PRESS RELEASE
For immediate release

Cogeco Cable reports strong first quarter results and improves its fiscal 2011 guidelines

Montréal, January 13, 2011 – Today, Cogeco Cable Inc. (TSX: CCA) ("Cogeco Cable" or the "Corporation") announced its financial results for the first quarter of fiscal 2011, ended November 30, 2010.

For the first quarter of fiscal 2011:

- Revenue increased by 4.5% to reach $331.5 million;
- Operating income before amortization[(1)] increased by 5.6% to $129.4 million when compared to the first quarter of fiscal 2010;
- Operating margin[(1)] increased to 39% from 38.6% in the first quarter when compared to the same period of the prior year. The growth in the operating margin primarily reflects rate increases implemented in the second half of the 2010 fiscal year, partly offset by the continued impact of the retention strategies and additional marketing activities in the European operations;
- Net income amounted to $33.6 million compared to $56.7 million for the same period of the previous fiscal year. In the first quarter of the prior fiscal year, net income included a favourable income tax adjustment of $29.8 million related to the reduction of Ontario provincial corporate income tax rates for the Canadian operations. Excluding this adjustment, first quarter net income progression in fiscal 2011 amounted to $6.8 million, or 25.1% when compared to the adjusted net income[(1)] of $26.9 million in the first quarter of fiscal 2010;
- In the first quarter of the year, a negative free cash flow[(1)] of $30 million was posted which included the recognition of current income tax expense of $78.1 million primarily attributable to the 2010 fiscal year, as a result of previous modifications made to the corporate structure. For the same period of last year, a positive free cash flow of $62 million was generated which included a one-time tax recovery of $22.2 million also stemming from the modified corporate structure;
- A dividend of $0.17 per share was paid to the holders of subordinate and multiple voting shares, an increase of $0.03 per share, or 21.4%, when compared to a dividend of $0.14 per share the year before;
- Revenue-generating units ("RGU")[(2)] grew by 90,869 net additions in the quarter, for a total of 3,270,218 RGU at November 30, 2010.

"Cogeco Cable has improved most of its key indicators in the first quarter which represents a positive start for the Corporation's 2011 fiscal year. Our Canadian operations grew steadily, adding 70,690 RGU in the first quarter. In Portugal, growth across all services generated 20,179 RGU in this quarter illustrating that our strategies to retain and attract customers have proved effective despite the difficult competitive environment. With these positive results, we have revised most of our guidelines for the 2011 fiscal year. Projected RGU growth, operating income before amortization and free cash flow have been increased to reflect the expected trend generated by the strong financial results we delivered in this quarter. We are pleased with our financial results to date and will continue to strive to be the first choice for telecommunications services to the customers in all of our territories", declared Louis Audet, President and CEO of Cogeco Cable.

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

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

FINANCIAL HIGHLIGHTS

($000, except percentages and per share data)	Quarters ended November 30, **2010** **$** **(unaudited)**	2009 $ (unaudited)	Change %
Operations			
Revenue	**331,519**	317,365	4.5
Operating income before amortization[1]	**129,428**	122,606	5.6
Operating margin[1]	**39.0%**	38.6%	–
Operating income	**66,438**	57,041	16.5
Net income	**33,637**	56,666	(40.6)
Adjusted net income[1]	**33,637**	26,884	25.1
Cash Flow			
Cash flow from operating activities	**55,003**	(3,618)	–
Cash flow from operations[1]	**36,433**	130,229	(72.0)
Capital expenditures and increase in deferred charges	**66,447**	68,221	(2.6)
Free cash flow[1]	**(30,014)**	62,008	–
Financial Condition[2]			
Fixed assets	**1,326,099**	1,325,077	0.1
Total assets	**2,847,210**	2,702,819	5.3
Indebtedness[3]	**1,143,393**	958,939	19.2
Shareholders' equity	**1,159,985**	1,136,301	2.1
RGU growth	**90,869**	89,785	1.2
Per Share Data[4]			
Earnings per share			
Basic	**0.69**	1.17	(41.0)
Diluted	**0.69**	1.16	(40.5)
Adjusted earnings per share[1]			
Basic	**0.69**	0.55	25.5
Diluted	**0.69**	0.55	25.5

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(2) At November 30, 2010 and August 31, 2010.

(3) Indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments. On November 16, 2010, the Corporation completed the issuance of $200 million Senior Secured Debentures Series 2. Proceeds from the issuance were mainly used to redeem the $175 million Senior Secured Notes Series B on December 22, 2010.

(4) Per multiple and subordinate voting share.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Cable's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Cable believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the economic downturn experienced over the past two years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation's expectations. It is impossible for Cogeco Cable to predict with certainty the impact that the current economic downturn may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Corporation's 2010 annual Management's Discussion and Analysis (MD&A)) that could cause actual results to differ materially from what Cogeco Cable currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresee. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

This analysis should be read in conjunction with the Corporation's consolidated financial statements, and the notes thereto, prepared in accordance with Canadian Generally Accepted Accounting Principles and the MD&A included in the Corporation's 2010 Annual Report. Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

CORPORATE STRATEGIES AND OBJECTIVES

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

During the first three months of fiscal 2011, the Corporation invested approximately $30 million in its network infrastructure and equipment to upgrade its capacity, improve its robustness and extend its territories in order to better serve and increase its service offerings for new and existing clientele.

RGU growth and penetration of service offerings

During the first quarter ended November 30, 2010, the number of RGU increased by 90,869, or 2.9%, to reach 3,270,218 RGU, mainly as a result of targeted marketing initiatives in the Canadian operations and customer acquisition and retention strategies in the European operations designed to improve penetration, and to the continuing interest for high definition ("HD") television service. As a result of the strong RGU growth in the first quarter of the year, Cogeco Cable expects to surpass its fiscal 2011 guidelines of 250,000 net additions, and accordingly is revising the RGU growth guideline to 275,000 net additions for the 2011 fiscal year, representing growth of approximately 8.6% when compared to August 31, 2010. RGU growth is expected to stem primarily from the continued strong interest in Digital Television services, enhanced service offerings, and through promotional activities. Please consult the fiscal 2011 revised projections in the "Fiscal 2011 financial guidelines" section for further details.

Operating income before amortization and operating margin

First-quarter operating income before amortization increased by 5.6% when compared to the first quarter of fiscal 2010 to reach $129.4 million and operating margin increased to 39% from 38.6%. Primarily as a result of the increase in the RGU growth guideline, Management has increased the projection for fiscal 2011 operating income before amortization to $545 million, an increase of $15 million, or 2.8% over the projection of $530 million in operating income before amortization issued on October 27, 2010. This increase in operating income before amortization is expected to result in an operating margin of approximately 40.1% for the 2011 fiscal year, compared to 39.6% as issued on October 27, 2010. Please consult the fiscal 2011 revised projections in the "Fiscal 2011 financial guidelines" section for further details.

Free cash flow

For the three-month period ended November 30, 2010, Cogeco Cable reports negative free cash flow of $30 million, compared to positive free cash flow of $62 million for the first quarter of the previous fiscal year, representing a decrease of $92 million. The negative free cash flow in the first quarter of fiscal 2011 reflects the timing of the recognition of income tax liabilities as a result of modifications made to the corporate structure in fiscal 2009, and will return to positive free cash flow in the second quarter of the fiscal year. Mainly as a result of the improvement of the operating income before amortization, Management expects an increase in cash flow from operations[(1)] in fiscal 2011 while the increase in capital expenditures and increase in deferred charges should remain unchanged from the October 27, 2010 guidance. Management has revised its free cash flow guidelines for fiscal 2011 to $70 million, an increase of $15 million, or 27.3%, when compared to the free cash flow guideline of $55 million issued on October 27, 2010. Please consult the fiscal 2011 revised projections in the "Fiscal 2011 financial guidelines" section for further details.

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

OPERATING RESULTS – CONSOLIDATED OVERVIEW

	Quarters ended November 30,		
	2010	2009	Change
($000, except percentages)	**$**	$	%
	(unaudited)	(unaudited)	
Revenue	**331,519**	317,365	4.5
Operating costs	**195,447**	188,418	3.7
Management fees - COGECO Inc.	**6,644**	6,341	4.8
Operating income before amortization	**129,428**	122,606	5.6
Operating margin	**39.0%**	38.6%	

Revenue

Fiscal 2011 first-quarter revenue rose by $14.2 million, or 4.5%, to reach $331.5 million, when compared to the prior year. For further details on the Corporation's operating results, please refer to the "Canadian operations" and "European operations" sections.

Operating costs

For the first quarter of fiscal 2011, operating costs, excluding management fees payable to COGECO Inc., increased by $7 million, to reach $195.4 million, an increase of 3.7% compared to the prior year. For further details on the Corporation's operating results, please refer to the "Canadian operations" and "European operations" sections.

Operating income before amortization and operating margin

Fiscal 2011 first-quarter operating income before amortization increased by 5.6% to reach $129.4 million. Cogeco Cable's first-quarter operating margin increased to 39% from 38.6% in the comparable period of the prior year. For further details on the Corporation's operating results, please refer to the "Canadian operations" and "European operations" sections.

RELATED PARTY TRANSACTIONS

Cogeco Cable is a subsidiary of COGECO Inc., which holds 32.3% of the Corporation's equity shares, representing 82.7% of the votes attached to the Corporation's voting shares. Under a management agreement, the Corporation pays COGECO Inc. monthly management fees equal to 2% of its total revenue, capped annually and subject to an adjustment based on the increase in the Consumer Price Index in Canada, for certain executive, administrative, legal, regulatory, strategic and financial planning and additional services. Accordingly, for fiscal 2011, management fees have been set at a maximum of $9.2 million, which is expected to be paid within the first six months of the fiscal year. For fiscal 2010, management fees were capped at $9 million, and were fully paid in the first half of the year.

Cogeco Cable granted 35,800 stock options to COGECO Inc.'s employees during the first three months of fiscal 2011, compared to 33,266 for the same period last year. During the first quarter, Cogeco Cable charged COGECO Inc. an amount of $58,000 with regards to Cogeco Cable's options granted to COGECO Inc.'s employees, compared to $115,000 in the first quarter of the prior year. Details regarding the management agreement and stock options granted to COGECO Inc.'s employees are provided in the Corporation's 2010 Annual Report.

During fiscal 2009, Cogeco Cable established an incentive share unit plan for senior executives and designated employees. During the first three months of this year, the Corporation granted 10,000 Incentive Share Units to COGECO Inc.'s employees, compared to 9,981 Incentive Share Units in the first three months of fiscal 2010. During the first quarter, the Corporation charged COGECO Inc. an amount of $39,000 with respect to these Incentive Share Units, compared to $9,000 in the comparable period of the previous fiscal year.

There were no other material related party transactions during the periods covered.

FIXED CHARGES

	Quarters ended November 30,		
	2010	2009	Change
($000, except percentages)	**$**	$	%
	(unaudited)	(unaudited)	
Amortization	**62,990**	65,565	(3.9)
Financial expense	**16,700**	16,141	3.5

First-quarter 2011 amortization amounted to $63 million, compared to $65.6 million for the same period of the prior year. The decrease is mainly due to a reduction in amortization in the European operations stemming from certain acquired assets that are now fully amortized and the depreciation of the Euro in relation to the Canadian dollar in fiscal 2011, partly offset by additional capital expenditures in the Canadian operations arising from customer premise equipment acquisitions to support RGU growth.

Financial expense amounted to $16.7 million in the first quarter compared to $16.1 million in the prior year. The financial expense for the first quarter of the current year includes a foreign exchange gain of $0.3 million, compared to $0.5 million in the first quarter of the prior year. The

variance in foreign exchange gains is mainly due to fluctuations in the relative value of the US dollar to the Canadian dollar, affecting mainly the Canadian operations as the majority of customer premise equipment is purchased and subsequently paid in US dollars. The remaining increase of $0.4 million in the first quarter is due to the timing of fluctuations in bank indebtedness when compared with the same period of the previous fiscal year.

INCOME TAXES

Fiscal 2011 first-quarter income tax expense amounted to $16.1 million, compared to an income tax recovery of $15.8 million in the prior year. The income tax recovery in the first three months of the prior year included the favourable impact of $29.8 million from the reduction in corporate income tax rates announced on March 26, 2009 by the Ontario provincial government and considered substantively enacted on November 16, 2009 (the "reduction of Ontario provincial corporate income tax rates"). Excluding this prior year impact, income tax expense would have amounted to $14 million. Fiscal 2011 first quarter income tax expense increase is mainly due to operating income before amortization growth and the decrease in amortization, partly offset by the previously announced annual declines in the enacted Canadian federal and provincial income tax rates.

NET INCOME

Fiscal 2011 first quarter net income amounted to $33.6 million, or $0.69 per share, compared to $56.7 million, or $1.17 per share, for the same period in fiscal 2010 which included the reduction of Ontario provincial corporate income tax rates described in the "Income Taxes" section above. Excluding this prior year effect, fiscal 2011 net income increased by $6.8 million, or 25.1%, and of $0.14 per share, or 25.5%, when compared to adjusted net income[(1)] of $26.9 million, or $0.55 per share[(1)], for the first quarter of fiscal 2010. Net income progression has resulted mainly from the growth in operating income before amortization and the decrease in amortization expense in the first three months of the 2011 fiscal year.

CASH FLOW AND LIQUIDITY

	Quarters ended November 30,	
($000)	**2010 $**	2009 $
	(unaudited)	(unaudited)
Operating activities		
Cash flow from operations	**36,433**	130,229
Changes in non-cash operating items	**18,570**	(133,847)
	55,003	(3,618)
Investing activities[(1)]	**(66,447)**	(68,060)
Financing activities[(1)]	**173,484**	49,495
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(229)**	202
Net change in cash and cash equivalents	**161,811**	(21,981)
Cash and cash equivalents, beginning of period	35,842	39,458
Cash and cash equivalents, end of period	**197,653**	17,477

(1) Excludes assets acquired under capital leases.

Fiscal 2011 first-quarter cash flow from operations reached $36.4 million, 72% lower than the comparable period last year, primarily due to the recognition of current income tax expense relating to the modifications to the corporate structure which took effect in the prior year. Changes in non-cash operating items generated cash inflows of $18.6 million, mainly as a result of an increase in income tax liabilities, partly offset by a decrease in accounts payable and accrued liabilities. In the prior year, changes in non-cash operating items required cash outflows of $133.8 million, mainly as a result of decreases in accounts payable and accrued liabilities and income tax liabilities and an increase in income taxes receivable.

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

	Quarters ended November 30,	
($000)	**2010 $**	2009 $
	(unaudited)	(unaudited)
Customer premise equipment[1]	**26,946**	33,475
Scalable infrastructure	**16,004**	12,827
Line extensions	**3,890**	5,434
Upgrade / Rebuild	**10,229**	10,470
Support capital	**6,140**	2,951
Total capital expenditures[2]	**63,209**	65,157
Increase in deferred charges and others	**3,238**	3,044
Total investing activities[2]	**66,447**	68,201

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

Fiscal 2011 first quarter Total capital expenditures amounted to $63.2 million, a decrease of 3% when compared to $65.2 million in the first quarter of the prior year due to the following factors:

- A decrease in customer premise equipment spending mainly due to the timing of equipment purchases in the Canadian operations and the depreciation of the value of the Euro relative to the Canadian dollar, which offset the increase in customer premise equipment spending required to support RGU growth in the European operations;
- An increase in scalable infrastructure in the Canadian operations to improve network capacity in existing areas served;
- An increase in support capital reflecting mainly the improvement of business information systems.

Deferred charges and others are mainly attributable to reconnect and additional service activation costs. For the first quarter, the increase in deferred charges and others amounted to $3.2 million, essentially the same when compared to $3 million for the first quarter of the 2010 fiscal year.

In the first quarter, negative free cash flow amounted to $30 million, compared to positive free cash flow of $62 million in the comparable period of fiscal 2010, representing a decrease of $92 million. The decline in free cash flow over the prior year is due to an increase of $100.2 million in current income tax expense stemming from modifications made to the corporate structure, which offset the increase in operating income before amortization in the first quarter of fiscal 2011.

In the first three months of fiscal 2011, Indebtedness affecting cash increased by $183.7 million mainly due to the increase in cash and cash equivalents of $161.8 million from the net proceeds of $198.3 million as a result of the issuance, on November 16, 2010, of Senior Secured Debentures Series 2 ("Fiscal 2011 debentures") to repay, on December 22, 2010, the $175 million Senior Secured Notes Series B due on October 31, 2011 and the related make-whole premium on early repayment. Indebtedness affecting cash also increased due to negative free cash flow of $30 million and the dividend payment of $8.2 million described below, partly offset by the cash inflows of $18.6 million from the changes in non-cash operating items. Indebtedness mainly increased through the issuance of the Fiscal 2011 debentures, partly offset by a net repayment of $13.8 million on the Corporation's Term Revolving Facility. In the first quarter of 2010, Indebtedness affecting cash increased by $58 million mainly due to the decrease in non-cash operating items of $133.8 million and the dividend payment of $6.8 million described below, partly offset by the free cash flow of $62 million and the decrease in cash and cash equivalents of $22 million. Indebtedness mainly increased through an increase of $44.3 million in bank indebtedness and a net amount of $14.9 million drawn on the Corporation's Term Facility.

During the first quarter of fiscal 2011, a dividend of $0.17 per share was paid to the holders of subordinate and multiple voting shares, totalling $8.2 million, compared to a dividend of $0.14 per share, or $6.8 million the year before.

As at November 30, 2010, the Corporation had a working capital deficiency of $164.2 million compared to $195.5 million at August 31, 2010. The decrease in the deficiency is mainly attributable to an increase in cash and cash equivalents and a decrease in accounts payable and accrued liabilities. This decrease was partly offset by an increase in the current portion of the long-term debt, combined with an increase in income tax liabilities which exceeded the decrease in future income tax liabilities, reflecting the modifications made to the corporate structure. As part of the usual conduct of its business, Cogeco Cable maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the Corporation's customers pay before their services are rendered, unlike accounts payable and accrued liabilities, which are paid after products are delivered or services are rendered, thus enabling the Corporation to use cash and cash equivalents to reduce Indebtedness.

At November 30, 2010, the Corporation had used $114.5 million of its $750 million Revolving Term Facility for a remaining availability of $635.5 million.

FINANCIAL POSITION

Since August 31, 2010, there have been significant changes to the balances of "accounts payable and accrued liabilities", "income tax liabilities", "future income tax assets", "future income tax liabilities", "long-term debt", "derivative financial instruments" and "cash and cash equivalents".

The $62.9 million decrease in accounts payable and accrued liabilities is related to the timing of payments made to suppliers. The increase of $78.9 million in income taxes liabilities and the decreases of $9.9 million in future income tax assets and of $71.9 million in future income tax liabilities primarily reflect the timing of the recognition of income tax liabilities as a result of modifications made to the corporate structure. The increase of $175 million in the current portion of the long-term debt reflects the maturity in 2011 of the Corporation's Senior Secured Notes Series B which were redeemed on December 22, 2010 pursuant to the issuance of the Fiscal 2011 debentures. The $161.8 million increase in cash and cash equivalents is due to the factors previously discussed in the "Cash Flow and Liquidity" section combined with the fluctuations in foreign exchange rates. The $5.8 million decrease in derivative financial instruments is due to the factors discussed in the "Financial management" section.

A description of Cogeco Cable's share data as of December 31, 2010 is presented in the table below:

	Number of shares/options	Amount ($000)
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	32,896,997	892,708
Options to purchase Subordinate voting shares		
Outstanding options	768,182	
Exercisable options	576,743	

In the normal course of business, Cogeco Cable has incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. Cogeco Cable's obligations, as discussed in the 2010 Annual Report, have not materially changed since August 31, 2010, except as mentioned below.

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

DIVIDEND DECLARATION

At its January 12, 2011 meeting, the Board of Directors of Cogeco Cable declared a quarterly eligible dividend of $0.17 per share for subordinate and multiple voting shares, payable on February 9, 2011, to shareholders of record on January 26, 2011. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

FINANCIAL MANAGEMENT

Cogeco Cable has entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of the Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, for a notional amount of €111.5 million, which has been reduced to €95.8 million on July 28, 2009, and to €69.6 million on July 28, 2010. The interest rate swap to hedge these loans has been fixed at 2.08% until the maturity of the swap agreement on July 28, 2011. In addition to the interest rate swap of 2.08%, Cogeco Cable will continue to pay the applicable margin on these loans in accordance with its Term Revolving Facility. In the first quarter of fiscal 2011, the fair value of interest rate swap increased by $0.5 million, which is recorded as an increase of other comprehensive income, net of income taxes, compared to a decrease of $0.1 million which was recorded as a decrease of other comprehensive income, net of income taxes, in the prior year.

The Corporation has also entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A maturing on October 1, 2015. These agreements have the effect of converting the U.S. interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625 per US dollar. During the first three months of fiscal 2011, amounts due under the US$190 million Senior Secured Notes Series A decreased by $7.6 million due to the US dollar's depreciation relative to the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $6.3 million, of which a decrease of $7.6 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $1.2 million was recorded as an increase of other comprehensive income, net of income taxes. In the first quarter of fiscal 2010, amounts due under the US$190 million Senior Secured Notes Series A decreased by $7.5 million due to the US dollar's depreciation over the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $5.8 million, of which $7.5 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $1.7 million was recorded as an increase of other comprehensive income, net of income taxes.

Furthermore, the Corporation's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. This debt is designated as a hedge of a net investment in self-sustaining foreign subsidiaries and, accordingly, the Corporation recorded a foreign exchange loss of $1.9 million in the first quarter, compared to a foreign exchange gain of $0.6 million in the comparable period of the prior year, which is deferred and recorded in the consolidated

statement of comprehensive income. The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts as at November 30, 2010 was $1.3326 per Euro compared to $1.3515 per Euro as at August 31, 2010. The average exchange rate prevailing during the first quarter of fiscal 2011 used to convert the operating results of the European operations was $1.3833 per Euro compared to $1.5732 per Euro in the first quarter of fiscal 2010. Since the Corporation's consolidated financial statements are expressed in Canadian dollars but a portion of its business is conducted in the Euro currency, exchange rate fluctuations can increase or decrease revenue, operating income before amortization, net income and the carrying value of assets and liabilities.

The following table shows the Canadian dollar impact of a 10% fluctuation in the average exchange rate of the Euro currency into Canadian dollars on European operating results for the three month period ended November 30, 2010:

Three months ended November 30, 2010 *($000)*	**As reported** **$** **(unaudited)**	**Exchange rate impact** **$** **(unaudited)**
Revenue	**43,263**	**4,326**
Operating income before amortization	**4,271**	**427**
Net income (loss)	**(8,159)**	**(816)**

The Corporation is also impacted by foreign currency exchange rates, primarily changes in the values of the US dollar relative to the Canadian dollar with regards to purchases of equipment, as the majority of customer premise equipment is purchased and subsequently paid in US dollars. Please consult the "Fixed charges" section of this MD&A and the "Foreign Exchange Risk" section in note 13 of the Consolidated financial statements for further details.

CANADIAN OPERATIONS

CUSTOMER STATISTICS

		Net additions		% of Penetration[1]	
		Quarters ended November 30,		November 30,	
	November 30, 2010	**2010**	2009	**2010**	2009
RGU	**2,421,267**	**70,690**	63,172		
Basic Cable service customers	**881,543**	**7,038**	8,919		
HSI service customers	**575,929**	**16,872**	17,506	**67.4**	64.5
Digital Television service customers	**588,332**	**28,914**	16,106	**67.5**	59.8
Telephony service customers	**375,463**	**17,866**	20,641	**46.1**	38.0

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

Fiscal 2011 first-quarter RGU net additions were higher than in the comparable period of the prior year, and the Canadian operations continue to generate RGU growth despite higher penetration rates, category maturity and aggressive competition. The net customer additions for Basic Cable service customers stood at 7,038 for the first quarter, compared to 8,919 in the first quarter of the prior year. Basic Cable service net additions in fiscal 2011 were mainly due to expansions in the network and the combined effect of continued growth in HSI and Telephony services. In the quarter, Telephony service customers grew by 17,866 compared to 20,641 for the same period last year, and the number of net additions to the HSI service stood at 16,872 customers compared to 17,506 customers in the first quarter of the prior year. HSI and Telephony net additions continue to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities. For the three-month period ended November 30, 2010, additions to the Digital Television service stood at 28,914 customers, compared to 16,106 for the comparable period of the prior year. Digital Television service net additions are due to targeted marketing initiatives to improve penetration, the launch of new HD channels and the continuing interest for HD television service.

OPERATING RESULTS

($000, except percentages)	Quarters ended November 30, **2010** $ **(unaudited)**	2009 $ (unaudited)	Change %
Revenue	**288,256**	264,360	9.0
Operating costs	**156,455**	145,589	7.5
Management fees – COGECO Inc.	**6,644**	6,341	4.8
Operating income before amortization	**125,157**	112,430	11.3
Operating margin	**43.4%**	42.5%	

Revenue

Driven by RGU growth and rate increases implemented in the second half of fiscal 2010 and the revenue related to the new levy amounting to 1.5% of gross Cable Television service revenue imposed by the Canadian Radio-television and Telecommunications Commission ("CRTC") in order to finance the new Local Programming Improvement Fund ("LPIF"), first-quarter revenue rose by $23.9 million, or 9%, to reach $288.3 million.

Operating costs

For the three months ended November 30, 2010, operating costs excluding management fees payable to COGECO Inc. increased by $10.9 million, or 7.5%, at $156.5 million. The increase in operating costs is mainly attributable to servicing additional RGU, the launch of new HD channels and additional marketing initiatives.

Operating income before amortization

Operating income before amortization rose by $12.7 million, or 11.3%, to reach $125.2 million in the first quarter, mainly due to the increased revenue exceeding the growth in operating costs. Cogeco Cable's Canadian operations' operating margin increased to 43.4% in the first quarter compared to 42.5% for the same period of the prior year. The growth in the operating margin for the first quarter stems from rate increases, RGU growth and the introduction in the second quarter of fiscal 2010 of customer billing for the new LPIF which offset the associated operating costs.

EUROPEAN OPERATIONS

CUSTOMER STATISTICS

		Net additions (losses)		% of Penetration[1]	
		Quarters ended November 30,		November 30,	
	November 30, 2010	**2010**	2009	**2010**	2009
RGU	**848,951**	**20,179**	26,613		
Basic Cable service customers	**260,855**	**588**	(562)		
HSI service customers	**166,779**	**3,592**	5,209	**63.9**	57.5
Digital Television service customers	**172,587**	**12,735**	16,114	**66.2**	45.9
Telephony service customers	**248,730**	**3,264**	5,852	**95.4**	89.8

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

During the last half of fiscal 2010, the Corporation's European operations generated net basic subscriber growth as a result of its general policy re-assessment during the last half of the 2009 calendar year. In the first quarter of fiscal 2011, the number of Basic Cable service customers grew by 588 customers compared to a loss of 562 customers in the comparable period of the prior year. Economic conditions in Portugal continued to be difficult. Management has not yet detected clear signs of a sustained economic recovery. Consequently, the Corporation continues to closely control costs and is focusing on generating RGU growth in the near term. The rate of growth for our services has diminished in this environment. HSI service customers increased by 3,592 for the quarter compared to 5,209 customers in the first quarter of fiscal 2010. The number of Digital Television service customers grew by 12,735 customers in the first quarter ended November 30, 2010, compared to 16,114 customers in the comparable period of the previous fiscal year. Telephony service customers increased by 3,264 customers in the first quarter of fiscal 2011, compared to 5,852 customers in the first quarter of fiscal 2010.

OPERATING RESULTS

($000, except percentages)	Quarters ended November 30, **2010 $ (unaudited)**	2009 $ (unaudited)	Change %
Revenue	**43,263**	53,005	(18.4)
Operating costs	**38,992**	42,829	(9.0)
Operating income before amortization	**4,271**	10,176	(58.0)
Operating margin	**9.9%**	19.2%	

Revenue

In the first quarter of fiscal 2011 revenue decreased by $9.7 million, or 18.4%, at $43.3 million, mainly due to the decline of the Euro in relation to the Canadian dollar and reflecting the impact of retention strategies implemented in the second half of fiscal 2009 in order to curtail customer attrition. Revenue from the European operations in the local currency for the 2011 first quarter amounted to €31.3 million, a decrease of €2.4 million, or 7.2%, when compared to the same period of the prior year.

Operating costs

Fiscal 2011 first-quarter operating costs decreased by $3.8 million, or 9%, at $39 million, mainly due to the decline of the value of the Euro over the Canadian dollar which surpassed increases in operating costs related to additional marketing initiatives and the launch of new HD channels by Cabovisão. Operating costs of the European operations for the first quarter in the local currency amounted to €28.2 million, an increase of €1 million, or 3.5% when compared to the corresponding period of the prior year.

Operating income before amortization

Operating income before amortization decreased to $4.3 million in the first quarter from $10.2 million for the same period of the prior year, representing a decrease of $5.9 million, or 58%, mainly due to decreases in revenue which outpaced the decreases in operating costs. European operations' operating margin decreased to 9.9% from 19.2% in the first quarter of fiscal 2011. Operating income before amortization in the local currency amounted to €3.1 million compared to €6.5 million in the first quarter of the prior year, representing a decrease of 52.2%.

FISCAL 2011 FINANCIAL GUIDELINES

Consolidated

Given the improved financial results during the first quarter and the expected trend, guidelines for the 2011 fiscal year were revised upwards to reflect higher than expected RGU growth and average revenue per unit in its Canadian operations mainly attributable to effective marketing strategies and the continued demand for cable telecommunications services. For its European operations, Management has taken into consideration the impact of the rate increases implemented in January 2011 combined with the impact on consumer spending of the value added tax increase from 21% to 23%, among others, and the austerity measures recently introduced by the Portuguese government.

Subsequent to these adjustments, projected revenue, operating income before amortization, operating margin and net income were revised upwards. The increase in projected revenue to $1,360 million from $1,340 million should come from the Canadian operations. The operating income before amortization should increase to $545 million from $530 million, operating margin should increase to 40.1% from 39.6% and net income should increase to about $140 million. Amortization expense has been reduced to $265 million from $275 million to reflect the impact of lower than expected capital expenditures in fiscal 2010 as well as the revised timing of 2011 capital expenditures.

As a result of the revised projections, free cash flow is now expected to reach $70 million from the $55 million initially projected last October.

(in millions of dollars, except net customer additions and operating margin)	Revised projections January 12, 2011 Fiscal 2011 $	Projections October 27, 2010 Fiscal 2011 $
Financial guidelines		
Revenue	1,360	1,340
Operating income before amortization	545	530
Operating margin	40.1%	39.6%
Amortization	265	275
Financial expense	72	70
Current income taxes	63	65
Net income	140	120
Capital expenditures and increase in deferred charges	340	340
Free cash flow	70	55
Net customer additions guidelines		
RGU	275,000	250,000

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 Cable's internal control framework is based on the criteria published in the report "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The CEO and CFO, supported by Management, evaluated the design of the Corporation's disclosure controls and procedures and internal controls over financial reporting as at November 30, 2010, and have concluded that they were adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended November 30, 2010.

However, in the first quarter of fiscal 2011, the Corporation introduced a new financial suite under an integrated Oracle platform. This project was required in order to adequately support the implementation of the International Financial Reporting Standards ("IFRS") and to remain current with the operational platform used by the Corporation. Following the introduction of this new financial suite, internal controls over financial reporting have been updated in order to support adequate disclosure controls and procedures.

UNCERTAINTIES AND MAIN RISK FACTORS

There has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2010. A detailed description of the uncertainties and main risk factors faced by Cogeco Cable can be found in the 2010 Annual Report.

ACCOUNTING POLICIES AND ESTIMATES

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

Future accounting pronouncements

Harmonization of Canadian and International accounting standards

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

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

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

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

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

Multiple deliverable revenue arrangements

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

NON-GAAP FINANCIAL MEASURES

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

Cash flow from operations and free cash flow

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

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

	Quarters ended November 30,	
	2010	2009
($000)	**$**	$
	(unaudited)	(unaudited)
Cash flow from operating activities	**55,003**	(3,618)
Changes in non-cash operating items	**(18,570)**	133,847
Cash flow from operations	**36,433**	130,229

Free cash flow is calculated as follows:

	Quarters ended November 30,	
	2010	2009
($000)	**$**	$
	(unaudited)	(unaudited)
Cash flow from operations	**36,433**	130,229
Acquisition of fixed assets	**(63,209)**	(65,016)
Increase in deferred charges	**(3,238)**	(3,064)
Assets acquired under capital leases – as per note 11 c)	**–**	(141)
Free cash flow	**(30,014)**	62,008

Operating income before amortization and operating margin

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

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

($000, except percentages)	Quarters ended November 30, **2010** **$** **(unaudited)**	2009 $ (unaudited)
Operating income	**66,438**	57,041
Amortization	**62,990**	65,565
Operating income before amortization	**129,428**	122,606
Revenue	**331,519**	317,365
Operating margin	**39.0%**	38.6%

Adjusted net income and adjusted earnings per share

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

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

($000, except number of shares and per share data)	Quarters ended November 30, **2010** **$** **(unaudited)**	2009 $ (unaudited)
Net income	**33,637**	56,666
Adjustments:		
Reduction of Ontario provincial corporate income tax rates	**–**	(29,782)
Adjusted net income	**33,637**	26,884
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,513,441**	48,550,216
Effect of dilutive stock options	**171,502**	81,872
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan	**66,838**	8,310
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,751,781**	48,640,398
Adjusted earnings per share		
Basic	**0.69**	0.55
Diluted	**0.69**	0.55

ADDITIONAL INFORMATION

This MD&A was prepared on January 12, 2011. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

ABOUT COGECO CABLE

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

Source: **Cogeco Cable Inc.**
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Analyst Conference Call: **Thursday, January 13, 2011 at 11:00 a.m.** (EST)
Media representatives may attend as listeners only.

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

Canada/USA Access Number: 1 888 300-0053
International Access Number: + 1 647 427-3420
Confirmation Code: 27875882
By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until January 20, 2011, by dialling:
Canada and USA access number: 1 800 642-1687
International access number: + 1 706 645-9291
Confirmation code: 27875882

Supplementary Quarterly Financial Information
(unaudited)

Quarters ended	November 30,		August 31,		May 31,		February 28,	
($000, except percentages and per share data)	**2010**	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$
Revenue	**331,519**	317,365	324,323	307,807	319,291	305,672	320,397	304,920
Operating income before amortization[1]	**129,428**	122,606	138,177	143,892	126,700	125,951	122,613	122,303
Operating margin[1]	**39.0%**	38.6%	42.6%	46.7%	39.7%	41.2%	38.3%	40.1%
Operating income	**66,438**	57,041	74,481	75,624	62,929	62,086	56,774	59,105
Impairment of goodwill and intangible assets	**–**	–	–	–	–	–	–	399,648
Income taxes	**16,101**	(15,766)	17,772	22,005	15,060	26,357	11,952	(207)
Net income (loss)	**33,637**	56,666	39,663	44,698	31,185	32,453	29,789	(358,324)
Adjusted net income[1]	**33,637**	26,884	39,663	26,123	31,185	27,665	29,789	25,306
Cash flow from operating activities	**55,003**	(3,618)	194,414	175,450	112,451	99,956	114,037	115,282
Cash flow from operations[1]	**36,433**	130,229	127,024	108,631	119,243	92,030	118,318	95,928
Capital expenditures and increase in deferred charges	**66,447**	68,221	107,799	93,872	69,283	60,139	74,379	64,963
Free cash flow[1]	**(30,014)**	62,008	19,225	14,759	49,960	31,891	43,939	30,965
Earnings (loss) per share[2]								
Basic	**0.69**	1.17	0.82	0.92	0.64	0.67	0.61	(7.38)
Diluted	**0.69**	1.16	0.81	0.92	0.64	0.67	0.61	(7.38)
Adjusted earnings per share[1][2]								
Basic	**0.69**	0.55	0.82	0.54	0.64	0.57	0.61	0.52
Diluted	**0.69**	0.55	0.81	0.54	0.64	0.57	0.61	0.52

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

(2) Per multiple and subordinate voting share.

SEASONAL VARIATIONS

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations. However, the customer growth in the Basic Cable and HSI service are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television seasons, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal. Furthermore, the third and fourth quarter's operating margin is usually higher as no management fees are paid to COGECO Inc. Under the Management Agreement, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount. As the maximum amount is expected to be reached in the second quarter of fiscal 2011, Cogeco Cable does not expect to pay management fees in the second half of fiscal 2011. Similarly, as the maximum amount was paid in the first six months of fiscal 2010, Cogeco Cable paid no management fees in the second half of the previous fiscal year.

Customer Statistics
(unaudited)

	November 30, 2010	August 31, 2010
Homes passed		
Canada	**1,600,938**	1,593,743
Portugal[1]	**905,445**	905,359
Total	**2,506,383**	2,499,102
Homes connected[2]		
Canada	**990,533**	979,590
Portugal	**269,553**	269,194
Total	**1,260,086**	1,248,784
Revenue-generating units[3]		
Canada	**2,421,267**	2,350,577
Portugal	**848,951**	828,772
Total	**3,270,218**	3,179,349
Basic Cable service customers		
Canada	**881,543**	874,505
Portugal	**260,855**	260,267
Total	**1,142,398**	1,134,772
High Speed Internet service customers		
Canada	**575,929**	559,057
Portugal	**166,779**	163,187
Total	**742,708**	722,244
Digital Television service customers		
Canada	**588,332**	559,418
Portugal	**172,587**	159,852
Total	**760,919**	719,270
Telephony service customers		
Canada	**375,463**	357,597
Portugal	**248,730**	245,466
Total	**624,193**	603,063

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

COGECO CABLE INC.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(In thousands of dollars, except per share data)	Three months ended November 30, 2010	2009
	$	$
Revenue		
Service	**328,336**	315,333
Equipment	**3,183**	2,032
	331,519	317,365
Operating costs	**195,447**	188,418
Management fees – COGECO Inc.	**6,644**	6,341
Operating income before amortization	**129,428**	122,606
Amortization (note 3)	**62,990**	65,565
Operating income	**66,438**	57,041
Financial expense (note 4)	**16,700**	16,141
Income before income taxes	**49,738**	40,900
Income taxes (note 5)	**16,101**	(15,766)
Net income	**33,637**	56,666
Earnings per share (note 6)		
Basic	**0.69**	1.17
Diluted	**0.69**	1.16

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(In thousands of dollars)	Three months ended November 30, **2010** **$**	2009 $
Net income	**33,637**	56,666
Other comprehensive income (loss)		
Unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $966,000 ($2,141,000 in 2009)	**(4,867)**	(3,769)
Reclassification to net income of unrealized losses on derivative financial instruments designated as cash flow hedges, net of income tax recovery of $917,000 ($1,007,000 in 2009)	**6,664**	6,479
Unrealized gains (losses) on translation of a net investment in self-sustaining foreign subsidiaries	**(3,143)**	2,726
Unrealized gains (losses) on translation of long-term debt designated as hedges of a net investment in self-sustaining foreign subsidiaries	**1,227**	(2,091)
	(119)	3,345
Comprehensive income	**33,518**	60,011

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(unaudited)

(In thousands of dollars)	Three months ended November 30, **2010**	2009
	$	$
Balance at beginning, as previously reported	**123,025**	17,172
Changes in accounting policies	**—**	(24,279)
Balance at beginning, as restated	**123,025**	(7,107)
Net income	**33,637**	56,666
Dividends on multiple voting shares	**(2,667)**	(2,197)
Dividends on subordinate voting shares	**(5,582)**	(4,601)
Balance at end	**148,413**	42,761

COGECO CABLE INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(In thousands of dollars)	**November 30, 2010**	August 31, 2010
	$	$
Assets		
Current		
Cash and cash equivalents (note 11 b))	**197,653**	35,842
Accounts receivable (note 13)	**70,098**	67,064
Income taxes receivable	**42,983**	44,800
Prepaid expenses and other	**10,481**	13,669
Future income tax assets	**4,799**	6,133
	326,014	167,508
Fixed assets	**1,326,099**	1,325,077
Deferred charges	**27,084**	26,974
Intangible assets (note 7)	**1,016,465**	1,017,658
Goodwill (note 7)	**144,297**	144,695
Derivative financial instruments	**—**	5,085
Future income tax assets	**7,251**	15,822
	2,847,210	2,702,819
Liabilities and Shareholders' equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	**172,189**	235,087
Income tax liabilities	**79,471**	558
Deferred and prepaid revenue	**45,361**	45,602
Derivative financial instrument	**674**	1,189
Current portion of long-term debt (note 8)	**177,307**	2,296
Future income tax liabilities	**15,257**	78,267
	490,259	362,999
Long-term debt (note 8)	**953,158**	952,687
Derivative financial instruments	**1,263**	—
Deferred and prepaid revenue and other liabilities	**12,532**	12,234
Pension plan liabilities and accrued employees benefits	**3,951**	3,624
Future income tax liabilities	**226,062**	234,974
	1,687,225	1,566,518
Shareholders' equity		
Capital stock (note 9)	**986,948**	988,830
Contributed surplus	**6,384**	6,087
Retained earnings	**148,413**	123,025
Accumulated other comprehensive income (note 10)	**18,240**	18,359
	1,159,985	1,136,301
	2,847,210	2,702,819

COGECO CABLE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands of dollars)	Three months ended November 30, **2010** **$**	2009 $
Cash flow from operating activities		
Net income	**33,637**	56,666
Adjustments for:		
Amortization (note 3)	**62,990**	65,565
Amortization of deferred transaction costs and discounts on long-term debt	**731**	748
Future income taxes	**(61,955)**	6,421
Stock-based compensation	**419**	459
Loss on disposals and write-offs of fixed assets	**320**	98
Other	**291**	272
	36,433	130,229
Changes in non-cash operating items (note 11 a))	**18,570**	(133,847)
	55,003	(3,618)
Cash flow from investing activities		
Acquisition of fixed assets (note 11 c))	**(63,209)**	(65,016)
Increase in deferred charges	**(3,238)**	(3,064)
Other	**—**	20
	(66,447)	(68,060)
Cash flow from financing activities		
Increase in bank indebtedness	**—**	44,336
Net increases (repayments) under the Term Facility and Term Revolving Facility	**(13,800)**	14,916
Issuance of long-term debt, net of discounts and transaction costs	**198,320**	—
Repayments of long-term debt	**(819)**	(1,215)
Issuance of subordinate voting shares	**290**	—
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 9)	**(2,258)**	(1,744)
Dividends on multiple voting shares	**(2,667)**	(2,197)
Dividends on subordinate voting shares	**(5,582)**	(4,601)
	173,484	49,495
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(229)**	202
Net change in cash and cash equivalents	**161,811**	(21,981)
Cash and cash equivalents at beginning	**35,842**	39,458
Cash and cash equivalents at end	**197,653**	17,477

See supplemental cash flow information in note 11.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2010
(unaudited)
(amounts in tables are in thousands of dollars, except number of shares and per share data)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), present fairly the financial position of Cogeco Cable Inc. ("the Corporation") as at November 30, 2010 and August 31, 2010 as well as its results of operations and its cash flows for the three-month periods ended November 30, 2010 and 2009.

While management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with Cogeco Cable Inc.'s annual consolidated financial statements for the year ended August 31, 2010. These unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods as the most recent annual consolidated financial statements.

Future accounting pronouncements

Multiple deliverable revenue arrangements

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

2. Segmented Information

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

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

	Canada		Europe		Consolidated	
Three months ended November 30,	**2010**	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$
Revenue	**288,256**	264,360	**43,263**	53,005	**331,519**	317,365
Operating costs	**156,455**	145,589	**38,992**	42,829	**195,447**	188,418
Management fees – COGECO Inc.	**6,644**	6,341	**–**	–	**6,644**	6,341
Operating income before amortization	**125,157**	112,430	**4,271**	10,176	**129,428**	122,606
Amortization	**50,678**	45,414	**12,312**	20,151	**62,990**	65,565
Operating income (loss)	**74,479**	67,016	**(8,041)**	(9,975)	**66,438**	57,041
Financial expense (revenue)	**16,726**	15,875	**(26)**	266	**16,700**	16,141
Income taxes	**15,957**	(17,218)	**144**	1,452	**16,101**	(15,766)
Net income (loss)	**41,796**	68,359	**(8,159)**	(11,693)	**33,637**	56,666
Total assets [1]	**2,562,138**	2,407,059	**285,072**	295,760	**2,847,210**	2,702,819
Fixed assets [1]	**1,103,074**	1,094,971	**223,025**	230,106	**1,326,099**	1,325,077
Intangible assets [1]	**1,016,465**	1,017,658	**–**	–	**1,016,465**	1,017,658
Goodwill [1]	**116,243**	116,243	**28,054**	28,452	**144,297**	144,695
Acquisition of fixed assets [2]	**54,736**	52,148	**8,473**	13,009	**63,209**	65,157

[1] At November 30, 2010 and August 31, 2010.
[2] Includes fixed assets acquired through capital leases that are excluded from the consolidated statements of cash flows.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
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3. Amortization

	Three months ended November 30,	
	2010	2009
	$	$
Fixed assets	**59,111**	61,565
Deferred charges	**2,686**	2,807
Intangible assets	**1,193**	1,193
	62,990	65,565

4. Financial expense

	Three months ended November 30,	
	2010	2009
	$	$
Interest on long-term debt	**15,889**	15,819
Foreign exchange gains	**(332)**	(488)
Amortization of deferred transaction costs	**442**	407
Other	**701**	403
	16,700	16,141

5. Income Taxes

	Three months ended November 30,	
	2010	2009
	$	$
Current	**78,056**	(22,187)
Future	**(61,955)**	6,421
	16,101	(15,766)

5. Income Taxes (continued)

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

	Three months ended November 30,	
	2010	2009
	$	$
Income before income taxes	**49,738**	40,900
Combined income tax rate	**28.91%**	31.51%
Income taxes at combined income tax rate	**14,379**	12,888
Adjustment for losses or income subject to lower or higher tax rates	**(919)**	(2,378)
Decrease in future income taxes as a result of decrease in substantively enacted tax rates	**–**	(29,782)
Utilization of pre-acquisition tax losses	**–**	4,432
Income taxes arising from non-deductible expenses	**165**	203
Effect of foreign income tax rate differences	**2,461**	247
Other	**15**	(1,376)
Income taxes at effective income tax rate	**16,101**	(15,766)

6. Earnings per Share

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

	Three months ended November 30,	
	2010	2009
	$	$
Net income	**33,637**	56,666
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,513,441**	48,550,216
Effect of dilutive stock options [(1)]	**171,502**	81,872
Effect of dilutive subordinate voting shares held in trust under the Incentive Share Unit Plan	**66,838**	8,310
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,751,781**	48,640,398
Earnings per share		
Basic	**0.69**	1.17
Diluted	**0.69**	1.16

(1) For the three-month period ended November 30, 2010, 331,781 stock options (269,857 in 2009) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

7. Goodwill and Other Intangible Assets

	November 30, 2010	August 31, 2010
	$	$
Customer relationships	**26,913**	28,106
Customer base	**989,552**	989,552
	1,016,465	1,017,658
Goodwill	**144,297**	144,695
	1,160,762	1,162,353

a) Intangible assets

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

	Customer relationships	Customer base	Total
	$	**$**	**$**
Balance at August 31, 2010	**28,106**	**989,552**	**1,017,658**
Amortization	**(1,193)**	**—**	**(1,193)**
Balance at November 30, 2010	**26,913**	**989,552**	**1,016,465**

b) Goodwill

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

	$
Balance at August 31, 2010	**144,695**
Foreign currency translation adjustment	**(398)**
Balance at November 30, 2010	**144,297**

8. Long-Term Debt

	Maturity	Interest rate	November 30, 2010	August 31, 2010
		%	**$**	$
Parent company				
Term Revolving Facility				
Revolving loan – €80,000,000 (€90,000,000 at August 31, 2010)	2014	2.81 [1][2]	**106,608**	121,635
Senior Secured Notes Series B	2011[3]	7.73	**174,793**	174,738
Senior Secured Notes				
Series A – US$190,000,000	2015	7.00 [4]	**193,859**	201,387
Series B	2018	7.60	**54,619**	54,609
Senior Secured Debentures Series 1	2014	5.95	**297,538**	297,379
Senior Secured Debentures Series 2 [5]	2020	5.15	**198,326**	—
Senior Unsecured Debenture	2018	5.94	**99,812**	99,806
Subsidiaries				
Obligations under capital leases	2013	6.71 – 9.93	**4,910**	5,429
			1,130,465	954,983
Less current portion			**177,307**	2,296
			953,158	952,687

(1) Interest rate on debt as at November 30, 2010, including applicable margin.

(2) On January 21, 2009, the Corporation entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of Euro-denominated loans outstanding under the Term Revolving Facility, and previously the Term Facility, for a notional amount of €111.5 million which has been reduced to €95.8 million on July 28, 2009 and to €69.6 million on July 28, 2010. The interest swap rate to hedge the Euro-denominated loans has been fixed at 2.08% until the maturity of the swap agreement on July 28, 2011. In addition to the interest swap rate of 2.08%, the Corporation will continue to pay the applicable margin on these Euro-denominated loans in accordance with the Term Revolving Facility.

(3) On December 22, 2010, the Corporation redeemed the 7.73% Senior Secured Notes Series B in the aggregate principal amount of $175 million. As a result, the aggregate redemption cash consideration that the Corporation paid totalled $183,771,000, excluding accrued interest. The excess of the redemption price over the aggregate principal amount will be recorded as financial expense during the second quarter of fiscal 2011.

(4) Cross-currency swap agreements have resulted in an effective interest rate of 7.24% on the Canadian dollar equivalent of the US denominated debt

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

9. Capital Stock

Authorized

Unlimited number of:

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, could be issued in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

Issued

	November 30, 2010	August 31, 2010
	$	$
15,691,100 multiple voting shares	**98,346**	98,346
32,896,997 subordinate voting shares (32,885,337 at August 31, 2010)	**892,708**	892,332
	991,054	990,678
114,612 subordinate voting shares held in trust under the Incentive Share Unit Plan (57,409 at August 31, 2010)	**(4,106)**	(1,848)
	986,948	988,830

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

	Number of shares	**Amount**
		$
Balance at August 31, 2010	**32,885,337**	**892,332**
Shares issued for cash under the Employee Stock Option Plan	**11,660**	**290**
Compensation expense previously recorded in contributed surplus for options exercised	**—**	**86**
Balance at November 30, 2010	**32,896,997**	**892,708**

9. Capital Stock (continued)

Stock based plans

The Corporation offers, for certain executives a Stock Option Plan, which is described in the Corporation's annual consolidated financial statements. During the three-month period ended November 30, 2010, the Corporation granted 66,700 stock options (63,695 in 2009) with an exercise price of $39.00 ($31.82 in 2009) of which 35,800 stock options (33,266 in 2009) were granted to COGECO Inc.'s employees. These options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. During the three-month period ended November 30, 2010, the Corporation charged COGECO Inc. an amount of $58,000 ($115,000 in 2009) with regards to the Corporation's options granted to COGECO Inc.'s employees. As a result, a compensation expense of $108,000 ($222,000 in 2009) was recorded for the three-month period ended November 30, 2010.

The weighted average fair value of stock options granted for the three-month period ended November 30, 2010 was $9.55 ($8.11 in 2009) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2010	2009
	%	%
Expected dividend yield	**1.44**	1.49
Expected volatility	**29**	29
Risk-free interest rate	**2.05**	2.67
Expected life in years	**4.9**	4.8

At November 30, 2010, the Corporation had outstanding stock options providing for the subscription of 768,182 subordinate voting shares. These stock options can be exercised at various prices ranging from $7.05 to $49.82 and at various dates up to October 27, 2020.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at November 30, 2010:

Outstanding at August 31, 2010	**716,760**
Granted	**66,700**
Exercised	**(11,660)**
Forfeited / Cancelled	**(3,170)**
Expired	**(448)**
Outstanding at November 30, 2010	**768,182**
Exercisable at November 30, 2010	**576,369**

COGECO CABLE INC.

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9. Capital Stock (continued)

The Corporation also offers a senior executive and designated employee Incentive Share Unit Plan ("ISU Plan"), which is described in the Corporation's annual consolidated financial statements. During the three-month period ended November 30, 2010, the Corporation granted 58,088 (55,094 in 2009) Incentive Share Units ("ISUs") of which 10,000 (9,981 in 2009) ISUs were granted to COGECO Inc.'s employees. The Corporation establishes the value of the compensation related to the ISUs granted based on the fair value of the Corporation'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 the Corporation's subordinate voting shares on the stock market in order to guard against stock price fluctuation. The Corporation instructed the trustee to purchase 57,203 (55,094 in 2009) subordinate voting shares of the Corporation on the stock market. These shares were purchased for cash consideration aggregating $2,258,000 ($1,744,000 in 2009) and are held in trust for the participants until they are fully vested. The Trust, considered as a variable interest entity, is consolidated in the Corporation's financial statements with the value of the acquired shares presented as subordinate voting shares held in trust under the ISU Plan in reduction of capital stock. A compensation expense of $178,000 ($44,000 in 2009) was recorded for the three-month period ended November 30, 2010 related to this plan. During the three-month period ended November 30, 2010, the Corporation charged COGECO Inc. an amount of $39,000 ($9,000 in 2009) with regards to the Corporation's ISUs granted to COGECO Inc.'s employees. Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at November 30, 2010:

Outstanding at August 31, 2010	**57,409**
Granted	**58,088**
Forfeited / Cancelled	**(885)**
Outstanding at November 30, 2010	**114,612**

The Corporation also offers a Deferred Share Unit Plan ("DSU Plan") which is described in the Corporation's annual consolidated financial statements. During the three-month periods ended November 30, 2010 and 2009, the Corporation did not issue any Deferred Share Units ("DSUs") to the participants in connection with the DSU Plan. A compensation expense of $36,000 ($69,000 in 2009) was recorded for the three-month period ended November 30, 2010 for the liability related to this plan. Under the DSU Plan, the following DSUs were issued by Cogeco Cable Inc. and are outstanding at November 30, 2010:

Outstanding at August 31, 2010	**10,855**
Dividend equivalents	**47**
Outstanding at November 30, 2010	**10,902**

10. Accumulated Other Comprehensive Income

	Translation of a net investment in self-sustaining foreign subsidiaries $	Cash flow hedges $	Total $
Balance as at August 31, 2010	**15,439**	**2,920**	**18,359**
Other comprehensive income (loss)	**(1,916)**	**1,797**	**(119)**
Balance as at November 30, 2010	**13,523**	**4,717**	**18,240**

COGECO CABLE INC.

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11. Statements of Cash Flows

a) Changes in non-cash operating items

	Three months ended November 30,	
	2010	2009
	$	$
Accounts receivable	**(3,172)**	(3,252)
Income taxes receivable	**1,788**	(20,531)
Prepaid expenses and other	**3,161**	(1,174)
Accounts payable and accrued liabilities	**(62,187)**	(70,809)
Income tax liabilities	**78,918**	(40,279)
Deferred and prepaid revenue and other liabilities	**62**	2,198
	18,570	(133,847)

b) Cash and cash equivalents

	November 30, 2010	August 31, 2010
	$	$
Cash	**184,327**	35,842
Cash equivalents [(1)]	**13,326**	—
	197,653	35,842

[(1)] At November 30, 2010, term deposit of €10,000,000, bearing interest at 0.90%, maturing on December 6, 2010.

c) Other information

	Three months ended November 30,	
	2010	2009
	$	$
Fixed asset acquisitions through capital leases	—	141
Financial expense paid	**20,997**	20,938
Income taxes paid (received)	**(2,647)**	38,624

12. Employee Future Benefits

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

	Three months ended November 30,	
	2010	2009
	$	$
Contributory defined benefit pension plans	**422**	377
Defined contribution pension plan and collective registered retirement savings plan	**1,235**	1,095
	1,657	1,472

13. Financial and Capital Management

a) Financial management

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

Credit risk

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

Credit risk from the derivative financial instruments arises from the possibility that counterparties to the cross-currency swap and interest rate swap agreements may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At November 30, 2010, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A".

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

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. In the current global economic environment, the Corporation's credit exposure is higher than usual but it is difficult to predict the impact this could have on the Corporation's account receivable balances. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At November 30, 2010, no customer balance represents a significant portion of the Corporation's consolidated trade accounts receivable. The Corporation establishes an allowance for doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and Europe, there is no significant concentration of credit risk. The following table provides further details on the Corporation's accounts receivable balances:

	November 30, 2010	August 31, 2010
	$	$
Trade accounts receivable	**69,021**	67,189
Allowance for doubtful accounts	**(7,834)**	(7,478)
	61,187	59,711
Other accounts receivable	**8,911**	7,353
	70,098	67,064

13. Financial and Capital Management (continued)

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

	November 30, 2010	August 31, 2010
	$	$
Net trade accounts receivable not past due	**46,302**	42,817
Net trade accounts receivable past due	**14,885**	16,894
	61,187	59,711

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At November 30, 2010, the available amount of the Corporation's Term Revolving Facility was $635.5 million. Management believes that the committed Term Revolving Facility will, until its maturity in July 2014, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements.

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

	2011	2012	2013	2014	2015	Thereafter	Total
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities[1]	157,620	—	—	—	—	—	157,620
Long-term debt [2]	175,000	—	—	406,608	—	550,054	1,131,662
Derivative financial instruments							
Cash outflows (Canadian dollar)	—	—	—	—	—	201,875	201,875
Cash inflows (Canadian dollar equivalent of US dollar)	—	—	—	—	—	(195,054)	(195,054)
Obligations under capital leases [3]	2,184	2,296	889	7	—	—	5,376
	334,804	2,296	889	406,615	—	556,875	1,301,479

[1] Excluding accrued interest
[2] Principal excluding obligations under capital leases.
[3] Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on capital leases) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the current debt at November 30, 2010 and their respective maturities:

	2011	2012	2013	2014	2015	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	47,859	54,918	54,918	54,543	34,070	95,915	342,223
Interest payments on derivative financial instruments	9,828	14,614	14,614	14,614	14,614	7,306	75,590
Interest receipts on derivative financial instruments	(8,567)	(13,654)	(13,654)	(13,654)	(13,654)	(6,826)	(70,009)
	49,120	55,878	55,878	55,503	35,030	96,395	347,804

13. Financial and Capital Management (continued)

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At November 30, 2010, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facility. However, on January 21, 2009, the Corporation entered into a swap agreement with a financial institution to fix the floating benchmark interest rate with respect to a portion of the Euro-denominated loans outstanding under the Term Revolving Facility and previously the Term Facility, for a notional amount of €111.5 million which have been reduced to €95.8 million on July 28, 2009 and to €69.6 million on July 28, 2010. The interest swap rate to hedge the Euro-denominated loans has been fixed at 2.08% until the swap agreement maturity of July 28, 2011. In addition to the interest swap rate of 2.08%, the Corporation will continue to pay the applicable margin on the revolving loans in accordance with the Term Revolving Facility. The Corporation elected to apply cash flow hedge accounting on this derivative financial instrument. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facility is approximately $0.1 million based on the current debt at November 30, 2010 and taking into consideration the effect of the interest rate swap agreement.

Foreign exchange risk

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

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and accounts payable denominated in US dollars or Euros. At November 30, 2010, cash and cash equivalents in US dollars amounted to US$6,748,000 (US$13,613,000 at August 31, 2010) while accounts payable denominated in US dollars amounted to US$13,268,000 (US$15,850,000 at August 31, 2010). At November 30, 2010, Euro-denominated bank indebtedness amounted to €384,000 (cash and cash equivalents of €187,000 at August 31, 2010) while accounts payable denominated in Euros amounted to €6,000 (€nil at August 31, 2010). Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% change in the foreign exchange rates (US dollar and Euro) would change financial expense by approximately $0.7 million.

Furthermore, the Corporation's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in Euros. At November 30, 2010, the net investment amounted to €176,206,000 (€182,104,000 at August 31, 2010) while long-term debt denominated in Euros amounted to €80,000,000 (€90,000,000 at August 31, 2010). The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts at November 30, 2010 was $1.3326 per Euro compared to $1.3515 per Euro at August 31, 2010. The impact of a 10% change in the exchange rate of the Euro into Canadian dollars would change financial expense by approximately $0.4 million and other comprehensive income by approximately $12.8 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 Corporation has determined the fair value of its financial instruments as follows:

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

b) Interest rates under the terms of the Corporation's Term Revolving Facility are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus applicable margin. Therefore, the carrying value is considered to represent fair value for the Term Revolving Facility.

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

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

13. Financial and Capital Management (continued)

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

	November 30, 2010		August 31, 2010	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**1,130,465**	**1,213,134**	954,983	1,050,696

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

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

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

b) Capital management

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

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

The provisions under the Term Revolving Facility provide for restrictions on the operations and activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to the operating income before amortization, financial expense and total indebtedness. At November 30, 2010, and August 31, 2010, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

	November 30, 2010	August 31, 2010
Net indebtedness[(1)] / shareholders' equity	**0.8**	0.8
Net indebtedness[(1)] / operating income before amortization[(2)]	**1.8**	1.8
Operating income before amortization[(2)] / financial expense[(2)]	**7.9**	7.9

(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.
(2) Calculation based on operating income before amortization and financial expense for the twelve-month periods ended November 30, 2010 and August 31, 2010.