODWILL RELATED TO THESE TRANSACTIONS WILL BE DEDUCTIBLE FOR TAX PURPOSES.

CAPITAL EXPENDITURES

In fiscal 2009, capital expenditures, including assets acquired under capital leases, increased by $43.8 million compared to the prior year to reach $278.5 million mainly as a result of the following factors in the cable sector:

- An increase in scalable infrastructure capital spending mainly due to the timing of the expansion and head-end improvements, system powering and equipment reliability to sustain increased customer demand for HSI and Telephony services in Canada, and due to the expansion of the high-speed data network for the recent acquisitions;
- An increase in support capital spending due to improvements in the information systems to sustain the business activities and the acquisition of a new facility in the Canadian operations, and to the acquisition of a power generator for CDS;
- An increase in line extensions due to the expansion of the residential and commercial networks in the Canadian operations;
- An increase from the appreciation of the Euro and the US dollar over the Canadian dollar;
- A decrease in capital expenditures associated with network upgrades and rebuilds due to the timing of these initiatives.

INCREASE IN DEFERRED CHARGES

The increase in deferred charges amount to $27.3 million in fiscal 2009 compared to $27.7 million in fiscal 2008. Lower RGU growth explained the lower increase recorded in 2009 in the cable sector.

FREE CASH FLOW AND FINANCING ACTIVITIES

For fiscal 2009, free cash flow amounted to $101 million compared to $100.4 million last fiscal year as a result of an increase in cash flow from operations, net of an increase in capital expenditures in the cable sector.

During fiscal 2009, the level of Indebtedness affecting cash decreased by $115.1 million, mainly due to the free cash flow of $101 million and the inflows from non-cash operating items of $30.4 million, partly offset by the payment of dividends totalling $21.1 million described below. Indebtedness decreased through net repayments on Cogeco Cable's revolving loans of $254.9 million and on the Company's revolving loans in the amount of $9.4 million, as well as by the repayments, in the cable sector, of US$150 million Senior Secured Notes Series A and the related derivative financial instrument, both maturing on October 31, 2008, for a total of $238.7 million and the $150 million Senior Secured Debentures Series 1 at maturity on June 4, 2009,

and by a decrease of $9.9 million in bank indebtedness, partly offset by the issuance on June 9, 2009 of Senior Secured Debentures Series 1 for $300 million maturing June 9, 2014 and the issuance on October 1, 2008 of US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018.

In fiscal 2008, Indebtedness affecting cash increased by $72.9 million, mainly due to the recent acquisitions in the cable sector for an aggregate amount of $231 million, offset by the free cash flow of $100.4 million, a reduction of $28.8 million in cash and cash equivalents and an increase of $35.7 million in non-cash operating items. In addition, on March 5, 2008, the cable subsidiary issued a $100 million Senior Unsecured Debenture by way of a private placement, the proceeds of which were primarily used to finance the recent acquisitions. The Senior Unsecured Debenture bears interest at a fixed rate of 5.936%, is redeemable at Cogeco Cable's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium and will mature on March 5, 2018.

In fiscal 2009, the Company paid quarterly dividends of $0.08 per share to the holders of subordinate and multiple voting shares totalling $5.4 million, compared to quarterly dividends of $0.07 per share totalling $4.7 million in fiscal 2008. Dividends paid by a subsidiary to non-controlling interests were $15.8 million during fiscal 2009 compared to $13.1 million in fiscal 2008, bringing the consolidated dividend payments to $21.1 million for the current year compared to $17.8 million in the prior year.

FINANCIAL POSITION

During the year ended August 31, 2009, there have been major changes to the balances of "fixed assets", "goodwill", "intangible assets", "accounts payable and accrued liabilities", "income tax liabilities", "future income tax assets", "future income tax liabilities", "Indebtedness" and "non-controlling interest".

The $44.2 million fixed assets increase is mainly attributable to the cable sector and is related to increases in capital expenditures to sustain RGU growth, to support the operations of the recent acquisitions in Canada and the appreciation of the Euro over the Canadian dollar since August 31, 2008. The $334.1 million and $68.6 million reductions in goodwill and intangible assets, respectively, are due to the impairment loss recorded on Cogeco Cable's investment in Cabovisão and to the recognition of Cabovisão's pre-acquisition income tax losses following the receipt of tax audit reports for those fiscal years. The $3.8 million decrease in accounts payable and accrued liabilities is related to the reduction of withholding and stamp tax contingent liabilities and the Part II licence fee settlement agreement, partly offset by an increase in accounts payable and accrued liabilities due to the timing of payments made to suppliers. The $20.6 million increase in income tax liabilities is a result of the increase in operating income before amortization surpassing that of the fixed charges. The $7.6 million decrease in future income tax assets is due to the utilization, in the cable sector, of Ontario minimum tax credits and tax loss carry forwards to reduce current income taxes. The $11.4 million decrease in future income tax liabilities is mainly due to the impact of the impairment loss described above. Indebtedness has decreased by $102 million as a result of the factors previously discussed in the "Free cash flow and financing activities" section on page 31.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2010 guidelines.

YEARS ENDED AUGUST 31,	2010 GUIDELINES[1]	**2009**	2008
AVERAGE COST OF INDEBTEDNESS	6.3%	**5.9%**	6.2%
FIXED RATE INDEBTEDNESS	98%	**92%**	58%
AVERAGE TERM: LONG-TERM DEBT (IN YEARS)	3.9	**4.5**	2.6
NET INDEBTEDNESS[2] / SHAREHOLDER'S EQUITY	2.6	**3.0**	2.7
NET INDEBTEDNESS[2] / OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	2.0	**1.9**	2.5
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION / FINANCIAL EXPENSE	6.9	**7.6**	6.4

(1) SEE THE "FISCAL 2010 FINANCIAL GUIDELINES" SECTION ON PAGE 43 FOR FURTHER DETAILS.
(2) INDEBTEDNESS NET OF CASH AND CASH EQUIVALENTS.

In 2009, the decrease in the average cost of Indebtedness is attributable to the cable sector and due to the repayment on June 4, 2009 of $150 million Senior Secured Debentures Series 1 bearing interest at the rate of 6.75%, the issuance on

June 9, 2009 of Senior Secured Debentures Series 1 for $300 million with a coupon rate of 5.95% and a reduction in the floating rates applicable to Cogeco Cable's credit facilities. This decrease in the average cost of indebtedness is partly offset by a reduction in the amount of bank indebtedness. Please consult the "Financing and liquidity" section for further details.

For fiscal 2009, the average tenure of the long-term debt increased due to the issuance on June 9, 2009 of Senior Secured Debentures Series 1 for $300 million maturing June 9, 2014, the issuance on October 1, 2008 of US$190 million Senior Secured Notes Series A, maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018, and the repayments of US$150 million Senior Secured Notes Series A and the related derivative financial instrument, both maturing on October 31, 2008, and of $150 million Senior Secured Debentures Series 1 at maturity on June 4, 2009, all in the cable sector.

In fiscal 2010, the financial leverage ratios relating to operating income before amortization should decline slightly due to the projected reduction in operating income before amortization, partly offset by a reduction in indebtedness from the free cash flow. See "Fiscal 2010 Financial Guidelines" section on page 43 for further details.

OUTSTANDING SHARE DATA

A description of COGECO's share data as at September 30, 2009 is presented in the table below. Additional details are provided in note 15 of the consolidated financial statements on page 71.

	NUMBER OF SHARES/ OPTIONS	AMOUNT (in thousands of dollars)
COMMON SHARES		
MULTIPLE VOTING SHARES	1,842,860	12
SUBORDINATE VOTING SHARES	14,942,470	120,994
OPTIONS TO PURCHASE SUBORDINATE VOTING SHARES		
OUTSTANDING OPTIONS	79,650	
EXERCISABLE OPTIONS	79,650	

During fiscal 2009 and 2008, COGECO did not award any stock options, and its subsidiary, Cogeco Cable, granted 153,381 stock options in fiscal 2009 (113,084 in fiscal 2008). On April 6, 2009, Cogeco Cable cancelled 206,180 options which had been conditionally granted in relation with the acquisition of Cabovisão, at a price of $26.63 per share, subject to performance criteria of Cabovisão being met. Of these options, 93,518 were exercisable. The Company recorded compensation expense for options granted on or after September 1, 2003.

FINANCING AND LIQUIDITY

The Term Facility and the operating line of credit of COGECO are secured by a first fixed and floating charge on certain assets of the Company and certain of its subsidiaries except for permitted encumbrances, including funded obligations subject to a maximum amount. The provisions under these facilities provide for restrictions on the operations and activities of the Company. 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 financial expense, total Indebtedness and shareholders' equity.

On December 14, 2007, the Company concluded an amended and restated credit agreement with a group of Canadian banks led by the Canadian Imperial Bank of Commerce ("CIBC"), which will now act as agent for the banking syndicate. The Term Facility of $50 million, including a swingline limit of $5 million, is renewable on an annual basis, subject to lenders' approval, and if not renewed it matures three years after its issuance or the last renewal, as the case may be. The Term Facility is secured by all assets of COGECO and its subsidiaries, excluding the capital stock of Cogeco Cable Inc. and guaranteed by its subsidiary, Cogeco Diffusion Inc. Under the terms and conditions of the amended and restated credit agreement, the Company must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. The Term Facility bears interest rates based, at the Company's option, on bankers' acceptance, LIBOR, EURIBOR, bank prime rate or US base rate plus fees, and commitment fees are payable on the unused portion. At August 31, 2009, the Company had used $9.5 million of its $50 million Term Facility for a remaining availability of $40.5 million and was in compliance with all of its covenants.

Prior to December 14, 2007, the Company benefited from a Term Facility of $40 million, provided by a syndicate of financial institutions. The Term Facility could have been extended for an additional year at each anniversary date of the facility, subject to the lenders' approval.

On July 28, 2009, the cable subsidiary repaid €15.7 million on its term loan, representing 15% of the amount drawn on the third tranche of its $900 million Term Facility, which was reduced to $862.5 million reflecting the 2008 and 2009 repayments. Cogeco Cable benefits from an $862.5 million credit facility in the form of a Term Facility and an operating line of credit with a group of financial institutions. The Term Facility is composed of four tranches: a first tranche, a revolving loan for an amount of $700 million available in Canadian, US or Euro currencies; a second tranche, a swingline of $25 million available in Canadian or US currencies; a third tranche of a remaining amount of $112.5 million, fully drawn, available in Canadian currency, and a fourth tranche of €17.4 million fully drawn. On August 14, 2007, the Term Facility was amended to permit EURIBOR loans under the third tranche in an amount not exceeding the equivalent of $150 million subject to reductions as mentioned below. On August 22, 2007, the third tranche of the Term Facility of $150 million was drawn in Euros. The amount drawn in Euros of €104.6 million was established at the prevailing exchange rate at that date. In accordance with the amended credit agreement, the amount available under the first tranche of $700 million can be temporarily reduced in the event of an increase in the exchange rate affecting the amount drawn under the third and fourth tranches. The Term Facility is repayable on July 28, 2011, except for the third tranche of €104.6 million; €15.7 million of which was repaid on July 28, 2009 in addition to a repayment of €10.5 million on July 28, 2008, and the remainder of which is repayable as follows: €26.1 million on July 28, 2010 and the balance on July 28, 2011. Earlier repayments can be made without penalty. The Term Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus stamping fees. The Term Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Cable and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under these facilities provide for restrictions on the operations and activities of Cogeco Cable. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total Indebtedness. At August 31, 2009, Cogeco Cable was in compliance with all of its covenants and had used $219 million of its $862.5 million Term Facility for a remaining availability of $643.5 million.

On October 1, 2008, Cogeco Cable completed, pursuant to a private placement, the issuance of US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. In addition, Cogeco Cable entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate of the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625. The net proceeds of $255 million were used to repay the US$150 million Senior Secured Notes Series A maturing on October 31, 2008, including the related derivative financial instruments, for a total of $238.7 million and to reduce existing Indebtedness.

On June 9, 2009, Cogeco Cable completed, pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 1. These debentures mature on June 9, 2014 and bear interest at 5.95% 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 reimburse Cogeco Cable's existing Indebtedness and for general corporate purposes.

On March 5, 2008, Cogeco Cable issued a $100 million Senior Unsecured Debenture by way of private placement, subject to usual market conditions. As previously discussed, the proceeds of this issuance were primarily used to finance the recent acquisitions.

As at August 31, 2009, the Company had a working capital deficiency of $245.8 million compared to $611.8 million as at August 31, 2008. The decreased deficiency is mainly attributable to the repayments by the cable subsidiary of US$150 million Senior Secured Notes Series A and the related derivative financial instrument, both maturing on October 31, 2008, and of $150 million Senior Secured Debentures Series 1 at maturity on June 4, 2009 through the issuance of new debt. As part of the usual conduct of its cable business, COGECO maintains a working capital deficiency due to a low level of accounts receivable since the majority of the cable subsidiary's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling Cogeco Cable to use cash and cash equivalents to reduce Indebtedness.

During the next five years, the required principal repayments on COGECO's long-term debt, excluding those under capital leases, amount to $697.7 million. Cogeco Cable's €26.1 million ($41 million) portion of the third tranche of the cable subsidiary's Term Facility will have to be repaid in fiscal 2010. The remaining portion of Cogeco Cable's Term Facility drawn for an amount of $172.1 million will have to be repaid in fiscal 2011. Cogeco Cable's Senior Secured Notes Series B of $175 million and the Company's Term Facility of $9.5 million will have to be repaid in fiscal 2012, for an aggregate amount of $184.5 million. Finally, Cogeco Cable's Senior Secured Debentures Series 1 for $300 million will mature in 2014. Based on the aggregate availability of $684 million as at August 31, 2009 under its committed Term Facilities, the anticipated free cash flow of $130 million for fiscal 2010 as well as the private placement concluded on October 1, 2008 for net proceeds of $255 million and the public debt offering of Senior Secured Debentures Series 1 for $300 million completed on June 9, 2009, both in the cable sector and described above, the

Company has the ability to manage its long-term debt maturities until the expiry of its Term Facilities. In the years to come, management expects to use most of its annual free cash flows after dividend payments to reduce Indebtedness. Management believes that the committed Term Facilities will provide sufficient liquidity to manage the maturities of its long-term debt and satisfy working capital requirements and that the next key refinancing milestones are related to the maturities of the Company's Term Facility in December 2011 and of Cogeco Cable's Term Facility in July 2011. Refer to page 21 for a detailed description of financial risks.

On April 9, 2009, Standard & Poor's Ratings Services ("S&P") revised Cogeco Cable's outlook to "stable" from "positive". In fiscal 2008, Fitch Ratings ("Fitch") initiated rating coverage on Cogeco Cable. Fitch assigned a rating of BBB- for the Senior Secured Debentures and Notes.

FINANCIAL MANAGEMENT

The Company has established guidelines whereby swap agreements can be used to manage risks associated with fluctuations in interest and exchange rates related to its long-term debt. All such agreements are exclusively used for hedging purposes. In order to minimize the risk of counter-party default, COGECO completes transactions with financial institutions that carry a credit rating equal or superior to its own credit rating.

Cogeco Cable has entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest rate swap to hedge the Term Loans has been fixed at 2.08% until their maturity at July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans, and stands at €95.8 million at August 31, 2009. In addition to the interest rate swap of 2.08%, Cogeco Cable will continue to pay the applicable margin on these Term Loans in accordance with its Term Facility. Since the issuance on January 21, 2009, the fair value of interest rate swap decreased by $2.2 million, which is recorded as a decrease of other comprehensive income net of income taxes of $0.6 million and non-controlling interest of $1 million.

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 in October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625 per US dollar. Since the issuance on October 1, 2008, amounts due under the US$190 million Senior Secured Notes Series A increased by $6.2 million due to the US dollar's appreciation over the Canadian dollar. The fair value of cross-currency swaps increased by a net amount of $4.2 million, of which an increase of $6.2 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $1.9 million was recorded as a decrease of other comprehensive income, net of income taxes of $0.5 million and non-controlling interest of $0.9 million.

Furthermore, Cogeco Cable's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. This debt is designated as a hedge of a net investment in self-sustaining foreign subsidiaries and, accordingly, Cogeco Cable recorded a foreign exchange gain of $8 million in fiscal 2009, which is deferred and recorded in the consolidated statement of comprehensive income net of non-controlling interest of $5.4 million. The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts as at August 31, 2009 was $1.5698 per Euro compared to $1.5580 per Euro as at August 31, 2008. The average exchange rate prevailing during fiscal 2009 used to convert the operating results of the European operations was $1.5889 per Euro compared to $1.5098 per Euro for fiscal 2008. 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 equivalents of the Euro-denominated results of operations. Based on the Company's fiscal 2009 results of operations, a 10% change in the average exchange rate of the Euro currency into Canadian dollar would increase or decrease the full-year revenue and operating income before amortization by the following amounts:

YEARS ENDED AUGUST 31, 2009 **(in thousands of dollars)**	AS REPORTED $	EXCHANGE RATE IMPACT $
REVENUE	**233,092**	**23,309**
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**64,119**	**6,412**

COMMITMENTS AND GUARANTEES

COGECO and its subsidiaries' contractual obligations as at August 31, 2009 are shown in the table below:

YEARS ENDED AUGUST 31,	2010	2011	2012	2013	2014	THERE-AFTER	TOTAL
(in thousands of dollars)	$	$	$	$	$	$	$
LONG-TERM DEBT[1]	41,044	172,120	184,500	–	300,000	356,875	1,054,539
CAPITAL LEASE OBLIGATIONS [2]	4,251	3,299	2,284	878	6	–	10,718
OPERATING LEASES AND OTHERS[3]	24,468	18,891	15,239	12,731	12,905	25,829	110,063
OTHER LONG-TERM OBLIGATIONS[4]	–	–	–	–	–	–	10,453
TOTAL CONTRACTUAL OBLIGATIONS[5]	69,763	194,310	202,023	13,609	312,911	382,704	1,185,773

(1) INCLUDES PRINCIPAL REPAYMENTS AND THE IMPACT OF CROSS-CURRENCY SWAP AGREEMENTS BUT EXCLUDES CAPITAL LEASES.
(2) INCLUDES PRINCIPAL REPAYMENTS AND FINANCIAL EXPENSE.
(3) INCLUDES LEASE AGREEMENTS AND OTHER LONG-TERM CONTRACTS AND LICENCE CONDITIONS.
(4) OTHER LONG-TERM OBLIGATIONS REFLECTED ON COGECO'S BALANCE SHEET INCLUDE PENSION PLAN LIABILITIES AND ACCRUED EMPLOYEE BENEFITS. THE NATURE OF THOSE OBLIGATIONS PREVENTS THE COMPANY FROM ESTIMATING AN ANNUAL BREAKDOWN.
(5) ANNUAL BREAKDOWN EXCLUDES OTHER LONG-TERM OBLIGATIONS.

In the normal course of business, the Company and its subsidiaries enter into agreements containing features that meet the criteria for a guarantee. In connection with the acquisition or sale of businesses or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Company's subsidiaries, Cogeco Cable and CDI have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will sometimes be limited by the agreement. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Company and its subsidiaries have purchased directors' and officers' liability insurance with a deductible per loss. As at August 31, 2009 and 2008, no liability associated with these indemnifications has been recorded.

Under the terms of the Term Facility and the Senior Secured Notes, the Company's cable subsidiary, Cogeco Cable, has agreed to indemnify the other parties against changes in regulation relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents Cogeco Cable from estimating the maximum potential liability it could be required to pay. As at August 31, 2009 and 2008, no liability associated with these indemnifications has been recorded.

The Company's subsidiary, Cogeco Cable, issued letters of credit amounting to €1.7 million and €2 millon to guarantee the payment by Cabovisão of stamp taxes for the 2000 through 2002 years and withholding taxes for the 2004 year assessed by the Portuguese tax authorities, which are currently being challenged by Cabovisão. Even though the principal amounts in dispute are fully recorded in the books of its subsidiary Cabovisão, Cogeco Cable may be required to pay the amounts following final judgements, up to a maximum aggregate amount of €3.7 million ($5.8 million), should Cabovisão fail to pay such required amounts.

In addition, Cogeco Cable had guaranteed the payment by Cabovisão of certain taxes for municipal rights of way assessed by the Municipality of Seixal in Portugal for the years 2004 and 2005, totalling €5.7 million, which were being contested by Cabovisão. Trustworthy financial guarantees were required under applicable Portuguese law in order for Cabovisão to challenge these amounts and withhold payment thereof until a final judgement, no longer subject to appeal, is rendered by the Portuguese courts having jurisdiction in this matter. On September 29, 2009, Cabovisão and the Municipality of Seixal reached and out-of-court agreement and a final payment in the matter has been made by Cabovisão. Accordingly, Cogeco Cable has been released of its obligation under the guarantee of payment.

The Company's subsidiary, CDI, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The claims covered by such indemnifications are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Company's subsidiary from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Company has purchased employees' and contractuals' liability insurance with a deductible per loss. As at August 31, 2009 and 2008, no liability associated with these indemnifications has been recorded.

NON-GAAP FINANCIAL MEASURES

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

CASH FLOW FROM OPERATIONS FROM CONTINUING OPERATIONS AND FREE CASH FLOW

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

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

YEARS ENDED AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $
CASH FLOW FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	**437,223**	398,491
CHANGES IN NON-CASH OPERATING ITEMS	**(30,416)**	(35,703)
CASH FLOW FROM OPERATIONS FROM CONTINUING OPERATIONS	**406,807**	362,788

Free cash flow is calculated as follows:

YEARS ENDED AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $
CASH FLOW FROM OPERATIONS FROM CONTINUING OPERATIONS	**406,807**	362,788
ACQUISITION OF FIXED ASSETS	**(273,733)**	(229,181)
INCREASE IN DEFERRED CHARGES	**(27,292)**	(27,696)
ASSETS ACQUIRED UNDER CAPITAL LEASES – AS PER NOTE 17 B) ON PAGE 75	**(4,764)**	(5,475)
FREE CASH FLOW	**101,018**	100,436

OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION AND OPERATING MARGIN

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

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

YEARS ENDED AUGUST 31, (in thousands of dollars, except percentages)	2009 $	2008[1] $
OPERATING INCOME FROM CONTINUING OPERATIONS	**261,013**	219,198
AMORTIZATION	**271,000**	229,724
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**532,013**	448,922
REVENUE	**1,252,794**	1,108,900
OPERATING MARGIN	**42.5%**	40.5%

(1) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE PREVIOUS YEAR HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS.

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

Adjusted net income and adjusted earnings per share are used by COGECO's management and investors to evaluate what would have been the net income and earnings per share excluding the impairment of goodwill and intangible assets, non-recurring tax adjustments and the Part II licence fee settlement agreement, all net of non-controlling interest, and the loss from discontinued operations. This allows the Company to isolate the unusual adjustments in order to evaluate the net income and earnings per share from ongoing activities.

The most comparable Canadian GAAP financial measures are net income and earnings per share. Adjusted net income and adjusted earnings per share are calculated as follows:

YEARS ENDED AUGUST 31, (in thousands of dollars)	2009 $	2008 $
NET INCOME (LOSS)	**(78,525)**	25,108
ADJUSTMENTS:		
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS NET OF RELATED INCOME TAXES AND NON-CONTROLLING INTEREST	**123,951**	–
NON-RECURRING TAX ADJUSTMENTS NET OF NON-CONTROLLING INTEREST:		
REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES	**(5,211)**	–
UTILIZATION OF PRE-ACQUISITION TAX LOSSES	**1,984**	–
REDUCTION OF CANADIAN FEDERAL INCOME TAX RATES	**–**	(7,909)
PART II LICENCE FEE SETTLEMENT AGREEMENT NET OF RELATED INCOME TAXES AND NON-CONTROLLING INTEREST	**(5,304)**	–
LOSS FROM DISCONTINUED OPERATIONS	**–**	18,057
ADJUSTED NET INCOME	**36,895**	35,256
WEIGHTED AVERAGE NUMBER OF MULTIPLE VOTING AND SUBORDINATE VOTING SHARES OUTSTANDING	**16,756,610**	16,684,809
EFFECT OF DILUTIVE STOCK OPTIONS	**8,757**	60,299
WEIGHTED AVERAGE NUMBER OF DILUTED MULTIPLE VOTING AND SUBORDINATE VOTING SHARES OUTSTANDING	**16,765,367**	16,745,108
ADJUSTED EARNINGS PER SHARE		
BASIC	**2.20**	2.11
DILUTED	**2.20**	2.11

THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS AND QUARTERLY FINANCIAL HIGHLIGHTS

THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

YEARS ENDED AUGUST 31,	**2009**	2008[1][2]	2007[2]
(in thousands of dollars, except percentages and per share data)	**$**	$	$
REVENUE	**1,252,794**	1,108,900	969,335
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**532,013**	448,922	371,133
OPERATING MARGIN	**42.5%**	40.5%	38.3%
OPERATING INCOME FROM CONTINUING OPERATIONS	**261,013**	219,198	179,912
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	**399,648**	–	–
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(78,525)**	43,165	85,623
LOSS FROM DISCONTINUED OPERATIONS	**–**	(18,057)	(10,883)
NET INCOME (LOSS)	**(78,525)**	25,108	74,740
ADJUSTED NET INCOME[3]	**36,895**	35,256	22,437
CASH FLOW FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	**437,223**	398,491	210,562
CASH FLOW FROM OPERATIONS FROM CONTINUING OPERATIONS	**406,807**	362,788	283,565
FREE CASH FLOW	**101,018**	100,436	29,424
TOTAL ASSETS	**2,704,679**	3,059,481	2,836,759
LONG TERM FINANCIAL LIABILITIES[4]	**1,031,879**	746,700	1,044,152
PER SHARE DATA[5]			
BASIC			
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.59	5.16
LOSS FROM DISCONTINUED OPERATIONS	**–**	(1.08)	(0.66)
NET INCOME (LOSS)	**(4.69)**	1.50	4.50
ADJUSTED NET INCOME[3]	**2.20**	2.11	1.35
DILUTED			
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.58	5.13
LOSS FROM DISCONTINUED OPERATIONS	**–**	(1.08)	(0.65)
NET INCOME (LOSS)	**(4.69)**	1.50	4.48
ADJUSTED NET INCOME[3]	**2.20**	2.11	1.34
DIVIDEND	**0.32**	0.28	0.2725

(1) INCLUDES THE RESULTS OF CDS SINCE THE DATE OF ACQUISITION OF CONTROL BY COGECO CABLE ON JULY 31, 2008.
(2) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE 2008 AND 2007 FISCAL YEARS HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS. FINANCIAL INFORMATION FOR THE 2007 FISCAL YEAR ALSO REFLECTS THE RECLASSIFICATION OF DISCONTINUED OPERATIONS. PLEASE REFER TO NOTE 20 ON PAGE 82 OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR FURTHER DETAILS.
(3) IN ADDITION TO THE ADJUSTMENTS DESCRIBED IN THE "NON-GAAP FINANCIAL MEASURES" SECTION, NET INCOME FOR THE 2007 FISCAL YEAR HAS BEEN ADJUSTED TO REMOVE A GAIN ON DILUTION RESULTING FROM THE ISSUANCE OF SHARES BY A SUBSIDIARY OF $57.9 MILLION AND INCOME TAX ADJUSTMENTS OF $5.3 MILLION RELATED TO THE RECOGNITION OF BENEFITS STEMMING FROM PRIOR YEARS' INCOME TAX LOSSES AND MINIMUM INCOME TAX PAID, AND A REDUCTION OF CANADIAN FEDERAL ENACTED INCOME TAX RATES, NET OF NON-CONTROLLING INTEREST.
(4) LONG-TERM FINANCIAL LIABILITIES INCLUDE LONG-TERM DEBT, DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES, SHARE IN THE PARTNERS' DEFICIENCY OF A GENERAL PARTNERSHIP AND PENSION PLAN LIABILITIES AND ACCRUED EMPLOYEE BENEFITS.
(5) PER MULTIPLE AND SUBORDINATE VOTING SHARE.

QUARTERLY FINANCIAL HIGHLIGHTS

COGECO has focused on improving its quarterly revenue, operating income before amortization and cash flow from operations compared to the prior year as a result of RGU growth, rate increases and the recent acquisitions in the cable sector. Management believes that this kind of consistent financial performance leads to strong shareholder value creation.

				FISCAL 2009				FISCAL 2008
QUARTERS ENDED(1)	NOV. 30	FEB. 28	MAY 31	AUG. 31	NOV. 30(2)	FEB. 29(2)	MAY 31(2)	AUG. 31(2)(3)
(in thousands of dollars, except percentages and per share data)	$	$	$	$	$	$	$	$
REVENUE	**308,375**	**311,825**	**316,310**	**316,284**	260,255	271,894	283,878	292,873
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**124,704**	**126,663**	**129,404**	**151,242**	100,174	109,523	117,206	122,019
OPERATING MARGIN	**40.4%**	**40.6%**	**40.9%**	**47.8%**	38.5%	40.3%	41.3%	41.7%
OPERATING INCOME FROM CONTINUING OPERATIONS	**60,641**	**59,878**	**61,750**	**78,744**	47,135	53,177	58,642	60,244
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	**–**	**399,648**	**–**	**–**	–	–	–	–
INCOME (LOSS) FROM CONTINUING OPERATIONS	**11,053**	**(115,291)**	**10,480**	**15,233**	7,656	16,315	9,538	9,656
LOSS FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	(17,632)	(425)	–	–
NET INCOME (LOSS)	**11,053**	**(115,291)**	**10,480**	**15,233**	(9,976)	15,890	9,538	9,656
ADJUSTED NET INCOME	**11,053**	**8,660**	**8,933**	**8,249**	7,656	8,406	9,538	9,656
CASH FLOW FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	**30,470**	**120,480**	**102,653**	**183,620**	46,604	92,942	112,893	146,052
CASH FLOW FROM OPERATIONS FROM CONTINUING OPERATIONS	**95,626**	**100,351**	**95,498**	**115,332**	81,377	85,374	96,068	99,969
FREE CASH FLOW	**21,771**	**32,089**	**32,416**	**14,742**	22,974	19,374	37,107	20,981
EARNINGS (LOSS) PER SHARE(4)								
BASIC								
INCOME (LOSS) FROM CONTINUING OPERATIONS	**0.66**	**(6.89)**	**0.63**	**0.91**	0.46	0.98	0.57	0.58
LOSS FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	(1.06)	(0.03)	–	–
NET INCOME (LOSS)	**0.66**	**(6.89)**	**0.63**	**0.91**	(0.60)	0.95	0.57	0.58
ADJUSTED NET INCOME	**0.66**	**0.52**	**0.53**	**0.49**	0.46	0.50	0.57	0.58
DILUTED								
INCOME (LOSS) FROM CONTINUING OPERATIONS	**0.66**	**(6.89)**	**0.63**	**0.91**	0.46	0.97	0.57	0.58
LOSS FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	(1.06)	(0.03)	–	–
NET INCOME (LOSS)	**0.66**	**(6.89)**	**0.63**	**0.91**	(0.60)	0.95	0.57	0.58
ADJUSTED NET INCOME	**0.66**	**0.52**	**0.53**	**0.49**	0.46	0.50	0.57	0.58

(1) THE ADDITION OF QUARTERLY INFORMATION MAY NOT CORRESPOND TO THE ANNUAL TOTAL DUE TO ROUNDING.
(2) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE 2008 FISCAL YEAR HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS. FINANCIAL INFORMATION FOR THE FIRST QUARTER OF FISCAL 2008 ALSO REFLECTS THE RECLASSIFICATION OF DISCONTINUED OPERATIONS. PLEASE REFER TO NOTE 20 ON PAGE 82 OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR FURTHER DETAILS.
(3) INCLUDES THE RESULTS OF CDS SINCE THE DATE OF ACQUISITION OF CONTROL BY COGECO CABLE ON JULY 31, 2008.
(4) PER MULTIPLE AND SUBORDINATE VOTING SHARE.

SEASONAL VARIATIONS

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations. However, the loss in Basic Cable service customers is usually greater, and the addition of HSI service customers is generally lower, in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television seasons, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal. Furthermore, the operating margin in the third and fourth quarters is generally higher as the maximum amount payable to COGECO under the management agreement is usually reached in the second quarter of the year. As part of the management agreement between Cogeco Cable and COGECO, Cogeco Cable pays management fees to

COGECO equivalent to 2% of its revenue subject to an annual maximum amount, which is adjusted annually to reflect the increase in the Canadian Consumer Price index. For fiscal 2009 and 2008, the maximum amounts of $9 million and $8.7 million, respectively, were attained in the second quarters and therefore, no management fees were paid in the third or fourth quarters of the 2009 and 2008 fiscal years.

2009 VS 2008 FOURTH QUARTER OPERATING RESULTS

CUSTOMER STATISTICS

						NET ADDITIONS (LOSSES)
			AUGUST 31, 2009	QUARTERS ENDED AUGUST 31, 2009		
	CANADA	**EUROPE**	**CONSOLIDATED**	**CANADA**	**EUROPE**	**CONSOLIDATED**
RGU[1]	**2,159,863**	**732,375**	**2,892,238**	**27,740**	**20,430**	**48,170**
BASIC CABLE SERVICE CUSTOMERS	**864,805**	**259,480**	**1,124,285**	**(924)**	**(5,318)**	**(6,242)**
HSI SERVICE CUSTOMERS	**515,052**	**143,614**	**658,666**	**5,619**	**1,430**	**7,049**
DIGITAL TELEVISION SERVICE CUSTOMERS[1]	**498,398**	**102,753**	**601,151**	**9,674**	**23,456**	**33,130**
TELEPHONY SERVICE CUSTOMERS	**281,608**	**226,528**	**508,136**	**13,371**	**862**	**14,233**
						NET ADDITIONS (LOSSES)
			AUGUST 31, 2008	QUARTERS ENDED AUGUST 31, 2008		
	CANADA	EUROPE	CONSOLIDATED	CANADA	EUROPE	CONSOLIDATED
RGU	1,991,908	724,966	2,716,874	42,909	(1,809)	41,100
BASIC CABLE SERVICE CUSTOMERS	857,094	296,135	1,153,229	(1,476)	(4,456)	(5,932)
HSI SERVICE CUSTOMERS	473,467	159,301	632,768	8,799	(5,009)	3,790
DIGITAL TELEVISION SERVICE CUSTOMERS[2]	441,746	24,452	466,198	16,150	9,982	26,132
TELEPHONY SERVICE CUSTOMERS	219,601	245,078	464,679	19,436	(2,326)	17,110

(1) THE NUMBER OF DIGITAL TELEVISION SERVICE CUSTOMERS IN EUROPE HAS BEEN RESTATED IN THE FOURTH QUARTER OF FISCAL 2009 IN ORDER TO CONFORM TO THE INDUSTRY DEFINITION OF A RGU. THIS RESTATEMENT INCREASED THE NUMBER OF CUSTOMERS AT THE END OF THE SECOND QUARTER BY 34,785 AND AT THE END OF THE THIRD QUARTER BY 33,869.
(2) IN THE EUROPEAN OPERATIONS, THE DIGITAL TELEVISION SERVICE WAS LAUNCHED IN THE THIRD QUARTER OF FISCAL 2008.

In the cable sector, Canadian operations' fourth-quarter 2009 RGU net additions were lower than for the same periods last year and reflect an early sign of maturation in some services. The number of net losses for Basic Cable stood at 924 customers compared to 1,476 customers for the same period of the prior year. Fourth-quarter Basic Cable service customer losses are usual and due to seasonal variations. In the quarter, Telephony customers grew by 13,371 compared to 19,436 in the prior year. The lower growth is mostly attributable to the increased penetration in areas where the service is already offered and to fewer new areas where the service was launched. The number of net additions to HSI service stood at 5,619 customers compared to 8,799 in the fourth quarter of fiscal 2008. The growth in HSI customer net additions continues to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Cable Television, HSI and Telephony services, and promotional activities. The Digital Television service net additions stood at 9,674 customers compared to 16,150 customers in the prior year, due to more targeted marketing initiatives in the second half of fiscal 2008 to improve penetration and to the continuing strong interest for the HD Television service.

In the European operations of the Cable sector, 2009 fourth-quarter was marked by a continuing difficult competitive environment in the Iberian Peninsula, intense promotions and advertising initiatives from competitors for their new respective third leg of the triple-play service in the Portuguese market. These factors were the main contributors to net customer losses in the Basic Cable service, and low customer additions in the HSI and Telephony services. The Digital Television service was launched during the third quarter of 2008, with net additions of 23,456 customers in the fourth quarter of fiscal 2009, compared to 9,982 in the fourth quarter of fiscal 2008. Fiscal 2009 fourth quarter Basic Cable service customers decreased by 5,318 customers compared to a decrease of 4,456 customers in the comparable period of the prior year. HSI service customers increased by 1,430 customers compared to a decrease of 5,009 customers for the corresponding period in fiscal 2008. Telephony service increased by 862 customers compared to a decrease of 2,326 customers for the same periods of the preceding year. Cabovisão has launched new channels and retention strategies, as well as new marketing and other operating initiatives which should reduce customer attrition in the upcoming quarters.

OPERATING RESULTS

QUARTERS ENDED AUGUST 31,	CABLE 2009	2008[2]	OTHER AND ELIMINATIONS[1] 2009	2008[2]	CONSOLIDATED 2009	2008[2]
(in thousands of dollars, except percentages)	**$**	$	**$**	$	**$**	$
REVENUE	**307,807**	284,908	**8,477**	7,965	**316,284**	292,873
OPERATING COSTS	**157,327**	162,908	**7,715**	7,946	**165,042**	170,854
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**150,480**	122,000	**762**	19	**151,242**	122,019
OPERATING MARGIN	**48.9%**	42.8%	**9.0%**	0.2%	**47.8%**	41.7%

(1) THE OTHER AND ELIMINATIONS SEGMENT IS COMPRISED OF RADIO AND HEAD OFFICE ACTIVITIES, AS WELL AS ELIMINATIONS.
(2) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE PREVIOUS YEAR HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS.

Consolidated revenue for the fourth quarter rose by $23.4 million, or 8% compared to the corresponding period last year. Cable revenue, driven by increased RGU combined with rate increases and the CDS acquisition in the Canadian operations, went up by $22.9 million, or 8%. Other sector revenue increased by $0.5 million, or 6.4%, in the fourth quarter of 2009 due to favourable ratings for the Company's radio stations.

Operating costs decreased by $5.8 million at $165 million, or 3.4%, compared to the fourth quarter of fiscal 2008 mainly due to the cable sector. The decrease in operating costs in the cable sector is primarily attributable to the favourable impact of $19.8 million from the Part II licence fee settlement agreement, partly offset by the impact of servicing additional RGU and the CDS acquisition in Canada, and in Europe, due to the appreciation of the Euro over the Canadian dollar and an increase in the amount of bad debts. Cabovisão has put together initiatives at the end of the second quarter of 2009 to better manage its collection processes which management expects will have a favourable impact on the level of bad debts in fiscal 2010.

Operating income before amortization grew by $29.2 million, or 23.9%, to reach $151.2 million in the fourth quarter 2009, compared to $122 million for the corresponding period last year. The increase, mainly in the cable sector, results from the favourable impact of $19.8 million from the Part II licence fee settlement agreement and RGU growth, the CDS acquisition, various rate increases generating additional revenues which outpaced other operating cost increases. The Company's fourth quarter operating margin increased to 47.8%[1] from 41.7% for the corresponding period of the prior year.

CASH FLOW ANALYSIS

QUARTERS ENDED AUGUST 31,	2009	2008
(in thousands of dollars)	**$**	$
OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		
CASH FLOW FROM OPERATIONS	**115,332**	99,969
CHANGES IN NON-CASH OPERATING ITEMS	**68,288**	46,083
	183,620	146,052
OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	**–**	(703)
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS[1]	**(98,117)**	(289,619)
FINANCING ACTIVITIES FROM CONTINUING OPERATIONS[1]	**(92,348)**	99,055
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS DENOMINATED IN FOREIGN CURRENCIES	**546**	6
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(6,299)**	(45,209)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**45,757**	82,681
CASH AND CASH EQUIVALENTS, END OF PERIOD	**39,458**	37,472

(1) EXCLUDES ASSETS ACQUIRED UNDER CAPITAL LEASES.

During the fourth quarter of 2009, cash flow from operations reached $115.3 million, 15.4% higher than the comparable period last year, due to the favourable impact of $21.3 million from the Part II licence fee settlement agreement, the increase in operating income before amortization and the decrease in financial expense, partly offset by the increase in current income tax expense.

(1) INCLUDES THE FAVOURABLE IMPACT OF $21.3 MILLION FROM THE PART II LICENCE FEE SETTLEMENT AGREEMENT.

Changes in non-cash operating items generated cash inflows of $68.3 million, mainly as a result of increases in accounts payable and accrued liabilities which were partly offset by the Part II licence fee settlement agreement, an increase in income tax liabilities and a decrease in income taxes receivable in the fourth quarter of fiscal 2009. In the fourth quarter of the prior year, the cash inflows of $46.1 million were mainly a result of an increase in accounts payable and accrued liabilities and in income tax liabilities, net of increases in accounts receivable and prepaid expenses.

Investing activities in the fourth quarter of fiscal 2009 stood at $98.1 million compared to $289.6 million in the prior year. The investing activites in the fourth quarter of 2008 included business acquisitions of $213.6 million in the cable sector. Excluding business acquisitions and related adjustments, investing activities related to capital expenditures and deferred charges rose to $98 million compared to $76 million for the corresponding period of the prior year, mainly due to the following factors in the cable sector:

- An increase in scalable infrastructure capital spending mainly due to the timing of the expansion and head-end improvements, system powering and equipment reliability to sustain increased customer demand for HSI and Telephony services in Canada, and due to the expansion of the high-speed data network for CDS;
- An increase in support capital spending due to improvements in the information systems to sustain the business activities;
- An increase in line extensions due to the expansion of the residential and commercial networks in the Canadian operations;
- A decrease in customer premise equipment spending which reflect lower RGU growth in the Canadian operations.

In the fourth quarter of 2009, the Company generated free cash flow amounting to $14.7 million, compared to $21 million for the same period of the preceding year. The decrease in free cash flow is due to an increase in capital expenditures which exceeded the increase in cash flow from operations.

In the fourth quarter of 2009, Indebtedness affecting cash decreased by $87.1 million mainly due to to the increase in non-cash operating items of $68.3 million, the free cash flows of $14.7 million and the decrease in cash and cash equivalents of $6.3 million, net of the dividend payment of $5.3 million described below. Indebtedness mainly decreased through the net repayments, in the cable sector, on Cogeco Cable's revolving loans of $175.4 million, the repayment of Cogeco Cable's $150 million Senior Secured Debentures Series 1 at maturity on June 4, 2009, and by a decrease of $55 million in bank indebtedness, partly offset by the issuance by the cable subsidiary on June 9, 2009 of Senior Secured Debentures Series 1 for $300 million maturing June 9, 2014. In the fourth quarter of 2008, Indebtedness affecting cash increased by $102.6 million. This increase is primarily due to the increase, in the cable sector, in long-term debt to finance the acquisitions completed in the quarter, for an aggregate amount of $214.8 million and the increase in bank indebtedness, partly offset by the cash inflows of $46.1 million from the changes in non-cash operating items, the free cash flow of $21 million, and the use of $45.2 million of cash and cash equivalents.

During the fourth quarter of fiscal 2009, the Company paid a dividend of $0.08 per share to the holders of subordinate and multiple voting shares totalling $1.3 million, compared to a quarterly dividend of $0.07 per share totalling $1.2 million in fiscal 2008. Dividends paid by a subsidiary to non-controlling interests were $3.9 million during the fourth quarter of fiscal 2009 compared to $3.3 million in the fourth quarter of fiscal 2008, bringing the consolidated dividend payments to $5.3 million in the current year compared to $4.5 million in the prior year.

FISCAL 2010 FINANCIAL GUIDELINES

CABLE SECTOR

For fiscal 2010, despite projected revenue growth, Cogeco Cable expects a decrease in operating income before amortization when compared to the fiscal 2009 financial results. The guidelines take into consideration the global economic slowdown which is expected to continue during 2010. In Canada, Cogeco Cable's footprint includes certain regions in Ontario where the automobile industry is a significant driver of economic activity. The sharp downturn experienced by the automobile industry in recent months may have an adverse impact on the level of economic activity and consumer expenditures on goods and services within those communities. In previous recessionary periods, demand for cable telecommunications services has generally proven to be resilient. However, there is no assurance that demand would remain resilient in a prolonged global recession. Furthermore, fiscal 2009 financial results were favourably impacted by a one-time reduction in operating costs stemming from the Part II licence fee settlement agreement described in the "Operating and financial results" section on page 25.

In Portugal, fiscal year 2009 was marked by a continuing difficult competitive environment in the Iberian Peninsula, recurring intense promotions and advertising initiatives from competitors for their new respective third leg of the triple-play service in the Portuguese market. These factors were the main contributors to the decline in Basic Cable, HSI and Telephony service customers and in the financial results of Cabovisão in fiscal 2009. Furthermore, digital terrestrial television services were launched in Portugal in the second half of fiscal 2009, and this development may limit the growth or result in some attrition of Basic Cable television service customers and consequently have an adverse impact on RGU. Management has realigned its short term strategic plan in order to

curtail customer losses in fiscal 2010. In addition, Cabovisão recently launched new channels and implemented retention strategies, which combined with new marketing and other operating initiatives, should reduce customer attrition in fiscal 2010.

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new Section will be applicable for COGECO as of the 2010 fiscal year, with retroactive application. The adoption of this section on September 1, 2008 will require the restatement of the Company's fiscal 2009 financial results for comparative purposes, which will increase operating costs by $16.5 million, decrease amortization of deferred charges by $14.4 million and decrease future income tax expense by $0.6 million. The pro-forma fiscal 2009 results in the table below reflect this restatement. Please consult the "Adoption of new accounting standards" section for further details.

The fiscal 2010 projections represent the preliminary projections for fiscal 2010 issued on July 9, 2009, adjusted to reflect the impact of the application of CICA Section 3064. The application of this section will reduce the projected operating income before amortization by approximately $19 million, amortization expense by $12 million and income taxes by $2 million for the 2010 fiscal year.

Fiscal 2010 consolidated revenue should increase by approximately 2.6% compared to the pro-forma fiscal 2009 results. The Canadian operations revenue should increase as a result of additional RGU from expanded penetration of the HSI, Digital Television and Telephony services in fiscal 2010. Canadian operations will also benefit from the impact of rate increases implemented in fiscal 2009 in Ontario, averaging $1.00 per Basic Cable service customer. Cogeco Cable plans to expand its Canadian Basic Cable Service clientele through consistently effective marketing, competitive product offerings and superior customer service. As the penetration of HSI, Telephony and Digital Television services increase, the demand for these products should slow, reflecting early signs of maturity. Revenue from European operations should decrease, mainly from the impact of the significant decline in Basic Cable, HSI, and Telephony service customers in fiscal 2009 which expected to continue in fiscal 2010, although to a lesser extent, and from the impact of retention strategies implemented in fiscal 2009. Digital Television service is still under deployment and should continue to generate net additions in fiscal 2010. European operations revenue should reflect attrition and the influence of the expected fluctuations in the value of the Euro compared to the Canadian dollar. For fiscal 2009, the foreign exchange rate was approximately $1.5889 per Euro while for fiscal 2010, it is anticipated that the Euro should be converted at a rate of approximately $1.50 per Euro.

The operating cost increase of approximately 8.3% over the pro-forma fiscal 2009 results should come both from the Canadian and European operations. The Canadian operating cost increase is mainly attributable to servicing additional RGU, to inflation and salary increases as well as to the new Local Programming Improvement Fund for which payments are required as of September 2009. The increase in operating costs for the 2010 fiscal year also reflects the impact of the Part II licence fee settlement agreement in fiscal 2009. The European operating cost increases are essentially due to new marketing initiatives and the launch of new channels partly offset by the cost reductions associated with the decrease in headcount.

For fiscal 2010, consolidated operating income before amortization should decrease to $481 million due to the increase in operating costs, including the impact of the $19.8 million Part II licence fee settlement in fiscal 2009, which is expected to outpace the growth in revenue. Cogeco Cable expects to achieve an operating margin of approximately 38.5%.

Cogeco Cable expects the amortization of capital assets and deferred charges to increase by $17 million when compared to the pro-forma fiscal 2009 results, mainly due to capital expenditures and the increase in deferred charges related to RGU additions and other initiatives in fiscal 2009 and 2010. In addition, cash flows from operations will finance capital expenditures and the increase in deferred charges, expected to amount to $341 million, an increase of $52 million compared to pro-forma fiscal 2009 results. The increase in capital expenditures is mainly due to customer premise equipment required to support RGU growth, to scalable infrastructure for product enhancements and the deployment of new technologies, and to support capital to improve business information systems and facility requirements. Cogeco Cable expects to generate free cash flow in the order of $125 million, an increase of approximately $30 million compared to the pro-forma fiscal 2009 results mainly due to anticipated income tax recoveries of approximately $55 million resulting from modifications to the corporate structure, offsetting the decrease in operating income before amortization and the increase in capital expenditures. Generated free cash flow should be used primarily to reduce Indebtedness, thus improving Cogeco Cable's leverage ratios. Despite the anticipated decrease in Indebtedness, financial expense will remain the same at $70 million due to an increase in the average cost of indebtedness from the issuances, on October 1, 2008 of US$190 million Senior Secured Notes Series A bearing interest at an effective rate of 7.24% and $55 million Senior Secured Notes Series B bearing interest at the coupon rate of 7.60% per annum, and on June 9, 2009 of Senior Secured Debentures Series 1 for $300 million with a coupon rate of 5.95%.

CONSOLIDATED FINANCIAL GUIDELINES

For fiscal 2010, COGECO expects operating income before amortization of approximately $486 million. Free cash flow should generate approximately $130 million and net income of approximately $30 million should be earned as a result of growth in operating income before amortization outpacing fixed charges.

CONSOLIDATED

(in millions of dollars)	PROJECTIONS[1] FISCAL 2010 $	PRELIMINARY PROJECTIONS JULY 9, 2009 FISCAL 2010 $	PRO-FORMA ACTUALS[1] FISCAL 2009 $	ACTUALS FISCAL 2009 $
FINANCIAL GUIDELINES				
REVENUE	1,285	1,285	1,253	1,253
OPERATING INCOME BEFORE AMORTIZATION	486	505	516	532
FINANCIAL EXPENSE	70	70	70	70
CURRENT INCOME TAXES	(55)	(55)	56	56
NET INCOME (LOSS)	30	30	(79)	(79)
CAPITAL EXPENDITURES AND INCREASE IN DEFERRED CHARGES	341	360	290	306
FREE CASH FLOW	130	130	101	101

(1) THE PROJECTIONS FOR FISCAL 2010 HAVE BEEN ADJUSTED TO REFLECT THE APPLICATION OF CICA HANDBOOK SECTION 3064. THE PRO-FORMA ACTUALS FOR FISCAL 2009 REPRESENT THE RESULTS AS ISSUED IN THIS ANNUAL REPORT, ADJUSTED TO REFLECT THE PRO-FORMA APPLICATION OF CICA HANDBOOK SECTION 3064. PURSUANT TO THE GUIDELINES ISSUED BY THE CICA, SECTION 3064 WILL BE APPLICABLE FOR COGECO AS OF SEPTEMBER 1, 2009. PLEASE REFER TO THE "ADOPTION OF NEW ACCOUNTING STANDARDS" SECTION ON PAGE 13 FOR FURTHER DETAILS.

CABLE SECTOR

(in millions of dollars, except RGU Growth and operating margin)	PROJECTIONS[1] FISCAL 2010 $	PRELIMINARY PROJECTIONS JULY 9, 2009 FISCAL 2010 $	PRO-FORMA ACTUALS[1] FISCAL 2009 $	ACTUALS FISCAL 2009 $
FINANCIAL GUIDELINES				
REVENUE	1,250	1,250	1,218	1,218
OPERATING INCOME BEFORE AMORTIZATION	481	500	508	524
OPERATING MARGIN	38.5%	40%	41.7%	43.1%
AMORTIZATION	273	285	256	270
FINANCIAL EXPENSE	70	70	70	70
CURRENT INCOME TAXES	(55)	(55)	54	54
CAPITAL EXPENDITURES AND INCREASE IN DEFERRED CHARGES	341	360	289	305
FREE CASH FLOW	125	125	95	95
RGU GROWTH	125,000	125,000	175,364	175,364

(1) THE PROJECTIONS FOR FISCAL 2010 HAVE BEEN ADJUSTED TO REFLECT THE APPLICATION OF CICA HANDBOOK SECTION 3064. THE PRO-FORMA ACTUALS FOR FISCAL 2009 REPRESENT THE RESULTS AS ISSUED IN THIS ANNUAL REPORT, ADJUSTED TO REFLECT THE PRO-FORMA APPLICATION OF CICA HANDBOOK SECTION 3064. PURSUANT TO THE GUIDELINES ISSUED BY THE CICA, SECTION 3064 WILL BE APPLICABLE FOR COGECO CABLE AS OF SEPTEMBER 1, 2009. PLEASE REFER TO THE "ADOPTION OF NEW ACCOUNTING STANDARDS" SECTION ON PAGE 13 FOR FURTHER DETAILS.

The exchange rate used for fiscal 2010 projections is $1.50 per Euro.

ADDITIONAL INFORMATION

This MD&A was prepared on October 29, 2009. Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of COGECO Inc. (the "Company") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of COGECO Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Company and recommends their approval to the Board of Directors. The committee periodically meets with management and the external auditors to discuss the results of the external and internal examinations and matters having an impact on financial information.

The external auditors appointed by the shareholders, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., Chartered Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and to issue an opinion on the statements. The external auditors have free access to the Audit Committee, with or without the presence of management. Their report follows.

LOUIS AUDET
PRESIDENT AND CHIEF EXECUTIVE OFFICER

PIERRE GAGNÉ
SENIOR VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

Montréal, October 28, 2009

AUDITORS' REPORT

TO THE SHAREHOLDERS OF COGECO INC.

We have audited the consolidated balance sheets of COGECO Inc. as at August 31, 2009 and 2008 and the consolidated statements of income (loss), comprehensive income (loss), retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[1]

Montreal, October 28, 2009

[1] Chartered accountant auditor permit no 17456

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

YEARS ENDED AUGUST 31, **(in thousands of dollars, except per share data)**	**2009** **$**	2008 $
REVENUE	**1,252,794**	1,108,900
OPERATING COSTS (NOTE 23)	**720,781**	659,978
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**532,013**	448,922
AMORTIZATION (NOTE 4)	**271,000**	229,724
OPERATING INCOME FROM CONTINUING OPERATIONS	**261,013**	219,198
FINANCIAL EXPENSE (NOTE 5)	**70,421**	70,697
REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES (NOTE 6)	**(16,130)**	–
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS (NOTE 7)	**399,648**	–
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND THE FOLLOWING ITEMS	**(192,926)**	148,501
INCOME TAXES (NOTE 8)	**59,291**	14,985
LOSS ON DILUTION RESULTING FROM THE ISSUANCE OF SHARES BY A SUBSIDIARY	**48**	104
NON-CONTROLLING INTEREST	**(173,740)**	90,152
SHARE IN THE LOSS OF A GENERAL PARTNERSHIP	**–**	95
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(78,525)**	43,165
LOSS FROM DISCONTINUED OPERATIONS (NOTE 20)	**–**	(18,057)
NET INCOME (LOSS)	**(78,525)**	25,108

EARNINGS (LOSS) PER SHARE (NOTE 9)		
BASIC		
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.59
LOSS FROM DISCONTINUED OPERATIONS	**–**	(1.08)
NET INCOME (LOSS)	**(4.69)**	1.50
DILUTED		
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.58
LOSS FROM DISCONTINUED OPERATIONS	**–**	(1.08)
NET INCOME (LOSS)	**(4.69)**	1.50

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

YEARS ENDED AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $
NET INCOME (LOSS)	**(78,525)**	25,108
OTHER COMPREHENSIVE INCOME		
UNREALIZED GAINS ON DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS CASH FLOW HEDGES, NET OF INCOME TAX EXPENSE OF $751,000 ($1,045,000 IN 2008) AND NON-CONTROLLING INTEREST OF $888,000 ($1,800,000 in 2008)	**429**	861
RECLASSIFICATION TO NET INCOME OF REALIZED GAINS ON DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS CASH FLOW HEDGES, NET OF INCOME TAX EXPENSE OF $694,000 ($134,000 IN 2008) AND NON-CONTROLLING INTEREST OF $3,405,000 ($499,000 IN 2008)	**(1,635)**	(237)
UNREALIZED GAINS ON TRANSLATION OF A NET INVESTMENT IN SELF-SUSTAINING FOREIGN SUBSIDIARIES, NET OF NON-CONTROLLING INTEREST OF $7,621,000 ($35,978,000 IN 2008)	**3,640**	17,206
UNREALIZED LOSSES ON TRANSLATION OF LONG-TERM DEBTS DESIGNATED AS HEDGES OF A NET INVESTMENT IN SELF-SUSTAINING FOREIGN SUBSIDIARIES, NET OF NON-CONTROLLING INTEREST OF $2,241,000 ($23,281,000 IN 2008)	**(1,070)**	(11,133)
	1,364	6,697
COMPREHENSIVE INCOME (LOSS)	**(77,161)**	31,805

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $
BALANCE AS REPORTED, BEGINNING OF YEAR	**295,808**	274,946
CHANGES IN ACCOUNTING POLICIES (NOTE 1 B))	**–**	424
BALANCE AS RESTATED, BEGINNING OF YEAR	**295,808**	275,370
NET INCOME (LOSS)	**(78,525)**	25,108
DIVIDENDS ON MULTIPLE VOTING SHARES	**(590)**	(516)
DIVIDENDS ON SUBORDINATE VOTING SHARES	**(4,771)**	(4,154)
BALANCE, END OF YEAR	**211,922**	295,808

CONSOLIDATED BALANCE SHEETS

AS AT AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $
ASSETS		
CURRENT		
CASH AND CASH EQUIVALENTS	**39,458**	37,472
ACCOUNTS RECEIVABLE	**66,076**	64,910
INCOME TAXES RECEIVABLE	**5,228**	3,569
PREPAID EXPENSES	**14,805**	13,271
FUTURE INCOME TAX ASSETS (NOTE 8)	**4,275**	8,661
	129,842	127,883
INVESTMENTS	**739**	739
FIXED ASSETS (NOTE 10)	**1,305,769**	1,261,610
DEFERRED CHARGES (NOTE 11)	**58,613**	57,841
INTANGIBLE ASSETS (NOTE 12)	**1,047,774**	1,116,382
GOODWILL (NOTE 12)	**153,695**	487,805
DERIVATIVE FINANCIAL INSTRUMENTS	**4,236**	–
FUTURE INCOME TAX ASSETS (NOTE 8)	**4,011**	7,221
	2,704,679	3,059,481
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
CURRENT		
BANK INDEBTEDNESS (NOTE 13)	**416**	10,302
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**255,281**	259,038
INCOME TAX LIABILITIES	**41,358**	20,793
DEFERRED AND PREPAID REVENUE	**33,877**	32,859
DERIVATIVE FINANCIAL INSTRUMENTS	**–**	79,791
CURRENT PORTION OF LONG-TERM DEBT (NOTE 14)	**44,706**	336,858
	375,638	739,641
LONG-TERM DEBT (NOTE 14)	**1,019,258**	737,055
DERIVATIVE FINANCIAL INSTRUMENT	**2,168**	–
DEFERRED AND PREPAID REVENUE AND OTHER LIABILITIES	**12,900**	11,859
PENSION PLANS LIABILITIES AND ACCRUED EMPLOYEE BENEFITS (NOTE 18)	**10,453**	9,645
FUTURE INCOME TAX LIABILITIES (NOTE 8)	**244,939**	256,307
	1,665,356	1,754,507
NON-CONTROLLING INTEREST	**699,307**	883,948
COMMITMENTS, CONTINGENCIES AND GUARANTEES (NOTE 21)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (NOTE 15)	**121,006**	120,049
TREASURY SHARES (NOTE 15)	**(1,847)**	(1,522)
CONTRIBUTED SURPLUS	**2,607**	1,727
RETAINED EARNINGS	**211,922**	295,808
ACCUMULATED OTHER COMPREHENSIVE INCOME (NOTE 16)	**6,328**	4,964
	340,016	421,026
	2,704,679	3,059,481

ON BEHALF OF THE BOARD OF DIRECTORS,

JAN PEETERS
DIRECTOR

PIERRE L. COMTOIS
DIRECTOR

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31,	**2009**	2008
(in thousands of dollars)	**$**	$
CASH FLOW FROM OPERATING ACTIVITIES		
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(78,525)**	43,165
ADJUSTMENTS FOR:		
AMORTIZATION (NOTE 4)	**271,000**	229,724
AMORTIZATION OF DEFERRED TRANSACTION COSTS AND DISCOUNTS ON LONG-TERM DEBT	**2,641**	3,310
REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES (NOTE 6)	**(16,130)**	–
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS (NOTE 7)	**399,648**	–
FUTURE INCOME TAXES (NOTE 8)	**3,167**	(9,451)
NON-CONTROLLING INTEREST	**(173,740)**	90,152
LOSS ON DILUTION RESULTING FROM THE ISSUANCE OF SHARES BY A SUBSIDIARY	**48**	104
FOREIGN EXCHANGE GAIN ON UNHEDGED NET INVESTMENT AND LONG-TERM DEBT	**(4,154)**	–
STOCK-BASED COMPENSATION	**2,140**	2,801
LOSS ON DISPOSAL OF FIXED ASSETS	**169**	1,324
OTHER	**543**	1,659
	406,807	362,788
CHANGES IN NON-CASH OPERATING ITEMS (NOTE 17 A))	**30,416**	35,703
CASH FLOW FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	**437,223**	398,491
CASH FLOW FROM OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS (NOTE 20)	**–**	(4,676)
	437,223	393,815
CASH FLOW FROM INVESTING ACTIVITIES		
ACQUISITION OF FIXED ASSETS (NOTE 17 B))	**(273,733)**	(229,181)
INCREASE IN DEFERRED CHARGES	**(27,292)**	(27,696)
BUSINESS ACQUISITIONS AND RELATED ADJUSTMENTS, NET OF CASH AND CASH EQUIVALENTS ACQUIRED (NOTE 2)	**(75)**	(229,723)
OTHER	**469**	(506)
CASH FLOW FROM INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(300,631)**	(487,106)
CASH FLOW FROM INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS (NOTE 20)	**–**	(133)
	(300,631)	(487,239)
CASH FLOW FROM FINANCING ACTIVITIES		
INCREASE (DECREASE) IN BANK INDEBTEDNESS	**(9,886)**	10,302
NET REPAYMENTS UNDER THE TERM FACILITIES	**(264,334)**	(34,451)
ISSUANCE OF LONG-TERM DEBT, NET OF DISCOUNTS AND TRANSACTION COSTS	**551,502**	99,810
REPAYMENTS OF LONG-TERM DEBT AND SETTLEMENT OF DERIVATIVE FINANCIAL INSTRUMENTS	**(392,360)**	(2,789)
ISSUE OF SUBORDINATE VOTING SHARES	**957**	971
ACQUISITION OF TREASURY SHARES (NOTE 15)	**(325)**	(468)
DIVIDENDS ON MULTIPLE VOTING SHARES	**(590)**	(516)
DIVIDENDS ON SUBORDINATE VOTING SHARES	**(4,771)**	(4,154)
ISSUE OF SHARES BY A SUBSIDIARY TO NON-CONTROLLING INTEREST	**964**	3,650
DIVIDENDS PAID BY A SUBSIDIARY TO NON-CONTROLLING INTEREST	**(15,771)**	(13,115)
CASH FLOW FROM FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	**(134,614)**	59,240
CASH FLOW FROM FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS (NOTE 20)	**–**	4,106
	(134,614)	63,346
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS DENOMINATED IN FOREIGN CURRENCIES	**8**	1,271
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,986**	(28,807)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	**37,472**	66,279
CASH AND CASH EQUIVALENTS, END OF YEAR	**39,458**	37,472

SEE SUPPLEMENTAL CASH FLOW INFORMATION IN NOTE 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 2009 and 2008

NATURE OF OPERATIONS

COGECO Inc. (the "Company") is a Canadian public company whose shares are listed on the Toronto Stock Exchange ("TSX"). The Company is engaged in Cable Television, High Speed Internet ("HSI"), Telephony and other telecommunications services to its residential and commercial customers in Canada and in Portugal through Cogeco Cable Inc. and in Radio broadcasting through Cogeco Diffusion Inc.

Effective December 18, 2007, the Company has ceased to consolidate the financial statements of TQS Inc., its subsidiaries and its parent 3947424 Canada Inc. (see note 20).

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP").

A) CONSOLIDATION PRINCIPLES

The consolidated financial statements include the accounts of the Company and its subsidiaries, as well as those of variable interest entities for which the Company is the primary beneficiary. Business acquisitions are accounted for under the purchase method and operating results are included in the consolidated financial statements as of the date of the acquisition of control. Other investments are recorded at cost, except for an investment of 20% in a general partnership, Canal Indigo, which was accounted for under the equity method until it was disposed of by the Company in March 2008.

Business segments and percentages of interest in the main subsidiaries are as follows:

SEGMENT	PRINCIPAL SUBSIDIARIES	PERCENTAGE OF INTEREST	VOTING RIGHTS
		%	%
CABLE	COGECO CABLE INC.	32.3	82.7
OTHER	COGECO DIFFUSION INC.[1]	100.0	100.0

(1) EFFECTIVE AUGUST 31, 2009, COGECO RADIO-TELEVISION INC. AND COGECO DIFFUSION INC. HAVE BEEN AMALGAMATED AND WILL CONTINUE TO OPERATE UNDER THE NAME OF COGECO DIFFUSION INC.

B) RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

ADOPTED DURING FISCAL 2009

i. CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS

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

Capital disclosures
Section 1535 of the CICA Handbook requires that an entity disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance. These new disclosures are included in note 19.

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

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

The adoption of these standards did not have any impact on the classification and measurements of the Company's financial instruments. The new disclosures pursuant to these new Sections are included in note 19.

ii. GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION

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

iii. CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

ADOPTED DURING FISCAL 2008

iv. FINANCIAL INSTRUMENTS

Effective September 1, 2007, the Company adopted the CICA Handbook Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation*, Section 3865, *Hedges* and Section 3251, *Equity*.

Statements of comprehensive income

A new statement, entitled consolidated statements of comprehensive income, was added to the Company's consolidated financial statements and includes net income as well as other comprehensive income. Other comprehensive income represents changes in shareholders' equity arising from transactions and events from non-owner sources, such as changes in foreign currency translation adjustments of a net investment in self-sustaining foreign subsidiaries, long-term debt designated as a hedge of a net investment in self-sustaining foreign subsidiaries and changes in the fair value of effective cash flow hedging instruments.

Recognition and measurement of financial instruments

Under these new standards, all financial assets, including derivatives, must be classified as available-for-sale, held-for-trading, held-to-maturity, or loans and receivables. All financial liabilities, including derivatives, must be classified as held-for-trading or other liabilities. All financial instruments classified as available-for-sale or held-for-trading are recognized at fair value on the consolidated balance sheet while financial instruments classified as loans and receivables or other liabilities will continue to be measured at amortized cost using the effective interest rate method. The standards allow the Company the option to designate certain financial instruments, on initial recognition, as held-for-trading.

All of the Company's financial assets are classified as held-for-trading or loans and receivables. The Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable have been classified as loans and receivables. All of the Company's financial liabilities were classified as other liabilities, except for the Company's subsidiary's cross-currency swap agreements, which were classified as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income, except for the changes in fair value of the cross-currency swap agreements, which are designated as cash flow hedges of the Senior Secured Notes Series A and are recorded in other comprehensive income. Loans and receivables and all financial liabilities are carried at amortized cost using the effective interest rate method. Upon adoption, the Company determined that none of its financial assets are classified as available-for-sale or held-to-maturity. Except for the treatment of transaction costs and derivative financial instruments mentioned below, the provisions of the new accounting standards had no impact on the consolidated financial statements on September 1, 2007.

Transaction costs

Effective September 1, 2007, transaction costs are capitalized on initial recognition and presented as a reduction of the related financing, except for transaction costs on the revolving loan and the swingline facility, which are presented as deferred charges. These costs are amortized over the term of the related financing using the effective interest rate method, except for transaction costs on the revolving loan and the swingline facility, which are amortized over the term of the related financing on a straight-line basis. Previously, all transaction costs were capitalized and amortized on a straight-line basis over the term of the related financing, a period not exceeding five years. The impact of these adjustments on September 1, 2007 reduced deferred charges by $1.2 million, reduced long-term debt by $3.1 million, increased future income tax liabilities by $0.6 million, increased non-controlling interest by $0.9 million and increased retained earnings by $0.4 million.

Cash flow hedge

All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Company's subsidiary's cross-currency swap agreements must be measured at fair value in the consolidated financial statements. Since these cross-currency swap agreements are used to hedge cash flows on Senior Secured Notes Series A denominated in US dollars, the changes in fair value are recorded in other comprehensive income. The impact of measuring the cross-currency swap agreements at fair value on September 1, 2007, increased derivative financial instruments liabilities by $83.5 million, decreased deferred credit presented in long-term debt by $80.2 million, decreased future income tax liabilities by $1.1 million, decreased non-controlling interest by $1.5 million and decreased opening accumulated other comprehensive income by $0.7 million.

Net investment hedge

Financial statements of self-sustaining foreign subsidiaries are translated using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded as foreign currency translation adjustment in accumulated other comprehensive income and are included in income only when a reduction in the investment in these foreign subsidiaries is realized. Unrealized foreign exchange gains and losses on long-term debt denominated in foreign currency that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries are recorded as foreign currency translation adjustments in accumulated other comprehensive income, net of income taxes and non-controlling interest. As a result, an amount of $1.4 million was reclassified as at September 1, 2006 from the foreign currency translation adjustment to accumulated other comprehensive income and the Company's comparative financial statements were restated in accordance with transitional provisions.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts are measured at fair value, with changes in fair value recorded in the consolidated statements of income. On September 1, 2007, there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheets. In accordance with the new standards, the Company selected September 1, 2002 as its transition date for adopting the standard related to embedded derivatives.

v. ACCOUNTING CHANGES

In July 2006, the CICA issued Section 1506, *Accounting Changes*, which modifies certain aspects of the previous standard. A reporting entity may not change its accounting method unless required by a primary source of GAAP or to provide a reliable and more relevant presentation of the financial statements. In addition, changes in accounting methods must be applied retroactively and additional information must be disclosed. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2007. During the first quarter of fiscal 2008, the Company adopted this new standard and concluded that it had no significant impact on these consolidated financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

vi. GOODWILL AND INTANGIBLE ASSETS

In February 2008, the CICA issued Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with retroactive application. The adoption of this section on September 1, 2009 will decrease deferred charges by $32.4 million, decrease future income tax liabilities by $9.6 million, decrease non-controlling interest by $15.4 million and decrease opening retained earnings by $7.4 million at September 1, 2008. The impact on fiscal 2009 results will increase operating costs by $16.5 million, decrease amortization of deferred charges by $14.4 million, decrease future income tax expense by $0.6 million, decrease non-controlling interest by $1.1 million for a decrease in net income of $0.5 million.

vii. BUSINESS COMBINATION, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

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

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

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

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

viii. HARMONIZATION OF CANADIAN AND INTERNATIONAL STANDARDS

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

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

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

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

The Company completed the scoping and diagnostic phase during fiscal 2009, and is now conducting the impact analysis, evaluation and design phase. As implications of the conversion are identified, the impact on information technology, data system and business activities will be assessed. As such, the Company has identified the need to implement a new version of the Oracle financial management and accounting system as a requirement for the transition from Canadian GAAP to IFRS. A project for this conversion has been initiated and the Company expects to have completed its new system implementation by its migration date to IFRS.

The conversion project is progressing according to the established plan and the Company expects to meet its target date for migration.

C) REVENUE RECOGNITION

The Company considers revenue to be earned as services are rendered, provided that ultimate collection is reasonably assured. The Company earns revenue from several sources. The recognition of revenue from the principal sources is as follows:

- Revenue from Cable Television, HSI, Telephony and other telecommunications services are recognized when services are rendered;
- Revenue generated from sales of home terminal devices is recorded as equipment revenue upon activation of services since management considers the sale of home terminal devices as a single unit of accounting of a multiple element arrangement;
- Installation revenue is deferred and amortized over the average life of a customer's subscription for residential customers, which is four years, and over the term of the contract for business customers. Management considers that installation revenue is part of a multiple element arrangement and has no standalone value. Accordingly, installation revenue is deferred and amortized at the same pace as revenue from Cable Television, HSI, Telephony and other telecommunications services are earned;
- Promotional offers are accounted for as deductions from revenue when customers take advantage of such offers;
- Advertising revenue is recognized when aired.

Amounts received or invoiced that do not comply with these criteria are accounted for as deferred and prepaid revenue.

D) FIXED ASSETS

Fixed assets are recorded at cost. During construction of new assets, direct costs plus a portion of overhead costs are capitalized. Financial expenses during construction are expensed in the year in which they were incurred. Amortization is recorded mainly on a straight-line basis over the estimated useful lives over the following periods:

BUILDINGS	10 TO 50 YEARS
CABLE SYSTEMS	4 TO 15 YEARS
BROADCASTING, PROGRAMMING AND PRODUCTION EQUIPMENT	3 TO 20 YEARS
HOME TERMINAL DEVICES	3 TO 5 YEARS
ROLLING STOCK AND EQUIPMENT UNDER CAPITAL LEASES	5 YEARS
OTHER EQUIPMENT	2 TO 10 YEARS
LEASEHOLD IMPROVEMENTS	LEASE TERM

The Company reviews, when a triggering event occurs, the carrying values of its fixed assets 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. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Legal obligations associated with site restoration costs on the retirement of property are recognized in the period in which they can be reasonably estimated based on currently available information. The obligations are initially measured at fair value and an equal amount is recorded to fixed assets. Over time, the discounted asset retirement obligations accrete due to the increase in the fair value resulting from the passage of time. This accretion amount is charged to operating cost. The initial costs are depreciated over the useful lives of the related fixed assets or the remaining leasehold engagement when applicable. The Company's subsidiary, Cogeco Cable Inc., does not record an asset retirement obligation in connection with its cable systems. The Company's subsidiary expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date relating to these assets undeterminable.

E) DEFERRED CHARGES

Deferred charges include new service launch costs, equipment subsidies, reconnect and additional services activation costs and transaction costs. Reconnect costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. New service launch costs are amortized using the straight-line method over a period not exceeding five years. Equipment subsidies and reconnect and additional services activation costs are amortized over the average life of a customer's subscription, not exceeding four years. Transaction costs on the revolving loan and the swingline facility are amortized over the term of the related financing on a straight-line basis.

F) INTANGIBLE ASSETS

Intangible assets with finite useful lives, such as customer relationships, are recorded at cost and amortized on a straight-line basis over the average life of a business customer's subscription, which is eight years. The Company reviews, when a triggering event occurs, the carrying values of its intangible assets with finite useful lives 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. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Intangible assets with indefinite useful lives, such as customer base and broadcasting licences, are not amortized, but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. In conducting impairment testing, the Company compares the carrying value to the sum of the expected future discounted cash flows. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess.

G) GOODWILL

Goodwill represents the difference between the price paid and the fair value attributed to tangible and intangible assets upon the acquisition of cable and telecommunication systems and radio broadcasting stations. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. 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 value 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. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Company uses the discounted cash flow method to determine the fair value of reporting units.

H) INCOME TAXES

Income taxes are accounted for under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

I) STOCK-BASED COMPENSATION

The Company measures stock options granted to employees based on the fair value at the grant date by using the binomial pricing model and a compensation expense is recognized on a straight-line basis over the vesting period, which is three to four years, with a corresponding increase in the contributed surplus. When the stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion previously recorded in the contributed surplus.

The Company measures incentive share units granted to employees based on the fair value of the Company's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years, with a corresponding increase in the contributed surplus.

The Deferred Share Unit Plan of the Company and its subsidiary is recognized as a compensation expense and as an accrued liability as of the date units are awarded to officers. The accrued liability is re-measured at the end of each reporting period, until settlement, using the shares' trading price at the closing date of the reporting period.

J) EMPLOYEE FUTURE BENEFITS

The pension costs, recorded in operating costs, related to the defined contribution pension plan and collective registered retirement savings plans are equivalent to the contributions that the Company is required to pay in exchange for services rendered by employees.

Pension costs for defined benefit pension plans are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method prorated on service. Pension expense is charged to operating costs and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the year;
- The amortization of past service costs and amendments over the expected average remaining service life of the active employee group covered by the plans, which is eight to eleven years; and
- The interest cost of pension obligations, the expected return on pension fund assets and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the active employee group covered by the plans, which is eight to eleven

years. The Company uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

K) NON-MONETARY TRANSACTIONS

In the normal course of its business, the Company enters into non-monetary transactions under which goods and services are acquired in exchange for advertising or other services. Non-monetary transactions with commercial substance, which would otherwise be payable in cash, are accounted for at their fair value.

L) FOREIGN CURRENCY TRANSLATION

Financial statements of self-sustaining foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded in the foreign currency translation adjustment in accumulated other comprehensive income and are included in income only when a reduction in the investment in these foreign subsidiaries is realized.

Other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period except for transactions being hedged, which are translated using the terms of the hedges. Amounts payable or receivable on cross-currency swap agreements, all of which are used to hedge foreign currency debt obligations, are recorded concurrently with the unrealized gains and losses on the obligations being hedged. Other foreign exchange gains and losses are recognized as financial expense, except for unrealized foreign exchange gains and losses on foreign-denominated long-term debt that is designated as a hedge of a net investment in self-sustaining foreign subsidiaries, which are included in the foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes and non-controlling interest.

M) DERIVATIVE FINANCIAL INSTRUMENTS

The Company's subsidiary, Cogeco Cable Inc., uses cross-currency swap and interest rate swap agreements as derivative financial instruments to manage risks from fluctuations in interest rate and foreign exchange rates related to its long-term debt. On September 1, 2007, the Company's subsidiary classified all of its derivative financial instruments as held-for-trading. Held-for-trading assets and liabilities are carried at fair value on the consolidated balance sheet, with changes in fair value recorded in the consolidated statements of income, except for the changes in fair value of the cross-currency swap and interest rate swap agreements, which are designated as cash flow hedges of the Senior Secured Notes Series A and the Euro-denominated Term Loan facilities and are recorded in other comprehensive income (note 1 B) iv.). Prior to September 1, 2007, the Company's subsidiary accounted for financial instruments under the accrual method, as hedges and, accordingly, the carrying value of the financial instruments was not adjusted to reflect their current value. The Company and its subsidiaries do not hold or use any derivative instruments for speculative trading purposes. Net receipts or payments arising from cross-currency swap and interest rate swap agreements are recognized as financial expense.

N) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

O) USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. Significant areas requiring the use of management estimates relate to the determination of pension plan liabilities and accrued employee benefits, the determination of accrued liabilities, the determination of allowance for doubtful accounts, the determination of the fair value of assets acquired and liabilities assumed in business combinations, the evaluation of the carrying amount of home terminal devices, the useful lives of assets for amortization, the determination of future cash flows for the purpose of impairment testing on fixed assets, goodwill and intangible assets with finite and indefinite useful lives, the discount rate used for the purpose of impairment testing on goodwill and intangible assets with indefinite useful lives, the provision for income taxes and determination of future income tax assets and liabilities and utilization thereof, and the determination of the fair value of financial instruments, including all derivative financial instruments. Actual results could differ from these estimates.

2. BUSINESS ACQUISITIONS AND RELATED ADJUSTMENTS

A) FISCAL 2009 ADJUSTMENTS RELATED TO A FISCAL 2008 BUSINESS ACQUISITION

During fiscal 2009, management of the Company's subsidiary, Cogeco Cable Inc., has finalized the allocation of the purchase price of the acquisition of Cogeco Data Services Inc. ("CDS"). The final allocation resulted in an increase in future income tax assets of $420,000 as well as a decrease in future income tax liabilities of $302,000. The net impact of these adjustments combined with an increase in acquisition costs of $75,000, reduced goodwill by $647,000 at August 31, 2009 (see note 12 B)).

B) BUSINESS ACQUISITIONS IN FISCAL 2008

On March 31, 2008, the Company's subsidiary, Cogeco Cable Inc., completed the acquisition of all the assets of MaXess Networx®, ENWIN Energy Ltd.'s telecommunications (City of Windsor's energy company) division for a total consideration of $15.6 million. MaXess Networx® operates a broadband network equipped with next generation ATM and Ethernet technology and provides organizations in south-western Ontario with the broadband capacity required for data networking, HSI access, e-business applications, video conferencing and other advanced communications.

On June 30, 2008, the Company's subsidiary, Cogeco Cable Inc., completed the acquisition of all the assets of FibreWired Burlington Hydro Communications, Burlington Hydro Electric's (City of Burlington's energy company) telecommunications division for a total consideration of $12.6 million. FibreWired Burlington Hydro Communications operates a broadband network equipped with next generation ATM and Ethernet technology and provides Burlington's organizations with the broadband capacity required for data networking, HSI access, hosting services, e-business applications, video conferencing and other advanced communications.

On July 31, 2008, the Company's subsidiary, Cogeco Cable Inc., completed the acquisition of all of the shares of Toronto Hydro Telecom Inc., the telecommunications subsidiary of Toronto Hydro Corporation Inc. (City of Toronto's energy company) for a total consideration of $200 million. In addition, Cogeco Cable Inc. assumed a working capital deficiency and liabilities of approximately $4 million. Toronto Hydro Telecom Inc., which now operates under the name of Cogeco Data Services Inc., offers data communications and other telecommunications services such as Ethernet, private line, VoIP, HSI access, dark fibre, data storage, data security and co-location to a wide range of business customers and organizations throughout the Greater Toronto Area ("GTA").

These acquisitions were accounted for using the purchase method. The results have been consolidated as of the acquisition dates.

The allocation of the purchase price of these acquisitions was as follows:

(in thousands of dollars)	CDS[1] $	OTHER $	TOTAL $
CONSIDERATION PAID			
PURCHASE PRICE OF SHARES OR ASSETS	200,000	28,113	228,113
ACQUISITION COSTS	1,988	852	2,840
	201,988	28,965	230,953
NET ASSETS ACQUIRED			
CASH AND CASH EQUIVALENTS	1,230	–	1,230
ACCOUNTS RECEIVABLE	4,575	968	5,543
PREPAID EXPENSES	535	612	1,147
FIXED ASSETS	57,098	19,102	76,200
DEFERRED CHARGES	–	24	24
CUSTOMER RELATIONSHIPS	33,983	4,220	38,203
GOODWILL[2]	112,228	4,662	116,890
FUTURE INCOME TAX ASSETS	2,335	–	2,335
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES ASSUMED	(4,380)	(361)	(4,741)
DEFERRED AND PREPAID REVENUE AND OTHER LIABILITIES ASSUMED	(4,958)	(262)	(5,220)
PENSION PLAN LIABILITIES AND ACCRUED EMPLOYEE BENEFITS	(356)	–	(356)
FUTURE INCOME TAX LIABILITIES	(302)	–	(302)
	201,988	28,965	230,953

(1) THE PURCHASE PRICE ALLOCATION OF CDS WAS PRELIMINARY AT AUGUST 31, 2008 AND WAS FINALIZED DURING THE 2009 FISCAL YEAR.
(2) APPROXIMATELY $105.3 MILLION OF THE GOODWILL RELATED TO THESE TRANSACTIONS WILL BE DEDUCTIBLE FOR TAX PURPOSES.

3. SEGMENTED INFORMATION

The Company's activities are divided into two business segments: Cable and other. The Cable segment is comprised of Cable Television, HSI, 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 table below:

	CABLE		OTHER AND ELIMINATIONS		CONSOLIDATED	
	2009	2008	**2009**	2008	**2009**	2008
(in thousands of dollars)	**$**	$	**$**	$	**$**	$
REVENUE	**1,217,837**	1,076,787	**34,957**	32,113	**1,252,794**	1,108,900
OPERATING COSTS	**693,442**	631,335	**27,339**	28,643	**720,781**	659,978
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**524,395**	445,452	**7,618**	3,470	**532,013**	448,922
AMORTIZATION	**270,430**	228,299	**570**	1,425	**271,000**	229,724
OPERATING INCOME FROM CONTINUING OPERATIONS	**253,965**	217,153	**7,048**	2,045	**261,013**	219,198
FINANCIAL EXPENSE	**69,709**	69,139	**712**	1,558	**70,421**	70,697
REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES	**(16,130)**	–	**–**	–	**(16,130)**	–
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	**399,648**	–	**–**	–	**399,648**	–
INCOME TAXES	**57,413**	14,732	**1,878**	253	**59,291**	14,985
LOSS ON DILUTION RESULTING FROM THE ISSUANCE OF SHARES BY A SUBSIDIARY	**48**	104	**–**	–	**48**	104
NON-CONTROLLING INTEREST	**(173,740)**	90,152	**–**	–	**(173,740)**	90,152
SHARE IN THE LOSS OF A GENERAL PARTNERSHIP	**–**	–	**–**	95	**–**	95
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(82,983)**	43,026	**4,458**	139	**(78,525)**	43,165
LOSS FROM DISCONTINUED OPERATIONS	**–**	–	**–**	(18,057)	**–**	(18,057)
TOTAL ASSETS	**2,665,403**	3,019,155	**39,276**	40,326	**2,704,679**	3,059,481
FIXED ASSETS	**1,302,238**	1,257,965	**3,531**	3,645	**1,305,769**	1,261,610
INTANGIBLE ASSETS	**1,022,434**	1,091,042	**25,340**	25,340	**1,047,774**	1,116,382
GOODWILL	**153,695**	487,805	**–**	–	**153,695**	487,805
ACQUISITION OF FIXED ASSETS[(1)]	**278,021**	233,916	**476**	740	**278,497**	234,656

(1) INCLUDES 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:

(in thousands of dollars)	2009 $	2008 $
REVENUE		
CANADA	**1,019,702**	865,210
EUROPE	**233,092**	243,690
	1,252,794	1,108,900

(in thousands of dollars)	2009 $	2008 $
FIXED ASSETS		
CANADA	**1,015,298**	944,328
EUROPE	**290,471**	317,282
	1,305,769	1,261,610
INTANGIBLE ASSETS		
CANADA	**1,047,774**	1,052,608
EUROPE	**–**	63,774
	1,047,774	1,116,382
GOODWILL		
CANADA	**116,243**	116,890
EUROPE	**37,452**	370,915
	153,695	487,805

4. AMORTIZATION

(in thousands of dollars)	2009 $	2008 $
FIXED ASSETS	**235,772**	196,197
DEFERRED CHARGES	**24,907**	22,595
INTANGIBLE ASSETS	**10,321**	10,932
	271,000	229,724

5. FINANCIAL EXPENSE

(in thousands of dollars)	2009 $	2008 $
INTEREST ON LONG-TERM DEBT	**68,486**	69,675
FOREIGN EXCHANGE LOSSES	**497**	28
AMORTIZATION OF DEFERRED TRANSACTION COSTS	**1,629**	1,629
OTHER	**(191)**	(635)
	70,421	70,697

6. REDUCTION OF WITHHOLDING AND STAMP TAX CONTINGENT LIABILITIES

The Company's Portuguese cable subsidiary, Cabovisão – Televisão por Cabo, S.A. ("Cabovisão"), recorded contingent liabilities for withholding and stamp taxes relating to fiscal years prior to its acquisition by the Company's subsidiary. At the date of acquisition, the amount accrued represented management's best estimate based on the information available at that time. Management reviews its estimates periodically to take into consideration payments made relating to these contingencies as well as newly available information which would allow the Company's subsidiary to improve its previous estimate. During fiscal 2009, Cabovisão received reports from the Portuguese tax authorities with respect to some of the items included in the contingent liabilities. Accordingly, management has revised its estimate of the contingent liabilities to reflect the new information available in these reports, and has determined that a reduction of €10.3 million, equivalent to $16.1 million, of the amounts previously accrued was required in order to reflect management's best estimate.

7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

	2009	2008
(in thousands of dollars)	**$**	$
IMPAIRMENT OF GOODWILL	**339,206**	–
IMPAIRMENT OF INTANGIBLE ASSETS	**60,442**	–
	399,648	–

During the second quarter of fiscal 2009, the competitive position of Cabovisão in the Iberian Peninsula further deteriorated due to the continuing difficult competitive environment and recurring intense promotions and advertising initiatives from competitors in the Portuguese market. In accordance with current accounting standards, management considered that the continued customer, local currency revenue and operating income before amortization decline, were more severe and persistent than expected, resulting in a decrease in the value of the Company's subsidiary's investment in the Portuguese subsidiary. As a result, the Company's subsidiary tested goodwill and all long-lived assets for impairment at February 28, 2009.

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

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

At August 31, 2009, the Company's subsidiary tested the value of goodwill for impairment and concluded that no impairment existed.

8. INCOME TAXES

(in thousands of dollars)	**2009** **$**	2008 $
CURRENT	**56,124**	24,436
FUTURE	**3,167**	(9,451)
	59,291	14,985

The following table provides the reconciliation between Canadian statutory federal and provincial income taxes and the consolidated income tax expense:

(in thousands of dollars)	**2009** **$**	2008 $
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**(192,926)**	148,406
COMBINED INCOME TAX RATE	**32.48%**	33.39%
INCOME TAXES AT COMBINED INCOME TAX RATE	**(62,662)**	49,553
ADJUSTMENTS FOR LOSSES OR INCOME SUBJECT TO LOWER OR HIGHER TAX RATES	**(1,442)**	(2,240)
DECREASE IN FUTURE INCOME TAXES AS A RESULT OF DECREASE IN SUBSTANTIVELY ENACTED TAX RATES	**–**	(24,146)
DECREASE IN INCOME TAX RECOVERY ARISING FROM THE NON-DEDUCTIBLE IMPAIRMENT OF GOODWILL	**89,890**	–
UTILIZATION OF PRE-ACQUISITION TAX LOSSES	**6,142**	–
INCOME TAXES ARISING FROM NON-DEDUCTIBLE EXPENSES	**644**	825
EFFECT OF FOREIGN INCOME TAX RATE DIFFERENCES	**25,366**	(9,193)
OTHER	**1,353**	186
INCOME TAXES AT EFFECTIVE INCOME TAX RATE	**59,291**	14,985

The following table shows future income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax loss carryforwards:

(in thousands of dollars)	2009 $	2008 $
FUTURE INCOME TAX ASSETS		
NON-CAPITAL LOSS AND OTHER TAX CREDIT CARRYFORWARDS	**1,819**	7,260
DEFERRED AND PREPAID REVENUE	**6,630**	6,471
SHARE ISSUANCE COSTS	**1,755**	2,672
OTHER	**4,608**	4,436
TOTAL FUTURE INCOME TAX ASSETS	**14,812**	20,839
FUTURE INCOME TAX LIABILITIES		
FIXED ASSETS	**84,557**	80,725
DEFERRED CHARGES	**17,394**	16,891
INTANGIBLE ASSETS	**148,201**	162,889
OTHER	**1,313**	759
TOTAL FUTURE INCOME TAX LIABILITIES	**251,465**	261,264
NET FUTURE INCOME TAX LIABILITIES	**236,653**	240,425
FINANCIAL STATEMENT PRESENTATION		
CURRENT FUTURE INCOME TAX ASSETS	**4,275**	8,661
LONG-TERM FUTURE INCOME TAX ASSETS	**4,011**	7,221
LONG-TERM FUTURE INCOME TAX LIABILITIES	**244,939**	256,307
	236,653	240,425

As at August 31, 2009, the Company's Canadian subsidiaries had accumulated federal and provincial income tax losses amounting to approximately $4,426,000 and $4,359,000, respectively, the benefits of which have been recognized in these financial statements. These losses expire as follows:

(in thousands of dollars)	2026 $	2027 $	2028 $
FEDERAL	382	211	3,833
PROVINCIAL	382	172	3,805

The Company's indirect subsidiary, Cabovisão, has income tax losses for the 2009 taxation year amounting to approximately €5,829,000 ($9,150,000), the benefits of which have not been recognized in these financial statements. These losses expire on August 31, 2015.

Cabovisão also has income tax losses for the 2003, 2004 and 2005 taxation years of approximately €27.9 million ($43.8 million), which may be used to reduce future years' taxable income. In accordance with the Portuguese Companies Income Tax Code ("CIRC"), tax losses incurred in a financial year can be carried forward and deducted from taxable profits of one or more of the following six taxation years. However, the CIRC provides for certain exceptions whereby the general rule stated above ceases to apply. One such exception is that tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless a request is filed before such change in the ownership takes place, subject to approval by the Portuguese tax authorities. To this effect, a request for preservation of tax losses for the years preceeding the 2006 taxation year was filed by Cabovisão on July 28, 2006. The Portuguese tax authorities have reviewed Cabovisão's tax returns for the 2003, 2004 and 2005 taxation years, which have resulted in notices of assessment to reduce tax losses by €7.3 million for the 2003 taxation year, by €29.6 million for the 2004 taxation year and by €17.1 million for the 2005 taxation year. Pending the conclusion of these reviews, Cabovisão has not obtained approval to its request for preservation of tax losses from the tax authorities. Until such a response is received, Cabovisão may only use tax losses generated since the beginning of the 2006 taxation year, all of which have been used at August 31, 2009. However, Cabovisão does not agree with the assessments and has

initiated legal proceedings against the Portuguese tax authorities. Consequently, the benefits resulting from the tax losses generated for the 2003 through 2005 taxation years have not been recognized in these financial statements and will be recorded as a reduction of goodwill upon realization. These losses expire as follows:

	2010	2011
(in thousands of dollars)	$	$
	7,612	36,174

9. EARNINGS (LOSS) PER SHARE

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

	2009	2008
(in thousands of dollars, except number of shares and per share data)	**$**	$
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(78,525)**	43,165
LOSS FROM DISCONTINUED OPERATIONS	**–**	(18,057)
NET INCOME (LOSS)	**(78,525)**	25,108
WEIGHTED AVERAGE NUMBER OF MULTIPLE VOTING AND SUBORDINATE VOTING SHARES OUTSTANDING	**16,756,610**	16,684,809
EFFECT OF DILUTIVE STOCK OPTIONS[1]	**–**	60,299
WEIGHTED AVERAGE NUMBER OF DILUTED MULTIPLE VOTING AND SUBORDINATE VOTING SHARES OUTSTANDING	**16,756,610**	16,745,108
EARNINGS (LOSS) PER SHARE		
BASIC		
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.59
LOSS FROM DISCONTINUED OPERATIONS	**–**	(1.08)
NET INCOME (LOSS)	**(4.69)**	1.50
DILUTED		
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.58
LOSS FROM DISCONTINUED OPERATIONS	**–**	(1.08)
NET INCOME (LOSS)	**(4.69)**	1.50

(1) IN 2009, THE WEIGHTED AVERAGE DILUTIVE POTENTIAL NUMBER OF SUBORDINATE VOTING SHARES, WHICH WERE ANTIDILUTIVE, AMOUNTED TO 8,757 STOCK OPTIONS. FURTHERMORE, 32,782 STOCK OPTIONS (33,182 IN 2008) WERE EXCLUDED FROM THE CALCULATION OF DILUTED EARNINGS (LOSS) PER SHARE AS THE EXERCISE PRICE OF THE OPTIONS WAS GREATER THAN THE AVERAGE SHARE PRICE OF THE SUBORDINATE VOTING SHARES.

10. FIXED ASSETS

(in thousands of dollars)	2009 $	2008 $
COST		
LAND	**4,315**	4,303
BUILDINGS	**48,187**	42,581
CABLE SYSTEMS	**1,875,193**	1,711,584
BROADCASTING, PROGRAMMING AND PRODUCTION EQUIPMENT	**49,115**	44,342
HOME TERMINAL DEVICES	**312,076**	259,675
ROLLING STOCK AND EQUIPMENT UNDER CAPITAL LEASES	**18,152**	16,958
OTHER EQUIPMENT	**51,562**	41,405
LEASEHOLD IMPROVEMENTS	**22,430**	18,562
	2,381,030	2,139,410
ACCUMULATED AMORTIZATION		
BUILDINGS	**12,850**	11,404
CABLE SYSTEMS	**841,114**	708,703
BROADCASTING, PROGRAMMING AND PRODUCTION EQUIPMENT	**25,700**	22,122
HOME TERMINAL DEVICES	**163,573**	111,471
ROLLING STOCK AND EQUIPMENT UNDER CAPITAL LEASES	**7,729**	6,957
OTHER EQUIPMENT	**20,464**	13,948
LEASEHOLD IMPROVEMENTS	**3,831**	3,195
	1,075,261	877,800
	1,305,769	1,261,610

11. DEFERRED CHARGES

(in thousands of dollars)	2009 $	2008 $
NEW SERVICE LAUNCH COSTS	**–**	518
EQUIPMENT SUBSIDIES	**793**	1,530
RECONNECT AND ADDITIONAL SERVICES ACTIVATION COSTS	**54,628**	50,952
TRANSACTION COSTS	**3,122**	4,751
OTHER	**70**	90
	58,613	57,841

12. GOODWILL AND OTHER INTANGIBLE ASSETS

(in thousands of dollars)	**2009** **$**	2008 $
CUSTOMER RELATIONSHIPS	**32,882**	101,490
BROADCASTING LICENCES	**25,120**	25,120
CUSTOMER BASE	**989,772**	989,772
	1,047,774	1,116,382
GOODWILL	**153,695**	487,805
	1,201,469	1,604,187

A) INTANGIBLE ASSETS

During fiscal 2009, intangible asset variations were as follows:

(in thousands of dollars)	**CUSTOMER RELATIONSHIPS** **$**	**BROADCASTING LICENCES** **$**	**CUSTOMER BASE** **$**	**TOTAL** **$**
BALANCE, BEGINNING OF YEAR	**101,490**	**25,120**	**989,772**	**1,116,382**
AMORTIZATION	**(10,321)**	**–**	**–**	**(10,321)**
IMPAIRMENT (NOTE 7)	**(60,442)**	**–**	**–**	**(60,442)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**2,155**	**–**	**–**	**2,155**
BALANCE, END OF YEAR	**32,882**	**25,120**	**989,772**	**1,047,774**

During fiscal 2008, intangible asset variations were as follows:

(in thousands of dollars)	CUSTOMER RELATIONSHIPS $	BROADCASTING LICENCES $	CUSTOMER BASE $	TOTAL $
BALANCE, BEGINNING OF YEAR	68,858	25,120	989,772	1,083,750
BUSINESS ACQUISITIONS (NOTE 2)	38,203	–	–	38,203
AMORTIZATION	(10,932)	–	–	(10,932)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	5,361	–	–	5,361
BALANCE, END OF YEAR	101,490	25,120	989,772	1,116,382

At August 31, 2009 and 2008, the Company and its subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Inc., tested the value of customer base and broadcasting licences for impairment and concluded that no impairment existed.

B) GOODWILL

During fiscal years 2009 and 2008, goodwill variation was as follows:

(in thousands of dollars)	**2009** **$**	2008 $
BALANCE, BEGINNING OF YEAR	**487,805**	342,584
BUSINESS ACQUISITIONS AND RELATED ADJUSTMENTS (NOTE 2)	**(647)**	116,890
RECOGNITION OF PRE-ACQUISITION TAX LOSSES	**(6,142)**	–
IMPAIRMENT (NOTE 7)	**(339,206)**	–
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**11,885**	28,331
BALANCE, END OF YEAR	**153,695**	487,805

At August 31, 2009 and 2008, the Company's subsidiary, Cogeco Cable Inc., tested the value of goodwill for impairment and concluded that no impairment existed.

13. BANK INDEBTEDNESS

The available line of credit of the Company amounts to $5 million, of which none was used at August 31, 2009 and 2008. This line of credit requires commitment fees and currently bears interest at bank prime rate plus 1.75%. At August 31, 2009, the interest rate on bank indebtedness is 4% (5.625% in 2008). This line of credit matures at the same time, is secured on the same basis and is subject to the same restrictions as the Term Facility (note 14 a)).

The Company's subsidiary, Cogeco Cable Inc. has a swingline facility available for an amount of $25 million, of which none was used at August 31, 2009 ($10,093,000 in 2008). This facility requires commitment fees and bears interest at bank prime rate. At August 31, 2009, the interest rate on bank indebtedness is 2.25% (4.75% in 2008). This facility, which matures on July 28, 2011, is secured on the same basis and is subject to the same restrictions as the Term Facility (note 14 b)).

14. LONG-TERM DEBT

(in thousands of dollars)	MATURITY	INTEREST RATE %	2009 $	2008 $
PARENT COMPANY				
TERM FACILITY [a)]	2011	3.02[(1)]	**9,382**	18,748
OBLIGATIONS UNDER CAPITAL LEASES	2013	6.61 – 9.29	**91**	77
SUBSIDIARIES				
TERM FACILITY [b)]				
TERM LOAN—€78,413,625 (€94,096,350 IN 2008)	2011	1.25[(1)(2)]	**122,674**	145,832
TERM LOAN—€17,358,700	2011	1.25[(1)(2)]	**27,142**	26,881
REVOLVING LOAN—€40,000,000 (€126,000,000 IN 2008)	2011	1.31[(1)]	**62,792**	196,308
REVOLVING LOAN	2011	–	**–**	94,375
SENIOR SECURED NOTES SERIES B [c)]	2011	7.73	**174,530**	174,338
SENIOR SECURED NOTES [d)]				
SERIES A – US$190 MILLION	2015	7.00	**206,606**	–
SERIES B	2018	7.60	**54,576**	–
SENIOR SECURED DEBENTURES SERIES 1 [e)]	2014	5.95	**296,860**	–
SENIOR UNSECURED DEBENTURE [f)]	2018	5.94	**99,786**	99,768
SENIOR SECURED NOTES SERIES A – US$150 MILLION [c)]	2008	–	**–**	159,233
SENIOR SECURED DEBENTURES SERIES 1 [g)]	2009	–	**–**	149,814
OBLIGATIONS UNDER CAPITAL LEASES	2013	6.47 – 9.93	**9,496**	8,492
OTHER	2011	–	**29**	47
			1,063,964	1,073,913
LESS CURRENT PORTION			**44,706**	336,858
			1,019,258	737,055

(1) INTEREST RATE ON DEBT AS AT AUGUST 31, 2009, INCLUDING STAMPING FEES.
(2) ON JANUARY 21, 2009, THE COMPANY'S SUBSIDIARY, COGECO CABLE INC., ENTERED INTO A SWAP AGREEMENT WITH A FINANCIAL INSTITUTION TO FIX THE FLOATING BENCHMARK INTEREST RATE WITH RESPECT TO THE EURO-DENOMINATED TERM LOAN FACILITIES FOR A NOTIONAL AMOUNT OF €111.5 MILLION. THE INTEREST SWAP RATE TO HEDGE THE TERM LOANS HAS BEEN FIXED AT 2.08% UNTIL THEIR MATURITY OF JULY 28, 2011. THE NOTIONAL VALUE OF THE SWAP WILL DECREASE IN LINE WITH THE AMORTIZATION SCHEDULE OF THE TERM LOANS. IN ADDITION TO THE INTEREST SWAP RATE OF 2.08%, THE COMPANY'S SUBSIDIARY WILL CONTINUE TO PAY THE APPLICABLE MARGIN ON THESE TERM LOANS IN ACCORDANCE WITH THE TERM FACILITY.

a) The Term Facility and the operating line of credit of the Parent company 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 and certain of its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of the Company. 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 financial expense, total indebtedness and shareholders' equity.

   On December 14, 2007, the Company concluded an amended and restated credit agreement with a group of Canadian banks led by the Canadian Imperial Bank of Commerce ("CIBC"), which will now act as agent for the banking syndicate. The Term Facility of $50,000,000, including a swingline limit of $5,000,000, is renewable on an annual basis, subject to lenders' approval, and if not renewed it matures three years after its issuance or the last renewal, as the case may be. The Term Facility is secured by all assets of COGECO Inc. and its subsidiaries, excluding the capital stock of Cogeco Cable Inc. and guaranteed by its subsidiary, Cogeco Diffusion Inc. Under the terms and conditions of the amended and restated credit agreement, the Company must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. The Term Facility bears interest rates based, at the Company's option, on bankers' acceptance, LIBOR, EURIBOR, bank prime rate or US base rate plus fees, and commitment fees are payable on the unused portion.

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

b) On July 28, 2009, the Company's subsidiary, Cogeco Cable Inc., repaid €15.7 million of the term loan, representing 15% of the amount drawn, on the third tranche of its $900 million Term Facility, which was reduced to $862.5 million reflecting the 2008 and 2009 repayments. The Company's subsidiary benefits from an $862.5 million credit facility in the form of a Term Facility and an operating line of credit with a group of financial institutions. The Term Facility is composed of four tranches: a first

tranche, a revolving loan for an amount of $700 million available in Canadian, US or Euro currencies; a second tranche, a swingline of $25 million available in Canadian or US currencies; a third of a remaining amount of $112.5 million, fully drawn, available in Canadian currency, and a fourth tranche of €17,358,700 fully drawn. On August 14, 2007, the Term Facility was amended to permit EURIBOR loans under the third tranche in an amount not exceeding the equivalent of $150 million subject to reductions as mentioned below. On August 22, 2007, the third tranche of the Term Facility of $150 million was drawn in Euros. The amount drawn in Euros of €104,551,500 was established at the prevailing exchange rate at that date. In accordance with the amended credit agreement, the amount available under the first tranche of $700 million can be temporarily reduced in the event of an increase in the exchange rate affecting the amount drawn under the third or fourth tranches. The Term Facility is repayable on July 28, 2011, except for the third tranche of €104,551,500; €15,682,725 of which was repaid on July 28, 2009 in addition to a repayment of €10,455,150 on July 28, 2008; the remainder of which is repayable as follows: €26,137,875 on July 28, 2010 and the balance on July 28, 2011. Earlier repayments can be made without penalty. The Term Facility requires commitment fees, and interest rates are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus stamping fees. The Term Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Company's subsidiary and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under these facilities provide for restrictions on the operations and activities of the Company's subsidiary. 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 August 31, 2009 and 2008, Cogeco Cable Inc. was in compliance with all of its covenants.

c) The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes 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, Cogeco Cable Inc., and certain of its subsidiaries. The notes are redeemable at the Company's subsidiary option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Series A matured on October 31, 2008 and the Series B mature on October 31, 2011. The Senior Secured Notes Series B have an interest coupon rate of 7.73% per annum, payable semi-annually.

d) On October 1, 2008, the Company's subsidiary, Cogeco Cable Inc., issued US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018, net of transaction costs of $2.1 million, for net proceeds of $255 milion. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. Cogeco Cable Inc., has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US$190 million, which bear interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A is 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. These notes 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 Inc., and certain of its subsidiaries. The notes are redeemable at the Company's subsidiary, option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

e) On June 9, 2009, the Company's subsidiary, Cogeco Cable Inc., completed, pursuant to a public debt offering, the issue of $300 million Senior Secured Debentures Series 1, net of discounts and transactions costs of $3.3 million, for net proceeds of $296.7 million. The Senior Secured Debentures Series 1 are redeemable at the Company's subsidiary, option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.875%. These debentures mature on June 9, 2014 and bear interest at 5.95% 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 Inc., and certain of its subsidiaries.

f) On March 5, 2008, the Company's subsidiary, Cogeco Cable Inc., issued a $100 million Senior Unsecured Debenture by way of a private placement, subject to usual market conditions. The debenture bears interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture matures on March 5, 2018 and is redeemable at the Company's subsidiary, option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

g) The Senior Secured Debentures Series 1 were redeemable at the Company's subsidiary, Cogeco Cable Inc., option, in whole or in part, at the greater of par value or the Canada bond yield plus 0.3%. These debentures matured on June 4, 2009 and were bearing interest at 6.75% per annum, payable semi-annually. These debentures were 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 Inc., and certain of its subsidiaries.

h) Principal repayments due on long-term debt for the next five years, excluding those under capital leases, are as follows:

(in thousands of dollars)	2010 $	2011 $	2012 $	2013 $	2014 $	Thereafter $
	41,044	172,120	184,500	–	300,000	363,050

i) Minimum payments due under capital leases total $10,718,000 of which $1,131,000 represents financial expense, and are as follows:

(in thousands of dollars)	2010 $	2011 $	2012 $	2013 $	2014 $	Thereafter $
	4,251	3,299	2,284	878	6	–

15. 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

(in thousands of dollars, except number of shares)	**2009** **$**	2008 $
1,842,860 MULTIPLE VOTING SHARES	**12**	12
14,942,470 SUBORDINATE VOTING SHARES (14,897,586 IN 2008)	**120,994**	120,037
	121,006	120,049

During the year, subordinate voting shares transactions were as follows:

		2009		2008
(in thousands of dollars, except number of shares)	**NUMBER OF SHARES**	**AMOUNT** **$**	NUMBER OF SHARES	AMOUNT $
BALANCE, BEGINNING OF YEAR	**14,897,586**	**120,037**	14,829,792	119,066
SHARES ISSUED FOR CASH UNDER THE EMPLOYEE STOCK PURCHASE PLAN AND THE STOCK OPTION PLAN	**44,884**	**957**	67,794	971
BALANCE, END OF YEAR	**14,942,470**	**120,994**	14,897,586	120,037

During fiscal year 2009, the Company issued 1,176 subordinate voting shares (294 shares in 2008) pursuant to its Employee Stock Purchase Plan for a cash consideration of $21,000 ($9,000 in 2008) and issued 43,708 subordinate voting shares (67,500 shares in 2008) pursuant to its Employee Stock Option Plan for a cash consideration of $936,000 ($962,000 in 2008).

STOCK-BASED PLANS

The Company offers, for the benefit of its employees and those of certain of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives. Under these plans, no more than 10% of the outstanding subordinate voting shares are available.

Stock Purchase Plans

The Employee Stock Purchase Plans are accessible to all employees up to a maximum of 5% of their annual salary. The subscription date is December 31 and the subscription price is based on the average market price of the shares of the last five business days of November less 10%. A maximum of 270,000 shares of COGECO Inc. and 167,500 shares of Cogeco Cable Inc. are available, up to 40,000 annually, under these plans.

Stock Option Plans

The Company and its subsidiary, Cogeco Cable Inc., offer for the benefit of certain executives Stock Option Plans. Under the plans' conditions, the minimum purchase price at which options are granted is not less than the fair value of such shares at the time the option is granted. Granted options vest 20% per year beginning the day such options are granted and are exercisable over 10 years. For the exercise of options granted to senior executive officers on or after October 17, 2003, an amount equivalent to 20% of net gain after related taxes must be kept in shares of the Company until termination of employment with the Company or retirement.

A total of 1,545,700 subordinate voting shares are reserved for the purpose of COGECO Inc.'s Stock Option Plan. Under the plan, the following options were granted by the Company and are outstanding as at August 31:

		2009		2008
	OPTIONS	**WEIGHTED AVERAGE EXERCISE PRICE**	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
		$		$
OUTSTANDING, BEGINNING OF YEAR	**123,758**	**25.55**	195,418	21.58
EXERCISED	**(43,708)**	**21.40**	(67,500)	14.26
FORFEITED / CANCELLED	**(400)**	**37.50**	(4,160)	22.54
OUTSTANDING, END OF YEAR	**79,650**	**27.76**	123,758	25.55
EXERCISABLE, END OF YEAR	**79,650**	**27.76**	123,758	25.55

At August 31, 2009, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of COGECO Inc.'s options are as follows:

	OPTIONS OUTSTANDING			**OPTIONS EXERCISABLE**	
RANGE OF EXERCISE PRICES	**NUMBER OUTSTANDING**	**WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)**	**WEIGHTED AVERAGE EXERCISE PRICE**	**NUMBER EXERCISABLE**	**WEIGTHED AVERAGE EXERCISE PRICE**
$			**$**		**$**
20.95	**46,868**	**2.13**	**20.95**	**46,868**	**20.95**
37.50	**32,782**	**1.14**	**37.50**	**32,782**	**37.50**
	79,650	**1.72**	**27.76**	**79,650**	**27.76**

During fiscal years 2009 and 2008, no stock options were granted to employees by COGECO Inc.

A total of 2,400,000 subordinate voting shares are reserved for the purpose of Cogeco Cable Inc.'s Stock Option Plan. Under the plan, the following options were granted by Cogeco Cable Inc. and are outstanding as at August 31:

	OPTIONS	**2009 WEIGHTED AVERAGE EXERCISE PRICE**	OPTIONS	2008 WEIGHTED AVERAGE EXERCISE PRICE
		$		$
OUTSTANDING, BEGINNING OF YEAR	**834,724**	**28.55**	932,714	24.89
GRANTED	**153,381**	**33.85**	113,084	48.71
EXERCISED	**(28,785)**	**22.24**	(157,481)	21.77
FORFEITED / CANCELLED	**(242,575)**	**27.27**	(53,593)	27.25
OUTSTANDING, END OF YEAR	**716,745**	**30.37**	834,724	28.55
EXERCISABLE, END OF YEAR	**432,246**	**27.45**	316,551	25.54

At August 31, 2009, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of Cogeco Cable Inc.'s options are as follows:

	OPTIONS OUTSTANDING			**OPTIONS EXERCISABLE**	
RANGE OF EXERCICE PRICES	**NUMBER OUTSTANDING**	**WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)**	**WEIGHTED AVERAGE EXERCICE PRICE**	**NUMBER EXERCISABLE**	**WEIGHTED AVERAGE EXERCICE PRICE**
$			**$**		**$**
7.05	**3,610**	**3.13**	**7.05**	**3,610**	**7.05**
15.70 TO 16.80	**45,790**	**4.18**	**16.41**	**45,790**	**16.41**
21.50 TO 26.63	**329,029**	**6.35**	**25.33**	**251,287**	**24.95**
28.95 TO 34.46	**230,665**	**8.18**	**32.24**	**87,707**	**30.79**
36.10 TO 45.59	**17,665**	**8.16**	**41.69**	**7,858**	**41.28**
49.82	**89,986**	**8.15**	**49.82**	**35,994**	**49.82**
	716,745	**7.06**	**30.37**	**432,246**	**27.45**

During fiscal year 2009, Cogeco Cable Inc. granted 153,381 stock options (113,084 in 2008) with an exercise price ranging from $28.95 to $34.46 ($41.45 to $49.82 in 2008), of which 29,711 stock options (22,683 in 2008) were granted to COGECO Inc.'s employees. In 2007, the Company's subsidiary also granted 376,000 conditional stock options with an exercise price of $26.63 of which 262,400 stock options were granted to COGECO Inc.'s employees. On April 6, 2009, the Company's subsidiary cancelled 206,180 of these options of which 112,662 were still conditional. These conditional options vest equally over a period of three years beginning one year after the day such options are granted and are exercisable over ten years. The vesting of these options is conditional to the achievement of certain yearly financial objectives by the Portuguese subsidiary, Cabovisão, over a period of three years.

The Company and its subsidiary, Cogeco Cable Inc., recorded compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $1,371,000 ($2,101,000 in 2008) was recorded for the year ended August 31, 2009.

The weighted average fair value of each option granted by Cogeco Cable Inc. was estimated on the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2009	2008
	%	%
EXPECTED DIVIDEND YIELD	**1.40**	0.90
EXPECTED VOLATILITY	**29**	27
RISK-FREE INTEREST RATE	**4.22**	4.25
EXPECTED LIFE IN YEARS	**4.0**	4.0

The fair value of stock options granted by Cogeco Cable Inc. for the year ended August 31, 2009 was $8.74 ($12.59 in 2008) per option.

For the purpose of compensation expense, stock-based compensation costs are amortized to expense on a straight-line basis over the vesting period, which is three to four years.

Deferred Share Unit Plans

In April 2007, the Company and its subsidiary, Cogeco Cable Inc., established Deferred Share Unit Plans (“DSU Plans”) to assist in the attraction and retention of qualified individuals to serve on the Board of the Company. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units (“DSUs”) with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding the date of grant. Dividend equivalents are awarded with respect to DSUs in a member’s account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual’s account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of the member. During the year, 11,113 and 6,282 (5,891 and 3,559 in 2008) deferred share units were awarded to the participants in connection with the DSU Plans by the Company and its subsidiary, respectively. A compensation expense of $265,000 ($347,000 in 2008) was recorded related to these plans.

Under COGECO Inc.’s DSU plan, the following DSUs were awarded and are outstanding as at August 31:

	2009	2008
OUTSTANDING, BEGINNING OF YEAR	**5,930**	–
AWARDED	**11,113**	5,891
DIVIDEND EQUIVALENTS	**201**	39
OUTSTANDING, END OF YEAR	**17,244**	5,930

Under Cogeco Cable Inc.’s DSU plan, the following DSUs were awarded and are outstanding as at August 31:

	2009	2008
OUTSTANDING, BEGINNING OF YEAR	**3,586**	–
AWARDED	**6,282**	3,559
DIVIDEND EQUIVALENTS	**132**	27
OUTSTANDING, END OF YEAR	**10,000**	3,586

Incentive Share Unit Plan

Effective October 13, 2006, the Company established a senior executives and designated employee incentive share unit plan which, in effect, replaces the Performance Unit Plan. According to the plan, senior executives and designated employees periodically receive a given number of units (“Incentive Share Units”) which entitled the participant to receive subordinate voting shares of the Company after three years less one day from the date of grant. During fiscal year 2009, the Company granted 17,702 (12,852 in 2008) Incentive Share Units. The Company establishes the value of the compensation related to the units granted based on the fair value of the Company’s subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years. A trust was created for the purpose of purchasing these shares on the stock exchange in order to guard

against stock price fluctuation. The Company instructed the trustee to purchase 17,702 (12,852 in 2008) subordinate voting shares of the Company on the stock market. These shares were purchased for a cash consideration of $325,000 ($468,000 in 2008) and are held in trust for participants until they are completely vested. The trust, considered as a variable interest entity, is consolidated in the Company's financial statements with the value of the acquired shares presented as treasury shares in reduction of capital stock. A compensation expense of $504,000 ($353,000 in 2008) was recorded related to this plan. Under the Incentive Share Units plan, the following Incentive Share Units were granted by the Company and are outstanding as at August 31:

	2009	2008
OUTSTANDING, BEGINNING OF YEAR	**38,747**	25,895
GRANTED	**17,702**	12,852
OUTSTANDING, END OF YEAR	**56,449**	38,747

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

			2009			2008
	TRANSLATION OF A NET INVESTMENT IN SELF-SUSTAINING FOREIGN SUBSIDIARIES	**CASH FLOW HEDGES**	**TOTAL**	TRANSLATION OF A NET INVESTMENT IN SELF-SUSTAINING FOREIGN SUBSIDIARIES	CASH FLOW HEDGES	TOTAL
(in thousands of dollars)	**$**	**$**	**$**	$	$	$
BALANCE, BEGINNING OF YEAR	**5,064**	**(100)**	**4,964**	(1,009)	-	(1,009)
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING POLICIES (NOTE 1 B))	**–**	**–**	**–**	–	(724)	(724)
OTHER COMPREHENSIVE INCOME (LOSS)	**2,570**	**(1,206)**	**1,364**	6,073	624	6,697
BALANCE, END OF YEAR	**7,634**	**(1,306)**	**6,328**	5,064	(100)	4,964

17. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ITEMS

	2009	2008
(in thousands of dollars)	**$**	$
ACCOUNTS RECEIVABLE	**(903)**	(6,398)
INCOME TAXES RECEIVABLE	**(1,648)**	1,122
PREPAID EXPENSES	**(1,570)**	(3,673)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**11,918**	26,976
INCOME TAX LIABILITIES	**20,565**	19,562
DEFERRED AND PREPAID REVENUE AND OTHER LIABILITIES	**2,054**	(1,886)
	30,416	35,703

B) FIXED ASSETS

During the year, fixed asset acquisitions amounted to $278,497,000 ($234,656,000 in 2008), $4,764,000 ($5,475,000 in 2008) of which were acquired through capital leases. Disbursements for the acquisition of fixed assets totalled $273,733,000 ($229,181,000 in 2008).

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

(in thousands of dollars)	**2009** **$**	2008 $
CASH	**23,760**	37,472
CASH EQUIVALENTS(1)	**15,698**	–
	39,458	37,472

(1) TERM DEPOSIT OF €10,000,000, 0.67%, MATURING ON SEPTEMBER 14, 2009.

D) OTHER INFORMATION

(in thousands of dollars)	**2009** **$**	2008 $
FINANCIAL EXPENSE PAID	**63,862**	65,608
INCOME TAXES PAID	**37,210**	3,585

18. EMPLOYEE FUTURE BENEFITS

The Company and its Canadian subsidiaries offer their employees contributory defined benefit pension plans, a defined contribution pension plan or collective registered retirement savings plans. With respect to the last two plans, the Company and its subsidiaries' obligations are limited to the payment of the monthly employer's portion. Expenses related to these two plans amounted to $4,038,000 in fiscal 2009 ($3,110,000 in 2008).

The defined benefit pension plans provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Company and its subsidiaries offer certain executives a supplementary pension plan. The Company measures plan assets at fair value and the accrued benefit obligation as at August 31 of each year for all plans. The most recent actuarial valuation of the pension plans was as of November 27, 2008 and the next required valuation will be as of August 31, 2009.

The total cash amount paid or payable for employee future benefits for all plans, consisting of cash contributed by the Company and its subsidiaries to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plans, totalled $6,519,000 for the year ended August 31, 2009 ($4,387,000 in 2008).

The following table provides a reconciliation of the change in the plan benefit obligations and plan assets at fair value and a statement of the funded status as at August 31:

(in thousands of dollars)	2009 $	2008 $
ACCRUED BENEFIT OBLIGATION		
ACCRUED BENEFIT OBLIGATION, BEGINNING OF YEAR	**32,713**	31,238
CURRENT SERVICE COST	**1,638**	1,613
PAST SERVICE COST	**672**	141
INTEREST COST	**2,082**	1,800
CONTRIBUTIONS BY PLAN PARTICIPANTS	**359**	417
BENEFITS PAID	**(1,548)**	(1,214)
ACTUARIAL LOSS (GAIN) ON OBLIGATION	**964**	(1,282)
ACCRUED BENEFIT OBLIGATION, END OF YEAR	**36,880**	32,713
PLAN ASSETS AT FAIR VALUE		
PLAN ASSETS AT FAIR VALUE, BEGINNING OF YEAR	**16,799**	17,041
ACTUAL LOSS ON PLAN ASSETS	**(178)**	(722)
CONTRIBUTIONS BY PLAN PARTICIPANTS	**359**	417
EMPLOYER CONTRIBUTIONS	**2,481**	1,277
BENEFITS PAID	**(1,548)**	(1,214)
PLAN ASSETS AT FAIR VALUE, END OF YEAR	**17,913**	16,799
FUNDED STATUS		
PLAN ASSETS AT FAIR VALUE	**17,913**	16,799
ACCRUED BENEFIT OBLIGATION	**36,880**	32,713
PLAN DEFICIT	**18,967**	15,914
UNAMORTIZED ACTUARIAL LOSSES	**(8,705)**	(6,871)
UNAMORTIZED PAST SERVICE COST	**(880)**	(286)
NET ACCRUED BENEFIT LIBILITY	**9,382**	8,757

The accrued benefit liability is included in the Company's balance sheet under "Pension plans liabilities and accrued employee benefits".

(in thousands of dollars)	2009 $	2008 $
DEFINED BENEFIT PENSION COSTS		
CURRENT SERVICE COST	**1,638**	1,613
PAST SERVICE COST	**672**	141
INTEREST COST	**2,082**	1,800
ACTUAL LOSS ON PLANS' ASSETS	**178**	722
ACTUARIAL LOSS (GAIN) ON OBLIGATION	**964**	(1,282)
COST BEFORE ADJUSTMENTS TO RECOGNIZE THE LONG-TERM NATURE OF EMPLOYEE FUTURE BENEFITS	**5,534**	2,994
DIFFERENCE BETWEEN PAST SERVICE COST AND AMORTIZATION OF PAST SERVICE COST	**(594)**	(122)
DIFFERENCE BETWEEN EXPECTED RETURN AND ACTUAL LOSS ON PLANS' ASSETS	**(1,279)**	(1,876)
DIFFERENCE BETWEEN ACTUARIAL LOSS (GAIN) AND AMORTIZATION OF NET ACTUARIAL LOSS	**(555)**	1,660
NET BENEFIT COST	**3,106**	2,656

Plan assets consist of:

	2009 %	2008 %
EQUITY SECURITIES	**53**	53
DEBT SECURITIES	**46**	45
OTHER	**1**	2
TOTAL	**100**	100

The significant weighted average assumptions used in measuring the Company's pension and other obligations are as follows:

	2009 %	2008 %
ACCRUED BENEFIT OBLIGATION		
DISCOUNT RATE	**6.25**	**6.00**
RATE OF COMPENSATION INCREASE	**4.50**	**4.50**
DEFINED BENEFIT PENSION COSTS		
DISCOUNT RATE	**6.00**	**5.50**
EXPECTED LONG-TERM RATE OF RETURN ON PLANS' ASSETS	**6.75**	**7.00**
RATE OF COMPENSATION INCREASE	**4.50**	**4.75**

19. 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 August 31, 2009, management believes that the credit risk relating to its swaps is minimal, since the lowest credit rating of the counterparties to the agreements is A.

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

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

(in thousands of dollars)	**2009** **$**	2008 $
TRADE ACCOUNTS RECEIVABLE	**75,044**	73,160
ALLOWANCE FOR DOUBTFUL ACCOUNTS	**(17,261)**	(13,181)
	57,783	59,979
OTHER ACCOUNTS RECEIVABLE	**8,293**	4,931
	66,076	64,910

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.

(in thousands of dollars)	**2009** **$**	2008 $
NET TRADE ACCOUNTS RECEIVABLE NOT PAST DUE	**43,136**	43,659
NET TRADE ACCOUNTS RECEIVABLE PAST DUE	**14,647**	16,320
	57,783	59,979

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2009, the available amount of the Company's Term Facilities was $684 million. Management believes that the committed Term Facilities will, until their maturities in July 2011 and December 2011, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

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

	2010	2011	2012	2013	2014	Thereafter	Total
	$	$	$	$	$	$	$
BANK INDEBTEDNESS	416	–	–	–	–	–	416
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	255,281	–	–	–	–	–	255,281
LONG-TERM DEBT[1]	41,044	172,120	184,500	–	300,000	363,050	1,060,714
DERIVATIVE FINANCIAL INSTRUMENTS							
CASH OUTFLOWS (CANADIAN DOLLAR)	–	–	–	–	–	201,875	201,875
CASH INFLOWS (CANADIAN DOLLAR EQUIVALENT OF US DOLLAR)	–	–	–	–	–	(208,050)	(208,050)
OBLIGATIONS UNDER CAPITAL LEASES[2]	4,251	3,299	2,284	878	6	–	10,718
	300,992	175,419	186,784	878	300,006	356,875	1,320,954

[1] PRINCIPAL EXCLUDING OBLIGATIONS UNDER CAPITAL LEASES.
[2] INCLUDING INTEREST.

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that are due for each of the next five years and thereafter, based on the principal and interest rate prevailing on the current debt at August 31, 2009 and their respective maturities:

	2010	2011	2012	2013	2014	Thereafter	Total
	$	$	$	$	$	$	$
INTEREST PAYMENTS ON LONG-TERM DEBT	59,004	58,352	44,868	42,530	38,067	53,621	296,442
INTEREST PAYMENTS ON DERIVATIVE FINANCIAL INSTRUMENTS	18,766	17,445	14,614	14,614	14,614	15,831	95,884
INTEREST RECEIPTS ON DERIVATIVE FINANCIAL INSTRUMENTS	(16,400)	(15,816)	(14,564)	(14,564)	(14,564)	(15,776)	(91,684)
	61,370	59,981	44,918	42,580	38,117	53,676	300,642

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 August 31, 2009, all of the Company's long-term debt was at fixed rate, except for the Company's Term Facilities. However, on January 21, 2009, the Company's subsidiary, Cogeco Cable Inc., entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to the Euro-denominated Term Loan facilities for a notional amount of €111.5 million. The interest swap rate to hedge the Term Loans has been fixed at 2.08% until their maturity of July 28, 2011. The notional value of the swap will decrease in line with the amortization schedule of the Term Loans. In addition to the interest swap rate of 2.08%, the Company's subsidiary will continue to pay the applicable margin on these Term Loans in accordance with the Term Facility. The Company's

subsidiary elected to apply cash flow hedge accounting on this derivative financial instrument. The sensitivity of the Company's annual financial expense to a variation of 1% in the interest rate applicable to the Term Facilities is approximately $0.7 million based on the current debt at August 31, 2009 and taking into consideration the effect of the interest rate swap agreement.

FOREIGN EXCHANGE RISK

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

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 August 31, 2009, cash and cash equivalents denominated in US dollars amounted to US$5,555,000 (bank indebtedness of US$286,000 at August 31, 2008) while accounts payable denominated in US dollars amounted to US$14,997,000 (US$16,121,000 at August 31, 2008). At August 31, 2009, Euro-denominated bank indebtedness amounted to €299,000 (cash and cash equivalents of €219,000 at August 31, 2008) while accounts payable denominated in Euros amounted to €26,000 (€163,000 at August 31, 2008). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant, except for the unusual high volatility of the US dollar compared to the Canadian dollar during fiscal 2009. During the year ended August 31, 2009, the exchange rate increased from $1.0620 at August 31, 2008, to $1.0950 at August 31, 2009, reaching a high of $1.2991 on March 9, 2009. The impact of a 10% change in the foreign exchange rates (US dollar and Euros) would change financial expense by approximately $1.1 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 values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão-Televisão por Cabo, S.A. was borrowed directly in Euros. At August 31, 2009, the net investment amounted to €183,220,000 (€446,051,000 at August 31, 2008) while long-term debt denominated in Euros amounted to €135,772,000 (€237,455,000 at August 31, 2008). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at August 31, 2009 was $1.5698 per Euro compared to $1.5580 per Euro at August 31, 2008. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change financial expense by approximately $0.5 million and other comprehensive income by approximately $7.4 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 uses the following methods and assumptions to evaluate fair value of financial instruments.

Cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities
The carrying amount in the consolidated balance sheets approximates fair value because of the short-term nature of these instruments.

Long-term debt

a) Financial expense under the terms of the Company's Term Facilities are based upon banker's acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus stamping fees. Therefore, the carrying value is considered to represent fair value for the Term Facilities.

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

c) The carrying values of obligations under capital leases approximate the fair value of these financial instruments due to their terms.

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

	2009		2008	
	CARRYING AMOUNT	**ESTIMATED FAIR VALUE**	CARRYING AMOUNT	ESTIMATED FAIR VALUE
(in thousands of dollars)	**$**	**$**	$	$
LONG-TERM DEBT	**1,063,964**	**1,126,449**	1,073,913	1,068,469

B) CAPITAL MANAGEMENT

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

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

The provisions under the Term Facilities provide for restrictions on the operations and activities of the Company. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. At August 31, 2009 and 2008, the Company was in compliance with all debt covenants and was not subject to any other externally imposed capital requirements.

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

	2009	2008
NET INDEBTEDNESS(1) / SHAREHOLDERS' EQUITY	**3.0**	2.7
NET INDEBTEDNESS(1) / OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION	**1.9**	2.5
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION / FINANCIAL EXPENSE	**7.6**	6.3

(1) NET INDEBTEDNESS IS DEFINED AS THE TOTAL OF BANK INDEBTEDNESS, PRINCIPAL ON LONG-TERM DEBT AND OBLIGATIONS UNDER DERIVATIVE FINANCIAL INSTRUMENTS, LESS CASH AND CASH EQUIVALENTS.

20. DISCONTINUED OPERATIONS

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

Effective December 18, 2007, the Company has ceased to consolidate the financial statements of the TQS Group. Accordingly, the results of operations and cash flows for the period of September 1, 2007 to December 18, 2007, have been reclassified as discontinued operations. The results of the discontinued operations were as follows:

(in thousands of dollars)	**2009** **$**	2008 $
REVENUE	–	38,499
OPERATING COSTS	–	35,822
OPERATING INCOME BEFORE AMORTIZATION	–	2,677
AMORTIZATION	–	1,364
OPERATING INCOME	–	1,313
FINANCIAL EXPENSE	–	291
IMPAIRMENT OF ASSETS	–	30,298
LOSS BEFORE INCOME TAXES AND THE FOLLOWING ITEMS	–	(29,276)
INCOME TAXES	–	–
NON-CONTROLLING INTEREST	–	(11,219)
LOSS FROM DISCONTINUED OPERATIONS	–	(18,057)

21. COMMITMENTS, CONTINGENCIES AND GUARANTEES

COMMITMENTS

Lease agreements and other long-term contracts

As at August 31, 2009, the Company and its subsidiaries are committed under lease agreements and other long-term contracts to make annual payments as follows:

(in thousands of dollars)	2010 $	2011 $	2012 $	2013 $	2014 $	2015 AND THEREAFTER $
LEASE AGREEMENTS	15,554	14,902	13,329	12,051	12,151	22,079
OTHER LONG TERM CONTRACTS	8,861	3,989	1,910	680	754	3,750
	24,415	18,891	15,239	12,731	12,905	25,829

Licence conditions

According to radio licences' conditions, Cogeco Diffusion Inc. is committed to contribute for the benefit of Canadian artists, minimum annual amounts of $150,000 beginning September 1, 2003 and $120,000 beginning September 1, 2004 for a total amount of $1,890,000 over a period of seven years. As at August 31, 2009, the remaining amount to be contributed is $53,000 ($660,000 at August 31, 2008).

CONTINGENCIES

The Company and its subsidiaries are involved in matters involving litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be significant to these financial statements.

GUARANTEES

In the normal course of business, the Company and its subsidiaries enter into agreements containing features that meet the criteria of a guarantee including the following:

Stamp taxes and withholding taxes

During fiscal 2008, the Company's subsidiary, Cogeco Cable Inc., issued letters of credit amounting to €1.7 million and €2 million to guarantee the payment by Cabovisão of stamp taxes for the 2000 through 2002 and withholding taxes for the 2004 year assessed

by the Portuguese tax authorities, which are currently being challenged by Cabovisão. Even though the principal amounts in dispute are fully recorded in the books of its subsidiary Cabovisão, the Company's subsidiary may be required to pay the amounts following final judgements, up to a maximum aggregate amount of €3.7 million ($5.8 million), should Cabovisão fail to pay such required amounts.

Business acquisitions and asset disposals
In connection with the acquisition or sale of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Company's subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Inc., have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale. The term and amount of such indemnification will sometimes be limited by the agreement. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. The Company has purchased directors' and officers' liability insurance with a deductible per loss. As at August 31, 2009 and 2008, no liability has been recorded associated with these indemnifications.

Long-term debt
Under the terms of the Term Facility and the Senior Secured Notes, the Company's subsidiary, Cogeco Cable Inc., has agreed to indemnify the other parties against changes in regulations relative to withholding taxes and costs incurred by the lenders due to changes in laws. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents the Company from estimating the maximum potential liability it could be required to pay. As at August 31, 2009 and 2008, no liability has been recorded associated with these indemnifications.

Loan guarantee
The Company's subsidiary, Cogeco Radio-Télévision Inc. has guaranteed the credit facility of a general partnership, Canal Indigo, up to a maximum amount of $500,000, which was fully paid by Cogeco Radio-Télévision Inc. during fiscal 2008.

Employees and contractuals indemnification agreements
The Company's subsidiary, Cogeco Diffusion Inc., indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceeds in which they are named as defending party and arising from the performance of their service. The claims covered by such indemnification are subject to statutory or other legal limitation periods. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Company has purchased employees' and contractual's liability insurance with a deductible per loss. As at August 31, 2009 and 2008, no liability has been recorded associated with these indemnifications.

22. NON-MONETARY TRANSACTIONS

During fiscal year 2009, the Company's subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Inc., have entered into non-monetary transactions. An amount of $6,634,000 ($6,628,000 in 2008) of revenue and $6,973,000 ($6,758,000 in 2008) of operating costs were recorded.

23. SUBSEQUENT EVENTS

A) TAXES FOR MUNICIPAL RIGHTS OF WAY

The Company's subsidiary, Cogeco Cable Inc., had guaranteed the payment by Cabovisão of certain taxes for municipal rights of way assessed by the Municipality of Seixal in Portugal for the years 2004 and 2005, totalling €5.7 million, which were being challenged by Cabovisão. Trustworthy financial guarantees were required under applicable Portuguese law in order for Cabovisão to challenge these amounts and withhold payment thereof until a final judgement, no longer subject to appeal, is rendered by the Portuguese courts having jurisdiction in this matter. On September 29, 2009, Cabovisão and the Municipality of Seixal reached an out-of-court agreement and a final payment in the matter has been made by Cabovisão. Accordingly, Cogeco Cable Inc. has been released of its obligation under the guarantee of payment.

B) CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION PART II LICENCE FEES

Part II licence fees payable to the Canadian Radio-television and Telecommunication Commission ("CRTC") have been the subject of litigation between the members of the Canadian Association of Broadcasters ("CAB"), Videotron Ltd. ("Videotron ") and CF Cable TV Inc. as plaintiffs and the Crown as the defendant. The Company's subsidiary, Cogeco Cable Inc., sought and obtained intervener status in this proceeding with a view of supporting the position of the plaintiffs and protecting its rights to recover past payments of Part II licence fees. On October 7, 2009, the parties reached an out-of-court settlement in the matter whereby the Part II licence fees for the 2007 through 2009 fiscal years have been waived by the federal government and all pending proceedings discontinued. Accordingly, the Company's subsidiaries, Cogeco Cable Inc. and Cogeco Diffusion Inc., have reversed their provisions for the Part II licence fees payable for the 2007 through 2009 fiscal years for an aggregate amount of $21.3 million in the current fiscal year. The settlement agreement also provides that the federal government will recommend that the CRTC develop a new, forward-looking fee regime that would be capped at $100 million per year for the aggregate Part II licence fee liability of broadcasting licencees, to be indexed annually based on the Consumer price index.

24. COMPARATIVE FIGURES

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

FIVE-YEAR FINANCIAL HIGHLIGHTS

YEARS ENDED AUGUST 31, (in thousands of dollars, except other statistics and per share data)	**2009** **$**	2008[1][2] $	2007[2] $	2006[2][3] $	2005[2] $
OPERATIONS					
REVENUE	**1,252,794**	1,108,900	969,335	646,750	572,691
OPERATING INCOME FROM CONTINUING OPERATIONS BEFORE AMORTIZATION[4]	**532,013**	448,922	371,133	260,289	229,865
OPERATING INCOME FROM CONTINUING OPERATIONS	**261,013**	219,198	179,912	137,694	103,816
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	**399,648**	–	–	–	–
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(78,525)**	43,165	85,623	27,934	10,473
LOSS FROM DISCONTINUED OPERATIONS	**–**	(18,057)	(10,883)	(4,833)	(30,286)
NET INCOME (LOSS)	**(78,525)**	25,108	74,740	23,101	(19,813)
ADJUSTED NET INCOME[4][5]	**36,895**	35,256	22,437	19,921	10,473
CASH FLOW					
CASH FLOW FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	**437,223**	398,491	210,562	200,192	198,110
CASH FLOW FROM OPERATIONS FROM CONTINUING OPERATIONS[4]	**406,807**	362,788	283,565	199,166	172,644
FREE CASH FLOW[4]	**101,018**	100,436	29,424	34,266	44,344
FINANCIAL CONDITION					
FIXED ASSETS	**1,305,769**	1,261,610	1,123,270	1,025,770	701,975
TOTAL ASSETS	**2,704,679**	3,059,481	2,836,759	2,649,263	1,801,874
INDEBTEDNESS[6]	**1,064,542**	1,166,523	1,053,583	1,337,860	717,019
SHAREHOLDERS' EQUITY	**340,016**	421,026	392,460	319,259	302,589
OTHER STATISTICS					
WEIGHTED AVERAGE NUMBER OF OUSTANDING SHARES	**16,756,610**	16,684,809	16,605,828	16,507,666	16,419,584
PER SHARE DATA[7]					
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(4.69)**	2.59	5.16	1.69	0.64
LOSS FROM DISCONTINUED OPERATIONS	**–**	(1.08)	(0.66)	(0.29)	(1.84)
NET INCOME (LOSS)	**(4.69)**	1.50	4.50	1.40	(1.21)
ADJUSTED NET INCOME[4]	**2.20**	2.11	1.35	1.21	0.64

(1) INCLUDES THE RESULTS OF COGECO DATA SERVICES INC. ("CDS") SINCE THE DATE OF ACQUISITION OF CONTROL BY COGECO CABLE ON JULY 31, 2008.
(2) CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION. FINANCIAL INFORMATION FOR THE PREVIOUS YEARS HAS BEEN RESTATED TO REFLECT THE PRESENTATION OF FOREIGN EXCHANGE GAINS OR LOSSES AS FINANCIAL EXPENSE INSTEAD OF OPERATING COSTS. THE COMPARATIVE FIGURES ALSO REFLECT THE RECLASSIFICATION OF DISCONTINUED OPERATIONS. PLEASE REFER TO NOTE 20 ON PAGE 82 OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR FURTHER DETAILS.
(3) INCLUDES THE RESULTS OF CABOVISÃO – TELEVISÃO POR CABO, S.A. SINCE THE DATE OF ACQUISITION OF CONTROL BY COGECO CABLE ON AUGUST 1, 2006.
(4) 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 FURTHER DETAILS, PLEASE CONSULT THE "NON-GAAP FINANCIAL MEASURES" SECTION ON PAGE 37 OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS.
(5) IN ADDITION TO THE ADJUSTMENTS DESCRIBED IN THE "NON-GAAP FINANCIAL MEASURES" SECTION OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS, NET INCOME FOR THE 2007 FISCAL YEAR HAS BEEN ADJUSTED TO REMOVE A GAIN ON DILUTION RESULTING FROM THE ISSUANCE OF SHARES BY A SUBSIDIARY OF $57.9 MILLION AND INCOME TAX ADJUSTMENTS OF $5.3 MILLION RELATED TO THE RECOGNITION OF BENEFITS STEMMING FROM PRIOR YEARS' INCOME TAX LOSSES AND MINIMUM INCOME TAX PAID, AND A REDUCTION OF CANADIAN FEDERAL ENACTED INCOME TAX RATES NET OF NON-CONTROLLING INTEREST, AND NET INCOME FOR THE 2006 FISCAL YEAR HAS BEEN ADJUSTED TO REMOVE INCOME TAX ADJUSTMENTS OF $8 MILLION RELATED TO THE REDUCTION OF CANADIAN FEDERAL ENACTED INCOME TAX RATES NET OF NON-CONTROLLING INTEREST.
(6) INDEBTEDNESS IS DEFINED AS THE TOTAL OF BANK INDEBTEDNESS, PRINCIPAL ON LONG-TERM DEBT AND OBLIGATIONS UNDER DERIVATIVE FINANCIAL INSTRUMENTS.
(7) PER MULTIPLE AND SUBORDINATE VOTING SHARE.

INVESTOR INFORMATION

CONSOLIDATED CAPITALIZATION

AS AT AUGUST 31, **(in thousands of dollars)**	**2009** **$**	2008 $	2007[1] $
INDEBTEDNESS[2]	**1,064,542**	1,166,523	1,053,583
SHAREHOLDERS' EQUITY	**340,016**	421,026	392,460
TOTAL	**1,404,558**	1,587,549	1,446,043

(1) THE COMPARATIVE FIGURES REFLECT THE RECLASSIFICATION OF DISCONTINUED OPERATIONS. PLEASE REFER TO NOTE 20 ON PAGE 82 OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR FURTHER DETAILS.
(2) INDEBTEDNESS IS DEFINED AS THE TOTAL OF BANK INDEBTEDNESS, PRINCIPAL ON LONG-TERM DEBT AND OBLIGATIONS UNDER DERIVATIVE FINANCIAL INSTRUMENTS.

CREDIT RATINGS OF COGECO CABLE

On April 9, 2009, Standard & Poor's Ratings Services ("S&P") revised Cogeco Cable's outlook to "stable" from "positive". On January 17, 2008, Fitch Ratings ("Fitch") initiated rating coverave on Cogeco Cable.

AS AT AUGUST 31, 2009	**S&P**	**Fitch**	**DBRS**
SENIOR SECURED NOTES AND DEBENTURES	**BBB–**	**BBB–**	**BBB (LOW)**

SHARE INFORMATION

AS AT AUGUST 31, 2009		REGISTRAR / TRANSFER AGENT
NUMBER OF MULTIPLE VOTING SHARES (20 VOTES PER SHARE) OUTSTANDING	**1,842,860**	COMPUTERSHARE TRUST COMPANY OF CANADA
NUMBER OF SUBORDINATE VOTING SHARES (1 VOTE PER SHARE) OUTSTANDING	**14,942,470**	100 UNIVERSITY AVENUE, 9TH FLOOR
		TORONTO, ON M5J 2Y1 TEL.: 514-982-7555
STOCK EXCHANGE LISTING	THE TORONTO STOCK EXCHANGE	TEL.: 1 800-564-6253
TRADING SYMBOL	CGO	FAX: 416-263-9394

DIVIDEND POLICY

The Company declared an annual eligible dividend of $0.32 during fiscal 2009 composed of quarterly eligible dividends of $0.08 (quarterly eligible dividends of $0.07 per share totalling $0.28 per share, on an annual basis, was paid in fiscal 2008) to the holders of subordinate voting shares and multiple voting shares. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Company based upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, their amount and frequency may vary.

TRADING STATISTICS

QUARTERS ENDED	NOV. 30	FEB. 28	MAY 31	AUG. 31	2009 TOTAL
(in dollars, except subordinate voting share volumes)	$	$	$	$	
THE TORONTO STOCK EXCHANGE					
HIGH	34.85	26.50	25.20	23.00	
LOW	17.99	17.50	20.61	19.32	
CLOSE	20.25	22.65	22.51	20.06	
VOLUME (SHARES)	785,569	1,378,391	789,855	758,302	3,712,117

QUARTERS ENDED	NOV. 30	FEB. 29	MAY 31	AUG. 31	2008 TOTAL
(in dollars, except subordinate voting share volumes)	$	$	$	$	
THE TORONTO STOCK EXCHANGE					
HIGH	41.00	39.59	34.99	34.86	
LOW	34.01	29.50	26.77	29.93	
CLOSE	34.23	30.25	31.81	34.26	
VOLUME (SHARES)	1,003,007	1,448,300	1,477,591	675,036	4,603,934

CABLE SECTOR CUSTOMER STATISTICS

NUMBER OF CUSTOMERS	**2009**	2008	2007	2006[1]	2005
HOMES PASSED					
CANADA[2]	**1,565,145**	1,531,611	1,484,090	1,476,904	1,448,733
PORTUGAL[3]	**905,129**	895,923	859,376	826,369	–
TOTAL	**2,470,274**	2,427,534	2,343,466	2,303,273	1,448,733
HOMES CONNECTED[4]					
CANADA	**944,634**	933,838	917,524	894,385	876,490
PORTUGAL	**269,022**	308,553	304,939	274,798	–
TOTAL	**1,213,656**	1,242,391	1,222,463	1,169,183	876,490
REVENUE-GENERATING UNITS					
CANADA[5]	**2,159,863**	1,991,908	1,788,508	1,555,936	1,347,733
PORTUGAL	**732,375**	724,966	697,157	629,041	–
TOTAL	**2,892,238**	2,716,874	2,485,665	2,184,977	1,347,733
BASIC CABLE SERVICE CUSTOMERS					
CANADA	**864,805**	857,094	849,157	833,177	821,433
PENETRATION AS A PERCENTAGE OF HOMES PASSED	**55.3%**	56.0%	57.2%	56.4%	56.7%
PORTUGAL	**259,480**	296,135	294,003	269,694	–
PENETRATION AS A PERCENTAGE OF HOMES PASSED	**28.7%**	33.1%	34.2%	32.6%	–
TOTAL	**1,124,285**	1,153,229	1,143,160	1,102,871	821,433
HSI SERVICE CUSTOMERS					
CANADA	**515,052**	473,467	415,836	343,080	277,648
PENETRATION AS A PERCENTAGE OF BASIC CABLE[6]	**62.0%**	57.7%	52.2%	44.3%	37.7%
PORTUGAL	**143,614**	159,301	160,023	136,278	–
PENETRATION AS A PERCENTAGE OF BASIC CABLE[6]	**55.3%**	53.8%	54.4%	50.5%	–
TOTAL	**658,666**	632,768	575,859	479,358	277,648
DIGITAL TELEVISION SERVICE CUSTOMERS					
CANADA[4]	**498,398**	441,746	379,879	327,364	247,204
PENETRATION AS A PERCENTAGE OF BASIC CABLE[6]	**58.5%**	52.4%	45.8%	40.0%	30.7%
PORTUGAL	**102,753**	24,452	–	–	–
PENETRATION AS A PERCENTAGE OF BASIC CABLE[6]	**39.6%**	8.3%	–	–	–
TOTAL	**601,151**	466,198	379,879	327,364	247,204
TELEPHONY SERVICE					
CANADA	**281,608**	219,601	143,636	52,315	1,448
PENETRATION AS PERCENTAGE OF BASIC CABLE[6]	**36.1%**	30.5%	21.7%	10.4%	0.2%
PORTUGAL	**226,528**	245,078	243,131	223,069	–
PENETRATION AS PERCENTAGE OF BASIC CABLE[6]	**87.3%**	82.8%	82.7%	82.7%	–
TOTAL	**508,136**	464,679	386,767	275,384	1,448

(1) INCLUDES THE NUMBER OF CUSTOMERS OF CABOVISÃO SINCE THE DATE OF ACQUISITION OF CONTROL ON AUGUST 1, 2006
(2) AN AUDIT OF HOMES PASSED IN ONTARIO WAS COMPLETED DURING FISCAL 2007 AND, AS A RESULT, THE NUMBER OF HOMES PASSED WAS REDUCED BY 42,386.
(3) COGECO CABLE IS CURRENTLY ASSESSING THE NUMBER OF HOMES PASSED.
(4) HSI AND TELEPHONY SERVICE CUSTOMERS WHO DO NOT SUBSCRIBE TO OTHER CABLE SERVICES AND BASIC CABLE SERVICE CUSTOMERS.
(5) THE NUMBER OF DIGITAL TELEVISION SERVICE CUSTOMERS FOR FISCAL 2005 WAS RESTATED TO REFLECT CHANGES BROUGHT ABOUT BY COGECO CABLE'S BILLING IMPROVEMENT PROGRAM, WHICH HAS ALLOWED COGECO CABLE TO IDENTIFY DIGITAL TELEVISION CUSTOMER ACCOUNTS THAT WERE NOT CANCELLED WHEN THEY BECAME INACTIVE. THIS CHANGE RESULTED IN A DOWNWARD ADJUSTMENT OF 8,085 CUSTOMERS AS AT AUGUST 31, 2005.
(6) CALCULATED ON THE BASIS OF THE SYSTEMS WHERE THE SERVICE IS OFFERED.

	HOMES PASSED	BASIC CABLE SERVICE	
		CUSTOMERS	% OF PENETRATION(1)
BREAKDOWN			
ONTARIO	**1,049,818**	**597,651**	**56.9**
QUÉBEC	**515,327**	**267,154**	**51.8**
CANADA	**1,565,145**	**864,805**	**55.3**
PORTUGAL(2)	**905,129**	**259,480**	**28.7**
TOTAL	**2,470,274**	**1,124,285**	**45.5**

(1) AS A PERCENTAGE OF HOMES PASSED.
(2) COGECO CABLE IS CURRENTLY ASSESSING THE NUMBER OF HOMES PASSED.

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

●▲◆★ **JAN PEETERS**
Montréal (Québec)
President and Chief Executive Officer
Board Chair
Olameter Inc.
Board Chair

★ **LOUIS AUDET**, Eng., MBA
Westmount (Québec)
President and Chief Executive Officer
COGECO Inc. and Cogeco Cable Inc.
Director

★ **MARIO BERTRAND**
Monaco
Managing Partner
OMC Ltd and Wolfgang Entertainment Inc.
Director

●▲◆ **JACQUELINE L. BOUTET**, C.M., M.M., ICD-D
Montréal (Québec)
President
Jacqueline L. Boutet Inc.
Director

● **ANDRÉ BROUSSEAU**, B.A., B.PED., L.PÉD.L.
Trois-Rivières (Québec)
Corporate Director
Director

●◆ **PIERRE L. COMTOIS**, B. SC., COM., ADM. A.
Montréal (Québec)
Vice-Chairman of the Board and Chief Investment Officer
Optimum Asset Management Inc.
Director

▲★ **CLAUDE A. GARCIA**, B.A., B. COM.
Montréal (Québec)
Corporate Director
Director

▲★ **GERMAINE GIBARA**, MA., CFA
Montréal (Québec)
President
Avvio Management Inc.
Director

◆★ **DAVID MCAUSLAND**, B.C.L., LL.B.
Beaconsfield (Québec)
Partner
McCarthy Tétreault
Director

LEGEND :

● MEMBER OF THE AUDIT COMMITTEE
▲ MEMBER OF THE HUMAN RESOURCES COMMITTEE
◆ MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE
★ MEMBER OF THE STRATEGIC OPPORTUNITIES COMMITTEE

CORPORATE MANAGEMENT

LOUIS AUDET
President and Chief Executive Officer

ELIZABETH ALVES
Senior Director, Internal Audit

MARIE CARRIER
Director, Corporate Communications

PIERRE GAGNÉ
Senior Vice President and Chief Financial Officer

CHRISTIAN JOLIVET
Chief Legal Officer and Secretary

YVES MAYRAND
Vice President, Corporate Affairs

ÉRIC SIMON
Director, Financial Planning

ALEX TESSIER
Treasurer

CORPORATE INFORMATION

HEAD OFFICE
5 Place Ville Marie
Suite 1700
Montréal (Québec)
H3B 0B3
Tel.: 514-764-4700
Fax: 514-874-2625
www.cogeco.ca

ANNUAL MEETING
The Annual Shareholders Meeting will be held at 4 p.m. on Wednesday, December 16, 2009, at the Stock Exchange Tower, 800 Square Victoria, 4th floor, Montréal (Québec).

AUDITORS
Samson Bélair/Deloitte & Touche, s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montréal (Québec)
H3B 4T9

LEGAL COUNSEL
Fraser Milner Casgrain LLP
1 Place Ville Marie
Suite 3900
Montréal (Québec)
H3B 4M7

QUARTER ENDS
November, February, May

YEAR-END
August 31

INQUIRIES

The Annual Report, Annual Information Form and Quarterly Reports are available in the Investor Relations section of the Company's website (*www.cogeco.ca*) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle et des rapports trimestriels sont disponibles à la section Relations avec les investisseurs du site Internet de la Compagnie (www.cogeco.ca) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

For financial information about the Company, please contact the Department of Finance.

SHAREHOLDERS

For any inquiries other than a change of address, financial information or a change of registration of shares, please contact the Legal Affairs Department of the Company.

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

WHISTLE BLOWING PROCEDURES REGARDING ACCOUNTING, INTERNAL ACCOUNTING CONTROLS OR AUDITING MATTERS

Any employee of COGECO Inc., or of any of its subsidiaries, with concerns regarding questionable accounting or auditing matters may submit a complaint on such concerns on a confidential basis, with protection from reprisals, to the Chief Legal Officer of the Company, or directly to the Board Chair where there is reason to believe that an organized offence has been authorized at a high level or that reprisals would be authorized at a high level. These complaints will be reviewed as to substance and materiality under the direction of the Audit Committee and the oversight of the Chief Legal Officer or the Board Chair as the case may be, and the Internal Auditor or such other persons as the Audit Committee determines to be appropriate.

SUBSIDIARIES AND OPERATING UNITS

CABLE SECTOR

COGECO CABLE INC.

5 Place Ville Marie
Suite 1700
Montréal (Québec) H3B 0B3
Tel.: 514-764-4700
Fax: 514-874-2625
www.cogeco.ca

J. FRANÇOIS AUDET
Vice President, Telecommunications

FRANÇOIS BEAULIEU
Vice President and Chief Information Officer

DENIS BÉLANGER
Vice President and Special Advisor
Technology Development

JACQUES GRAVEL
Vice President, Network Operations

JULES GRENIER
Vice President, Portugal

RENÉ GUIMOND
Vice President, Development, New Media

TONY CICIRETTO
Senior Vice President, Enterprise Services and
President, Cogeco Data Services

CHRIS MACFARLANE
Vice President, Corporate Engineering

RON A. PERROTTA
Vice President, Marketing and Strategic Planning

LOUISE ST-PIERRE
Senior Vice President, Residential Services

OTHER

COGECO DIFFUSION INC.

5 Place Ville Marie
Suite 1700
Montréal (Québec) H3B 0B3
Tel.: 514-764-4700
Fax: 514-874-2625
www.cogeco.ca

RICHARD LACHANCE
Vice President, Radio

RYTHME FM NETWORK
ANDRÉ ST-AMAND
Vice President, Programming

105.7 RYTHME FM
Laval/Montréal (Québec)
RICHARD LACHANCE
General Manager

91.9 RYTHME FM
Québec (Québec)
JEAN-PAUL LEMIRE
General Manager

93.7 RYTHME FM
Estrie (Québec)
ANDRÉ DAVID
General and Sales Manager

100.1 RYTHME FM
Mauricie (Québec)
SYLVIE LALIBERTÉ
General Manager

FM 93
Québec (Québec)
JEAN-PAUL LEMIRE
General Manager

COGECO
WWW.COGECO.CA