PRESS RELEASE
For immediate release

Cogeco Cable well positioned to improve on its 2012 financial objectives

Montréal, July 12, 2012 – Today, Cogeco Cable Inc. (TSX: CCA) ("Cogeco Cable" or the "Corporation") announced its financial results for the third quarter of fiscal 2012, ended May 31, 2012, in accordance with International Financial Reporting Standards ("IFRS").

For the third quarter and first nine months of fiscal 2012:

- Revenue increased by 7.2% to reach $319.8 million, and by 8.4% to reach $952.9 million;
- Operating income before depreciation and amortization[(1)] increased by 10.5% to $152.7 million when compared to the third quarter of fiscal 2011, and by 8.7% to $428.2 million when compared to the first nine months of the prior fiscal year;
- Operating margin[(1)] increased to 47.7% from 46.3% in the quarter and to 44.9% from 44.8% in the first nine months when compared to the same periods of the prior year;
- Profit for the period from continuing operations amounted to $53.2 million in the third quarter when compared to $52.4 million for the same period of the previous fiscal year. For the first nine months of fiscal 2012, profit for the period from continuing operations amounted to $123.8 million when compared to $136.4 million for the first nine months of fiscal 2011. Profit variation for the nine-month period is mostly attributable to the increase in depreciation and amortization expense due to the reduction of depreciation period for certain property, plant and equipment, partly offset by the increase in operating income before depreciation and amortization;
- Profit for the period amounted to $53.2 million in the third quarter when compared to a loss of $181.2 million for the same period of the previous fiscal year. For the first nine months of fiscal 2012, profit for the period amounted to $179.3 million when compared to a loss of $114.5 million for the first nine months of fiscal 2011. The increases in both periods are mostly attributable to the write-off of the Corporation's net investment in the Portuguese subsidiary recorded through a non-cash impairment loss in the amount of $225.9 million during the third quarter of fiscal 2011. The Portuguese subsidiary was subsequently disposed of on February 29, 2012;
- Free cash flow[(1)] reached $25.6 million for the quarter compared to $63.1 million in the comparable quarter of the prior year. Free cash flow decreased in the third quarter over the prior year due to the increase in acquisition of property, plant and equipment combined with the difference in the recognition of current income tax expense, partly offset by the improvement of operating income before depreciation and amortization. For the first nine months, free cash flow amounted to $63.8 million, compared to $90.8 million in the first nine months of fiscal 2011. For the first nine-months, the decrease over the prior year is mostly attributable to the increase in acquisition of property, plant and equipment, partly offset by the improvement of operating income before depreciation and amortization;
- A quarterly dividend of $0.25 per share was paid to the holders of subordinate and multiple voting shares, an increase of $0.08 per share, or 47.1%, when compared to a dividend of $0.17 per share paid in the third quarter of fiscal 2011. Dividend payments in the first nine months totalled $0.75 per share in fiscal 2012, compared to $0.51 per share in fiscal 2011;
- Primary service units ("PSU")[(2)] grew by 6,246 in the quarter and 64,705 in the first nine months, for a total of 1,962,174 PSU at May 31, 2012.

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

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

"We are satisfied with Cogeco Cable's results for the third quarter of fiscal 2012. After nine months, we still continue to grow and most of our performance indicators are on target with our objectives. Even though we are revising our fiscal 2012 Primary service units ("PSU") target from 80,000 to 72,000, we are confident we will improve our 2012 operating income before depreciation and amortization target from $580 million to $585 million. These solid results in the third quarter of fiscal 2012 demonstrate that with strong cost controls and a competitive marketing strategy, Cogeco Cable manages to grow and achieves its financial objectives in this highly competitive industry," stated Louis Audet President and Chief Executive Officer of Cogeco Cable.

ABOUT COGECO CABLE

Cogeco Cable (www.cogeco.ca) is a telecommunications corporation and is the second largest hybrid fibre coaxial cable operator in Ontario, and Québec. 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, through its subsidiary Cogeco Data Services, data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, VoIP, HSI access, data storage, data security, co-location services, managed IT services, cloud services and other advanced communication solutions. Cogeco Cable's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).

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Analyst Conference Call: **Thursday, July 12, 2012 at 11:00 a.m.** (Eastern Daylight Time)
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: **1-800-820-0231**
International Access Number: **1-416-640-5926**
Confirmation Code: **1348176**
By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until October 11, by dialling:
Canada and US access number: **1 888-203-1112**
International access number: **+ 1 647-436-0148**
Confirmation code: **1348176**



SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2012

FINANCIAL HIGHLIGHTS

($000, except percentages and per share data)	Quarters ended May 31, 2012 $ (unaudited)	Quarters ended May 31, 2011 $ (unaudited)	Change %	Nine months ended May 31, 2012 $ (unaudited)	Nine months ended May 31, 2011 $ (unaudited)	Change %
Operations						
Revenue	319,771	298,211	7.2	952,930	878,872	8.4
Operating income before depreciation and amortization[1]	152,661	138,147	10.5	428,227	393,782	8.7
Operating margin[1]	47.7%	46.3%	–	44.9%	44.8%	–
Operating income	90,981	86,995	4.6	217,471	243,138	(10.6)
Profit for the period from continuing operations	53,159	52,352	1.5	123,812	136,420	(9.2)
Profit (loss) for the period from discontinued operations	–	(233,573)	–	55,446	(250,955)	–
Profit (loss) for the period	53,159	(181,221)	–	179,258	(114,535)	–
Cash Flow						
Cash flow from operating activities from continuing operations	112,275	142,009	(20.9)	247,043	280,238	(11.8)
Cash flow from operations[1]	113,075	125,923	(10.2)	314,740	272,668	15.4
Acquisitions of property, plant and equipment and intangible assets	87,459	62,782	39.3	250,976	181,878	38.0
Free cash flow[1]	25,616	63,141	(59.4)	63,764	90,790	(29.8)
Financial Condition[2]						
Property, plant and equipment	–	–	–	1,262,495	1,254,217	0.7
Total assets	–	–	–	2,780,943	2,712,679	2.5
Indebtedness[3]	–	–	–	1,069,488	981,214	9.0
Shareholders' equity	–	–	–	1,155,038	1,033,252	11.8
Primary service units[4] growth	6,246	18,304	(65.9)	64,705	86,570	(25.3)
Per Share Data[5]						
Earnings (loss) per share						
From continuing and discontinued operations						
Basic	1.09	(3.73)	–	3.68	(2.36)	–
Diluted	1.09	(3.73)	–	3.66	(2.36)	–
From continuing operations						
Basic	1.09	1.08	0.9	2.54	2.81	(9.6)
Diluted	1.09	1.08	0.9	2.53	2.81	(10.0)
From discontinued operations						
Basic	–	(4.80)	–	1.14	(5.17)	–
Diluted	–	(4.80)	–	1.13	(5.17)	–

(1) The indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the Management's discussion and analysis.
(2) At May 31, 2012 and August 31, 2011.
(3) Indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business acquisition and obligations under derivative financial instruments.
(4) Represents the sum of Television, High Speed Internet ("HSI") and Telephony service customers.
(5) Per multiple and subordinate voting share.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Three and nine-month periods ended May 31, 2012

FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis ("MD&A") 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 few 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 uncertainties may have on future results. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the "Uncertainties and main risk factors" section of the Corporation's 2011 annual 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.

As described in note 1 to the condensed interim consolidated financial statements for the three and nine-month periods ended May 31, 2012, Canadian Generally Accepted Accounting Principles ("GAAP"), which were previously used in preparing the consolidated financial statements, were replaced on the adoption of International Financial Reporting Standards ("IFRS") on January 1, 2011. The Corporation's condensed interim consolidated financial statements for the three and nine-month periods ended May 31, 2012 have therefore been prepared in accordance with IFRS. Comparative figures for 2011 have also been restated.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's consolidated financial statements and MD&A for the fiscal year ended August 31, 2011 included in the Corporation's 2011 Annual Report. It should also be read in conjunction with the Corporation's condensed interim consolidated financial statements and MD&A for the first quarter of fiscal 2012 as well as the information on the adjustments to the fiscal 2011 financial figures upon adoption of IFRS, explained in Note 17 of the condensed interim consolidated financial statements for the three and nine-month periods ended May 31, 2012.

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 depreciation and amortization[(1)], operating margin[(1)], primary service units ("PSU")[(2)] growth and free cash flow[(1)].

During the first nine months of fiscal 2012, the Corporation invested approximately $140.1 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.

PSU growth and penetration of service offerings

During the nine-month period ended May 31, 2012, the number of PSU increased by 64,705 or 3.4%, to reach 1,962,174, mainly as a result of targeted marketing initiatives and of the continuing interest for high definition ("HD") television service. As a result of the lower growth than expected in the first nine months of the fiscal year, Cogeco Cable revised its guidelines from 80,000 PSU, as issued on April 11, 2012, to 72,000 PSU for a growth of approximately 3.8% when compared to August 31, 2011. PSU growth is expected to stem primarily from HSI and Telephony services, the continued strong interest in Digital Television services, enhanced service offerings, and through promotional activities. For further details, please consult the fiscal 2012 revised projections in the "Fiscal 2012 financial guidelines" section.

Operating income before depreciation and amortization and operating margin

First nine months operating income before depreciation and amortization increased by 8.7% when compared to the same period of fiscal 2011 to reach $428.2 million and operating margin increased to 44.9% from 44.8%. As a result of the improvement of operating income before depreciation and amortization during the first nine-month period, management revised upwards its April 2012 projections for fiscal 2012. Operating income before depreciation and amortization is now expected to reach $585 million from $580 million and operating margin should increase to 45.7% from 45.2%. For further details, please consult the fiscal 2012 revised projections in the "Fiscal 2012 financial guidelines" section.

Free cash flow

For the nine-month period ended May 31, 2012, Cogeco Cable reports free cash flow of $63.8 million, compared to $90.8 million for the first nine months of the previous fiscal year, representing a decrease of $27 million. This variance is mostly attributable to the increase in acquisition of property, plant and equipment, partly offset by the improvement of operating income before depreciation and amortization. Giving effect to the revised guidelines of operating income before depreciation and amortization, management also revised its free cash flow projections from $85 million to $90 million. For further details, please consult the fiscal 2012 revised projections in the "Fiscal 2012 financial guidelines" section.

Disposal of subsidiary and discontinued operations

On February 29, 2012, the Corporation completed the sale of its Portuguese subsidiary, Cabovisão – Televisão por Cabo, S.A. ("Cabovisão") for a cash consideration of €45 million or approximately $59.3 million. Operating results from European operations have therefore been classified as discontinued operations. For further details on the European's operating results, please refer to the "Disposal of subsidiary and discontinued operations" section.

(1) The indicated terms do not have standardized definitions prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section.

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

OPERATING RESULTS FROM CONTINUING OPERATIONS

	Quarters ended May 31,			Nine months ended May 31,		
	2012	2011	Change	2012	2011	Change
($000, except percentages)	$	$	%	$	$	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	319,771	298,211	7.2	952,930	878,872	8.4
Operating expenses	167,110	160,064	4.4	515,218	475,918	8.3
Management fees - COGECO Inc.	–	–	–	9,485	9,172	3.4
Operating income before depreciation and amortization	152,661	138,147	10.5	428,227	393,782	8.7
Operating margin	47.7%	46.3%		44.9%	44.8%	

Revenue

Fiscal 2012 third-quarter revenue rose by $21.6 million, or 7.2%, to reach $319.8 million, when compared to the prior year. For the first nine months, revenue amounted to $952.9 million, an increase of $74.1 million, or 8.4% when compared to the first nine months of fiscal 2011. The increase in revenue was driven by PSU growth, rate increases implemented in April and October 2011 combined with the acquisitions of MTO Telecom Inc. ("MTO") and Quiettouch Inc. ("QTI") during the fourth quarter fiscal 2011.

Operating expenses

For the third quarter of fiscal 2012, operating expenses, excluding management fees payable to COGECO Inc., increased by $7 million, to reach $167.1 million, an increase of 4.4% compared to prior year. For the first nine months of the fiscal year, operating expenses, excluding management fees payable to COGECO Inc., amounted to $515.2 million, an increase of $39.3 million, or 8.3%, when compared to the same period of fiscal 2011. The increase in operating expenses is mainly attributable to servicing additional PSU, the launch of new HD channels, additional programming costs, deployment and support costs related to the migration of Television service customers from analog to digital and the acquisitions of MTO and QTI.

Operating income before depreciation and amortization and operating margin

Fiscal 2012 third-quarter operating income before depreciation and amortization increased by $14.5 million, or 10.5% to reach $152.7 million, and by $34.4 million, or 8.7%, in the first nine months to reach $428.2 million. Cogeco Cable's third-quarter operating margin increased to 47.7% from 46.3% in the comparable period of the prior year. For the first nine months, the operating margin increased to 44.9% from 44.8% in the first nine months of fiscal 2011.

CUSTOMER STATISTICS

		Net additions (losses)				% of Penetration[1]	
		Quarters ended May 31,		Nine months ended May 31,			
	May 31, 2012	2012	2011	2012	2011	2012	2011
PSU	1,962,174	6,246	18,304	64,705	86,570		
Television service customers [2]	868,873	(4,453)	(1,401)	(9,112)	4,849	52.9	54.5
HSI service customers	628,852	2,835	6,989	27,638	34,411	38.3	36.8
Telephony service customers	464,449	7,864	12,716	46,179	47,310	28.3	25.1

(1) As a percentage of Homes Passed.
(2) The number of Television service customers includes 765,585 Digital Television service customers.

Fiscal 2012 third-quarter and first nine months, PSU net additions were lower than in the comparable period of the prior year mainly as a result of category maturity, competitive offers and tightening of our credit controls and processes. For the third quarter and the first nine months net customer losses for Television service customers stood at 4,453 and 9,112, respectively, compared to 1,401 and net additions of 4,849 for the same periods of the prior year. Television service customer net losses in the third quarter are usual and due to the end of the school year for college and university students. Television service customer net losses in the first nine months of fiscal 2012 are mainly due to the competitive promotional offers for the video service combined with the tightening of our credit controls and processes. For the three and nine-month periods ended May 31, 2012, Telephony service customers grew by 7,864 and 46,179 compared to 12,716 and 47,310 for the same periods last year, and the number of net additions to the HSI service stood at 2,835 and 27,638 customers compared to 6,989 and 34,411 customers for the same periods 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 and nine-month periods ended May 31, 2012, additions to the Digital Television service which are included in the Television service customers, stood at 12,943 and 87,259 compared to 34,080 and 89,444 for the comparable periods of the prior year. Digital Television service net additions are due to targeted marketing initiatives to improve penetration, the launch of new HD channels, the continuing interest for HD television service and the deployment of Digital Terminal Adapters technology to migrate customers from analog to digital services.

RELATED PARTY TRANSACTIONS

Cogeco Cable is a subsidiary of COGECO Inc., which holds 32.1% of the Corporation's equity shares, representing 82.6% 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 to the Corporation and its subsidiaries. Accordingly, for fiscal 2012, management fees have been set at a maximum of $9.5 million, which was paid within the first six months of the fiscal year. For fiscal 2011, management fees were capped at $9.2 million, and were fully paid in the first half of the year.

Cogeco Cable granted 47,729 stock options to COGECO Inc.'s employees during the first nine months of fiscal 2012, compared to 35,800 for the same period last year. During the third quarter and first nine months, Cogeco Cable charged COGECO Inc. an amount of $83,000 and $232,000, respectively, with regards to Cogeco Cable's options granted to COGECO Inc.'s employees, compared to $70,000 and $202,000 in the comparable periods of the prior year.

Cogeco Cable also granted 11,006 incentive share units to COGECO Inc.'s employees during the first nine months of fiscal 2012, compared to 10,000 incentive share units in the first nine months of fiscal 2011. During the third quarter and first nine months, the Corporation charged COGECO Inc. an amount of $105,000 and $285,000 with respect to these incentive share units, compared to $59,000 and $156,000 in the comparable periods of the previous fiscal year.

Details regarding the management agreement and stock options and incentive share units granted to COGECO Inc.'s employees are provided in the Corporation's 2011 Annual Report.

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

FIXED CHARGES FROM CONTINUING OPERATIONS

	Quarters ended May 31,			Nine months ended May 31,		
	2012	2011	Change	2012	2011	Change
($000, except percentages)	$	$	%	$	$	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Depreciation and amortization	61,680	51,152	20.6	210,756	150,644	39.9
Financial expense	16,373	15,896	3.0	47,990	56,679	(15.3)

For the third quarter of fiscal 2012 depreciation and amortization increased by $10.5 million, or 20.6% at $61.7 million, compared to $51.2 million for the same period of the prior year. For the first nine months, depreciation and amortization increased by $60.1 million, or 39.9%, at $210.8 million when compared to $150.6 million in the first nine months of the prior year. The increase is mainly due to the reduction of the depreciation period for certain home terminal devices to reflect technological changes occurring in the distribution of high definition services, additional acquisitions of property, plant and equipment to support PSU growth and the acquisitions of MTO and QTI.

Financial expense amounted to $16.4 million in the third quarter compared to $15.9 million in the prior year. In the first nine months of fiscal 2012, financial expense amounted to $48 million, compared to $56.7 million in the first nine months of the prior year. Financial expense decrease in the first nine months is primarily due to the payment in 2011 of a make-whole premium amounting to $8.8 million on the early repayment, on December 22, 2010, of the $175 million Senior Secured Notes Series B due on October 31, 2011, partly offset by the impact of the lower interest rate on the $200 million Senior Secured Debentures Series 2 issued on November 16, 2010 and the financial expense impact of fluctuations in the level of bank indebtedness.

INCOME TAXES FROM CONTINUING OPERATIONS

Fiscal 2012 third-quarter income tax expense amounted to $21.4 million, compared to $18.7 million in the prior year. The income tax increase is due to the improvement of operating income before depreciation and amortization, partly offset by the increase in depreciation and amortization expense. In the first nine months, income tax expense amounted to $45.7 million, compared to $50 million in the first nine months of fiscal 2011. The income tax expense decrease is mainly due to the implementation of certain tax measures of the 2011 federal budget limiting the tax deferrals for corporations with a significant interest in a partnership. Under the transitional relief measures, some income will be taxed over a period of five years rather than being taxed all in fiscal 2012 and, with the effect of the decrease in income tax rates over the next five years, resulted in a tax expense reduction of $3.5 million in the first quarter of fiscal 2012.

The changes limiting the tax deferrals described above will have an additional cash outflow impact of approximately $13 million for the Corporation, none of which have been disbursed during the three and nine-month periods ended May 31, 2012.

On March 27, 2012 in its 2012 budget, the Ontario government announced a corporate income tax rate freeze at 11.5% until the province's budget is balanced. The previously announced corporate income tax rate reductions to 11% effective July 1, 2012 and 10% effective July 1, 2013 would resume at a later date. Management considered this corporate income tax rate not substantively enacted, due to, notably, the fact that a minority government is in place. On June 20, 2012, this corporate income tax freeze received royal assent. Based on the existing temporary differences at May 31, 2012, the revised corporate income tax rate will increase deferred income tax expense by approximately $10 million in the fourth quarter of 2012.

PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

For the three and nine-month periods ended May 31, 2012, profit for the period from continuing operations amounted to $53.2 million, or $1.09 per share, and $123.8 million, or $2.54 per share, respectively. For the comparable periods of fiscal 2011, profit for the period from continuing operations amounted to $52.4 million, or $1.08 per share in the quarter, and $136.4 million, or $2.81 per share in the first nine months. The variance for the quarter is mainly due to the improvement of the operating income before depreciation and amortization, partly offset by the increase of depreciation and amortization expense. This variance for the nine-month period is mostly attributable to the increase of depreciation and amortization expense due to the reduction of depreciation period of certain property, plant and equipment, partly offset by the increase in operating income before depreciation and amortization and the decrease in financial expense.

PROFIT FOR THE PERIOD

For the three and nine-month periods ended May 31, 2012, profit for the period amounted to $53.2 million, or $1.09 per share, and $179.3 million, or $3.68 per share, respectively. For the comparable periods of fiscal 2011, loss for the period amounted to $181.2 million, or $3.73 per share in the quarter, and $114.5 million, or $2.36 per share in the first nine months. Profit progression is mostly attributable to the write-off of the Corporation's net investment in the Portuguese subsidiary recorded through a non-cash impairment loss in the amount of $225.9 million during the third quarter of fiscal 2011 and the improvement of operating income before depreciation and amortization improvement, partly offset by the increase of depreciation and amortization expense due to the reduction of the depreciation period of certain property, plant and equipment.

CASH FLOW AND LIQUIDITY

	Quarters ended May 31,		Nine months ended May 31,	
($000)	2012 $	2011 $	2012 $	2011 $
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities from continuing operations				
Cash flow from operations	113,075	125,923	314,740	272,668
Changes in non-cash operating activities	(12,083)	22,007	(71,572)	(60,351)
Amortization of deferred transaction costs and discounts on long-term debt	(713)	(658)	(2,070)	(2,254)
Income taxes received (paid)	(10,821)	422	(64,638)	3,158
Current income tax expense (recovery)	24,044	(2,415)	69,740	70,004
Financial expense paid	(17,600)	(19,166)	(47,147)	(59,666)
Financial expense	16,373	15,896	47,990	56,679
	112,275	142,009	247,043	280,238
Investing activities from continuing operations	(86,861)	(62,566)	(250,231)	(181,662)
Financing activities from continuing operations	(12,035)	(8,359)	47,475	(28,541)
Net change in cash and cash equivalents from continuing operations	13,379	71,084	44,287	70,035
Net change in cash and cash equivalents from discontinued operations (1)	–	(1,069)	49,597	(9,786)
Cash and cash equivalents from continuing and discontinued operations, beginning of period	135,952	26,076	55,447	35,842
Cash and cash equivalents from continuing and discontinued operations, end of period	149,331	96,091	149,331	96,091

(1) For further details on the Corporation's cash flows attributable to discontinued operations, please refer to the "Disposal of subsidiary and discontinued operations" section.

Fiscal 2012 third-quarter cash flow from operations reached $113.1 million compared to $125.9 million for the same period last year. This decrease of $12.8 million is primarily due to the increase in current income tax expense, partly offset by the increase in operating income before depreciation and amortization. Changes in non-cash operating activities generated cash outflows of $12.1 million compared to cash inflows of $22 million for the same period in fiscal 2011, mainly as a result of a decrease in trade and other payables in the current quarter compared to an increase in the comparative period.

For the first nine months of fiscal 2012, cash flow from operations reached $314.7 million compared to $272.7 million for the same period last year. This $42.1 million increase is primarily due to improvement of the operating income before depreciation and amortization. Changes in non-cash operating activities generated cash outflows of $71.6 million compared to $60.4 million for the same period in fiscal 2011, mainly as a result of higher decrease in trade and other payables, partly offset by an increase in provisions.

Investing activities, including acquisition of property, plant and equipment segmented according to the *National Cable Television Association* ("NCTA") standard reporting categories, are as follows:

	Quarters ended May 31,		Nine months ended May 31,,	
($000)	2012 $	2011 $	2012 $	2011 $
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customer premise equipment[(1)]	18,552	19,363	75,623	61,302
Scalable infrastructure	34,054	17,587	87,216	54,734
Line extensions	14,416	3,652	33,757	11,597
Upgrade / Rebuild	7,272	11,085	19,146	27,819
Support capital	9,185	8,314	24,664	17,891
Acquisition of property, plant and equipment	83,479	60,001	240,406	173,343
Acquisition of intangible assets and others	3,382	2,565	9,825	8,319
Total investing activities	86,861	62,566	250,231	181,662

(1) Includes mainly home terminal devices as well as new and replacement drops.

Fiscal 2012 third quarter acquisition of property, plant and equipment amounted to $83.5 million, an increase of 39.1% when compared to $60 million in the third quarter of the prior year. For the first nine months of fiscal 2012, acquisition of property, plant and equipment amounted to $240.4 million, an increase of 38.7% when compared to $173.3 million in the comparable period of the prior year. The increases included capital expenditures from the recent acquisitions of QTI and MTO and included mainly the following factors:

- An increase in customer premise equipment to support PSU and Digital Television growth including the conversion of customer service from analog to digital distribution;
- An increase in scalable infrastructure and line extensions to improve and extend network capacity in existing areas served;
- An increase in support capital spending stemming from the construction and acquisition of new facilities;
- A decrease in network upgrade and rebuild reflecting the timing of initiatives.

Acquisition of intangible assets and others are mainly attributable to reconnect and additional service activation costs as well as other customer acquisition costs. For the third quarter and the first nine months, the acquisition of intangible assets and others amounted to $3.4 million and $9.8 million, respectively, slightly higher when compared to $2.6 million and $8.3 million for the same periods of the 2011 fiscal year.

In the third quarter, free cash flow amounted to $25.6 million, compared to $63.1 million in the comparable period of fiscal 2011, representing a decrease of $37.5 million. The decrease in free cash flow over the prior year is due to the increase in acquisition of property, plant and equipment combined with the difference in the recognition of current income tax expense, partly offset by the increase of operating income before depreciation and amortization.

For the first nine months, free cash flow amounted to $63.8 million, compared to $90.8 million in the comparable period of fiscal 2011, representing a decrease of $27 million. The decrease in free cash flow over the prior year is due to the increase in acquisition of property, plant and equipment, partly offset by the increase of operating income before depreciation and amortization.

In the third quarters of fiscal 2012 and 2011, Indebtedness affecting cash remained essentially the same. In the first nine months of fiscal 2012, Indebtedness affecting cash increased by $86.3 million mainly due to the issuance, on February 14, 2012, of $200 million Senior Secured Debentures Series 3 ("Fiscal 2012 debentures") for net proceeds of $198.1 million which was used to repay the $110 million Term Revolving Facility. In the first nine months of fiscal 2011, Indebtedness affecting cash decreased by $6.3 million through the repayment of the $175 million Senior Secured Notes Series B and the related make-whole premium on early repayment, combined with net repayment of $27.4 million on the Corporation's Term Revolving Facility. The Senior Secured Notes Series B were repaid from the net proceeds of $198.3 million as a result of the issuance, on November 16, 2010, of Senior Secured Debentures Series 2.

During the third quarter of fiscal 2012, a quarterly dividend of $0.25 per share was paid to the holders of subordinate and multiple voting shares, totalling $12.2 million, compared to a quarterly dividend of $0.17 per share, or $8.3 million the year before. During the first nine months of fiscal 2012, quarterly dividends of $0.25 per share, for a total of $0.75 per share, were paid to the holders of subordinate and multiple voting shares, totalling $36.5 million, compared to quarterly dividends of $0.17 per share, for a total of $0.51 per share or $24.8 million the year before.

As at May 31, 2012, the Corporation had a working capital deficiency of $7.3 million compared to $178.2 million at August 31, 2011. The decrease in the deficiency is mainly due to the issuance, on February 14, 2012, of $200 million Fiscal 2012 debentures for net proceeds of $198.1 million which was used to repay the $110 million Term Revolving Facility, the net proceeds from the sale of the Portuguese subsidiary and free cash flow of $63.8 million. 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 trade and other payables, 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 May 31, 2012, the Corporation had used $0.1 million of its $750 million Term Revolving Facility for a remaining availability of $749.9 million.

FINANCIAL POSITION

Since August 31, 2011, there have been significant changes to the balances of, “trade and other payables”, “property, plant and equipment”, “provisions”, “income taxes receivable”, “income tax liabilities”, “deferred tax liabilities”, “long-term debt”, “cash and cash equivalents”, “derivative financial instruments” and “accumulated other comprehensive income”.

The $117.1 million decrease in trade and other payables is related to the timing of payments made to suppliers combined with the sale of the Portuguese subsidiary in the second quarter of fiscal 2012. The $8.3 million increase in property, plant and equipment reflects acquisitions discussed in the “Cash flow and Liquidity” section net from the depreciation and amortization expense, partly offset by the sale of the Portuguese subsidiary. The $12.4 million increase in provisions is mostly due to several programming agreements under negotiation. The decrease of $24.7 million in income taxes receivable, of $17.5 million in income tax liabilities and of $18.2 million in deferred tax liabilities primarily reflect the timing of the recognition of income tax liabilities as a result of modifications made to the corporate structure combined with the increase in operating income before depreciation and amortization. The increase of $97.4 million in long-term debt and of $93.9 million in cash and cash equivalents are due to the factors previously discussed in the “Cash Flow and Liquidity” section. The $11.4 million reduction in derivative financial instruments is due to the factors discussed in the “Financial management” section. The $21.6 million reduction in the accumulated other comprehensive income is mostly due to the realization of the foreign currency translation adjustment attributable to the sale of Cabovisão.

A description of Cogeco Cable’s share data as of June 30, 2012 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	33,117,508	899,997
Options to purchase Subordinate voting shares		
Outstanding options	609,686	
Exercisable options	410,443	

In the normal course of business, Cogeco Cable has incurred financial obligations, primarily in the form of long-term debt, operating and finance leases and guarantees. Cogeco Cable’s obligations, as discussed in the 2011 Annual Report, have not materially changed since August 31, 2011, except as mentioned below.

As a result of the sale of its Portuguese subsidiary, the letters of credits which were issued to guarantee the payment by Cabovisão of stamp taxes and withholding taxes have been released.

On February 14, 2012, the Corporation completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 3. These Debentures mature on February 14, 2022 and bear interest at 4.925% 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.

On November 22, 2011, the Corporation renewed its credit agreement for a $750 million credit facility, with an option to increase to a total amount of up to $1 billion, subject to lenders’ participation, in the form of a five year renewed Term Revolving Facility. The renewed Term Revolving Facility was arranged by a group of financial institutions. The renewed Term Revolving Facility will mature on November 22, 2016, but may be extended by additional one-year periods on an annual basis, subject to lenders’ approval. The renewed Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount.

DIVIDEND DECLARATION

At its July 11, 2012 meeting, the Board of Directors of Cogeco Cable declared a quarterly eligible dividend of $0.25 per share for multiple voting and subordinate voting shares, payable on August 8, 2012, to shareholders of record on July 25, 2012. 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

The Corporation has 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 nine months of fiscal 2012, amounts due under the US$190 million Senior Secured Notes Series A increased by $10.2 million due to the US dollar’s appreciation relative to the Canadian dollar. The fair value of cross-currency swaps liability decreased by a net amount of $11.4 million, of which a decrease of $10.2 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $1.3 million was recorded as an increase of other comprehensive income. In the first nine months of fiscal 2011, amounts due under the US$190 million Senior Secured Notes Series A decreased by $18.6 million due to the US dollar’s depreciation over the Canadian dollar. The fair value of cross-currency swaps and interest rate swap liabilities increased by a net amount of $19.4 million, of which $18.6 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $0.8 million was recorded as a decrease of other comprehensive income.

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 certain equipment, as the majority of customer premise equipment is purchased and subsequently paid in US dollars. Please consult the "Foreign Exchange Risk" section in Note 14 of the condensed interim consolidated financial statements for further details.

DISPOSAL OF SUBSIDIARY AND DISCONTINUED OPERATIONS

On February 29, 2012, the Corporation completed the sale of its Portuguese subsidiary for a cash consideration of €45 million ($59.3 million). The selling price has been reduced by selling fees of approximately €8.5 million ($11.2 million) and contingent claims assumed up to a maximum amount of €5 million ($6.6 million). The carrying value of the net liabilities disposed of on February 29, 2012 was $6.7 million resulting in a gain on disposal of $48.2 million recorded in the interim consolidated statements of profit or loss.

The details of the assets and liabilities disposed of are as follows:

($000)	$
	(unaudited)
Cash and cash equivalents	13,041
Trade and other receivables	7,693
Income taxes receivable	277
Prepaid expenses and other	2,777
Property, plant and equipment	38,931
Trade and other payables	(42,514)
Provisions	(6,665)
Deferred and prepaid revenue	(411)
Foreign currency translation adjustment	(19,817)
	(6,688)

As a result of the sale and in accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current and prior year results and cash flows of the European operations, up to the date of the disposal, as discontinued operations.

Profit (loss) for the period from discontinued operations

	Quarters ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	–	43,647	80,546	128,971
Operating expenses	–	37,637	70,247	114,544
Depreciation and amortization	–	13,640	2,814	40,068
Operating income (loss)	–	(7,630)	7,485	(25,641)
Financial income	–	7	155	85
Impairment of goodwill	–	29,344	–	29,344
Impairment of property, plant and equipment	–	196,529	–	196,529
Gain on disposal	–	–	48,215	–
Profit (loss) before income taxes	–	(233,496)	55,855	(251,429)
Income taxes	–	77	409	(474)
Profit (loss) for the period	–	(233,573)	55,446	(250,955)

Cash flows from discontinued operations

	Quarters ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net cash flows from operating activities	–	6,292	13,637	15,849
Net cash flows from investing activities	–	(7,934)	36,826	(26,073)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	–	573	(866)	438
Net increase (decrease) in cash and cash equivalents	–	(1,069)	49,597	(9,786)

FISCAL 2012 FINANCIAL GUIDELINES

For the first nine months of fiscal 2012, the Corporation improved its financial performance with regards to operating income before depreciation and amortization, while PSU growth and revenue increased at a lower pace than expected, when compared to the revised projections issued on April 11, 2012. As a result, management revised downwards its revenue projections from $1,285 million to $1,280 million and PSU growth from 80,000 to 72,000 net additions, as a consequence of a more competitive environment and tightening of credit controls, thus containing collection and bad debt expenses. Nonetheless, operating income before depreciation and amortization should increase from $580 million to $585 million to reflect the cost reduction initiatives implemented by the Corporation over the year and, consequently operating margin should increase from 45.2% to 45.7%.

Giving effect to the revised guidelines of operating income before depreciation and amortization, management also revised its free cash flow projections from $85 million to $90 million. Profit for the year is expected to amount to $225 million, $10 million lower when compared to the revised projections of April 2012, resulting from the increase of the corporate income tax rate as discussed in the "Income taxes from continuing operations" section. Finally, management has not revised its other financial projections for the 2012 fiscal year.

	Revised projections July 11, 2012 Fiscal 2012	Revised projections April 11, 2012 Fiscal 2012
(in millions of dollars, except net customer additions and operating margin)	$	$
Financial guidelines		
Revenue	1,280	1,285
Operating income before depreciation and amortization	585	580
Operating margin	45.7%	45.2%
Depreciation and amortization	270	270
Financial expense	65	65
Current income taxes expense	90	90
Profit for the year	225	235
Acquisitions of property, plant and equipment and intangible assets	340	340
Free cash flow	90	85
Net customer additions guidelines		
PSU	72,000	80,000

FISCAL 2013 PRELIMINARY FINANCIAL GUIDELINES

For fiscal 2013, Cogeco Cable expects to achieve revenue of $1,350 million, representing growth of $70 million, or 5.5% when compared to the revised fiscal 2012 projections issued on July 11, 2012. The preliminary guidelines take into consideration the current uncertain global economic environment. In Canada, household debt remains a concern as credit market debt as a % of personal disposal income continues to rise and average resale price to household income continue to increase, which should coincide with a contraction in consumer spending. In addition, the high value of the Canadian dollar may generate further restructuring in the manufacturing sector and additional headwinds from government spending restraints might result in slower 2013 growth. In previous recessionary periods, demand for cable telecommunications services has generally proven to be resilient; however there is no assurance that demand would remain resilient in a prolonged difficult economic environment. These preliminary guidelines also take into consideration the competitive environment that prevails in Canada, the deployment of new technologies such as Fibre to the Home ("FTTH"), Fibre to the Node ("FTTN") and Internet Protocol Television ("IPTV") by the incumbent telecommunications providers.

Revenue should increase as a result of PSU growth stemming from targeted marketing initiatives to improve penetration rates of the Digital Television, HSI and Telephony services. Furthermore, the Digital Television service should continue to benefit from the customers' ongoing strong interest in the Corporation's growing HD service offerings. Revenue will also benefit from the impact of rate increases implemented in June 2012 in Quebec and July 2012 in Ontario, ranging an average between $2 to $3 per HSI and Telephony service customers. Cogeco

Cable's strategies include consistently effective marketing to residential and business customers, competitive product offerings and superior customer service, which combined, lead to the expansion and loyalty of the Basic Cable Service clientele. As the penetration of residential HSI, Telephony and Digital Television services increase, the new demand for these products should slow, reflecting signs of maturity. However, growth in the commercial and business sector is expected to continue at a consistent pace.

As a result of increased costs to service additional PSU, inflation and manpower increases, as well as the continuation of the marketing initiatives and retention strategies, operating expenses are expected to expand by approximately $41 million, or 5.9% in the 2013 fiscal year when compared to the revised projections for fiscal 2012.

For fiscal 2013, the Corporation expects operating income before depreciation and amortization of $614 million, an increase of $29 million, or 5% when compared to the revised fiscal 2012 projections issued on July 11, 2012. The operating margin is expected to reach approximately 45.5% in fiscal 2013, compared to revised projections of 45.7% for the 2012 fiscal year, reflecting operating expenses growth slightly higher than the revenue growth.

Cogeco Cable expects the depreciation and amortization of property, plant and equipment and intangible assets to increase by $20 million for fiscal 2013, mainly from acquisition of capital expenditures and the increase in intangible assets related to PSU growth and other initiatives and by the full year impact of those of fiscal 2012. In addition, the depreciation and amortization expense for fiscal 2012 included the impact from the reduction of the depreciation period for certain home terminal devices. Cash flows from operations should finance capital expenditures and the increase in intangible assets amounting to $350 million, an increase of $10 million when compared to the revised fiscal 2012 projections. Capital expenditures projected for the 2013 fiscal year are mainly due to customer premise equipment required to support PSU growth, scalable infrastructure for product enhancements and the deployment of new technologies, line extensions to expand existing territories, support capital to improve business information systems and support facility requirements and expansion for the data services business.

Fiscal 2013 free cash flow is expected to amount to $105 million, an increase of $15 million, or 16.7% when compared to the projected free cash flow of $90 million for fiscal 2012, resulting from the growth in operating income before depreciation and amortization. Generated free cash flow will result in reduced Indebtedness net of cash and cash equivalent, thus improving the Corporation's net leverage ratios. Financial expense should amount to $64 million, essentially the same when compared to the 2012 revised projections, as a result of a slight increase in the Corporation's cost of debt reflecting current market conditions, partly offset by the reduction in Indebtedness level. As a result, profit for the year of approximately $190 million should be achieved compared to $225 million for the revised fiscal 2012 projections. The 2012 projections of profit for the year include $55.4 million profit from discontinued operations resulting from the disposal of the Portuguese subsidiary. Excluding this item, the fiscal 2013 projected profit for the year represents an increase of $20.4 million, or 12%, when compared to the revised fiscal 2012 projected profit for the year.

The fiscal 2013 preliminary financial guidelines are as follows:

(in millions of dollars, except net customer additions and operating margin)	Preliminary projections Fiscal 2013 $	Revised projections Fiscal 2012 $
Financial guidelines		
Revenue	1,350	1,280
Operating income before depreciation and amortization	614	585
Operating margin	45.5%	45.7%
Depreciation and amortization	290	270
Financial expense	64	65
Current income taxes expense	95	90
Profit for the year	190	225
Acquisitions of property, plant and equipment and intangible assets	350	340
Free cash flow	105	90
Net customer addition guidelines		
PSU	50,000	72,000

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 IFRS.

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 May 31, 2012, and have concluded that they were adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended May 31, 2012.

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, 2011. A detailed description of the uncertainties and main risk factors faced by Cogeco Cable can be found in the 2011 Annual Report.

RECENT ACCOUNTING DEVELOPMENTS IN CANADA

As indicated in note 1 to the condensed interim consolidated financial statements for the three and nine-month periods ended May 31, 2012, the Corporation adopted IFRS on September 1, 2011. The 2011 financial figures have been restated accordingly.

CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

As noted above, the Corporation adopted the IFRS conceptual framework for its accounting policies on September 1, 2011. The changes to critical accounting policies as a result of IFRS and their impacts on accounting estimates are described under "Changes in Critical Accounting Policies and Estimates" in the Corporation's Management Discussion and Analysis for the first quarter ended November 30, 2011, available at <www.sedar.com> and <www.cogecocable.ca>. During the first nine-month period of fiscal 2012, there were no additional changes to critical accounting policies and estimates, except as described below.

Change in useful life of home terminal devices

During the second quarter of fiscal 2012, the Corporation has revised the useful life of certain of its home terminal devices to reflect technological changes occurring in the distribution of high definition services. As a result, high definition digital terminals and embedded multimedia terminal adapters' useful lives have been reduced from 5 years to 3 years.

FUTURE ACCOUNTING DEVELOPMENTS IN CANADA

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are mandatory but not yet effective for the period ended May 31, 2012 or the year ending August 31, 2012, and have not been applied in preparing these condensed interim consolidated financial statements. These standards are described under "Future accounting developments in Canada" in the Corporation's Management Discussion and Analysis for the first quarter ended November 30, 2011, available at <www.sedar.com> and <www.cogecocable.ca>.

NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures from continuing operations used by Cogeco Cable throughout this MD&A. It also provides reconciliations between these non-IFRS measures and the most comparable IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS 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 depreciation and amortization" and "operating margin".

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 activities, amortization of deferred transaction costs and discounts on long-term debt, income taxes paid or received, current income tax expense or recovery, financial expense paid and financial expense. 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-IFRS 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 IFRS measure is cash flow from operating activities. Cash flow from operations is calculated as follows:

	Quarters ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
($000)	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities	112,275	142,009	247,043	280,238
Changes in non-cash operating activities	12,083	(22,007)	71,572	60,351
Amortization of deferred transaction costs and discounts on long-term debt	713	658	2,070	2,254
Income taxes paid (received)	10,821	(422)	64,638	(3,158)
Current income tax recovery (expense)	(24,044)	2,415	(69,740)	(70,004)
Financial expense paid	17,600	19,166	47,147	59,666
Financial expense	(16,373)	(15,896)	(47,990)	(56,679)
Cash flow from operations	113,075	125,923	314,740	272,668

Free cash flow is calculated as follows:

($000)	Quarters ended May 31, 2012 $ (unaudited)	2011 $ (unaudited)	Nine months ended May 31, 2012 $ (unaudited)	2011 $ (unaudited)
Cash flow from operations	113,075	125,923	314,740	272,668
Acquisition of property, plant and equipment	(83,479)	(60,001)	(240,406)	(173,343)
Acquisition of intangible assets	(3,980)	(2,781)	(10,570)	(8,535)
Free cash flow	25,616	63,141	63,764	90,790

Operating income before depreciation and amortization and operating margin

Operating income before depreciation and 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 depreciation and 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 depreciation and amortization by revenue.

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

($000, except percentages)	Quarters ended May 31, 2012 $ (unaudited)	2011 $ (unaudited)	Nine months ended May 31, 2012 $ (unaudited)	2011 $ (unaudited)
Operating income	90,981	86,995	217,471	243,138
Depreciation and amortization	61,680	51,152	210,756	150,644
Operating income before depreciation and amortization	152,661	138,147	428,227	393,782
Revenue	319,771	298,211	952,930	878,872
Operating margin	47.7%	46.3%	44.9%	44.8%

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	May 31,		February 29,	February 28,	November 30,		August 31,	
($000, except percentages and per share data)	2012	2011	2012	2011	2011	2010	2011	2010[1]
	$	$	$	$	$	$	$	$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	319,771	298,211	317,735	293,457	315,424	287,204	305,811	282,155
Operating income before depreciation and amortization	152,661	138,147	143,743	130,399	131,823	125,236	149,255	130,121
Operating margin	47.7%	46.3%	45.2%	44.4%	41.8%	43.6%	48.8%	46.1%
Operating income	90,981	86,995	59,491	80,426	66,999	75,717	97,941	82,511
Income taxes	21,449	18,747	13,617	15,007	10,603	16,285	20,713	18,555
Profit for the period from continuing operations	53,159	52,532	31,086	41,319	39,567	42,749	62,745	47,129
Profit (loss) for the period from discontinued operations	–	(233,573)	52,047	(9,223)	3,399	(8,159)	6,219	(7,466)
Profit (loss) for the period	53,159	(181,221)	83,133	32,096	42,966	34,590	68,964	39,663
Cash flow from operating activities from continuing activities	112,275	142,009	120,961	88,420	13,807	49,809	210,634	191,951
Cash flow from operations	113,075	125,923	104,622	114,682	97,043	32,063	144,699	119,029
Acquisitions of property, plant and equipment and intangible assets	87,459	62,782	86,234	61,079	77,283	58,017	120,663	97,212
Free cash flow	25,616	63,141	18,388	53,603	19,760	(25,954)	24,036	21,817
Earnings (loss) per share[2]								
From continuing and discontinued operations								
Basic	1.09	(3.73)	1.71	0.66	0.88	0.71	1.42	0.82
Diluted	1.09	(3.73)	1.70	0.66	0.88	0.71	1.41	0.81
From continuing operations								
Basic	1.09	1.08	0.64	0.85	0.81	0.88	1.29	0.97
Diluted	1.09	1.08	0.63	0.85	0.81	0.88	1.28	0.97
From discontinued operations								
Basic	–	(4.80)	1.07	(0.19)	0.07	(0.17)	0.13	(0.15)
Diluted	–	(4.80)	1.06	(0.19)	0.07	(0.17)	0.13	(0.15)

(1) The numbers relating to fiscal year 2010 have not been restated to comply with the adoption of IFRS since the transition date for the Corporation is September 1, 2010.
(2) Per multiple and subordinate voting share.

SEASONAL VARIATIONS

Cogeco Cable's operating results are not generally subject to material seasonal fluctuations except as follows. The customer growth in the Television service customers 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. 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 has been reached in the second quarter of fiscal 2012, Cogeco Cable will not pay management fees in the second half of fiscal 2012. Similarly, as the maximum amount was paid in the first six months of fiscal 2011, Cogeco Cable paid no management fees in the second half of the previous fiscal year.

ADDITIONAL INFORMATION

This MD&A was prepared on July 11, 2012. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Cable Inc.
Montréal, Québec
July 11, 2012



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2012

COGECO CABLE INC.
INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
(unaudited)

(In thousands of Canadian dollars, except per share data)	Three months ended May 31, **2012** **$**	2011 $	Nine months ended May 31, **2012** **$**	2011 $
Revenue	**319,771**	298,211	**952,930**	878,872
Operating expenses (note 3)	**167,110**	160,064	**515,218**	475,918
Management fees – COGECO Inc.	**–**	–	**9,485**	9,172
Depreciation and amortization (note 4)	**61,680**	51,152	**210,756**	150,644
Operating income	**90,981**	86,995	**217,471**	243,138
Financial expense (note 5)	**16,373**	15,896	**47,990**	56,679
Profit before income taxes	**74,608**	71,099	**169,481**	186,459
Income taxes (note 6)	**21,449**	18,747	**45,669**	50,039
Profit for the period from continuing operations	**53,159**	52,352	**123,812**	136,420
Profit (loss) for the period from discontinued operations (note 15)	**–**	(233,573)	**55,446**	(250,955)
Profit (loss) for the period	**53,159**	(181,221)	**179,258**	(114,535)
Earnings (loss) per share (note 7)				
Basic				
Profit for the period from continuing operations	**1.09**	1.08	**2.54**	2.81
Profit (loss) for the period from discontinued operations	**–**	(4.80)	**1.14**	(5.17)
Profit (loss) for the period	**1.09**	(3.73)	**3.68**	(2.36)
Diluted				
Profit for the period from continuing operations	**1.09**	1.08	**2.53**	2.81
Profit (loss) for the period from discontinued operations	**–**	(4.80)	**1.13**	(5.17)
Profit (loss) for the period	**1.09**	(3.73)	**3.66**	(2.36)

COGECO CABLE INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit (loss) for the period	**53,159**	(181,221)	**179,258**	(114,535)
Other comprehensive income (loss)				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**9,566**	666	**11,446**	(19,367)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**(8,246)**	532	**(10,165)**	18,601
Income tax recovery (expense) on cash flow hedging adjustments	**(518)**	(255)	**(663)**	717
	802	943	**618**	(49)
Foreign currency translation adjustments				
Net foreign currency translation differences on translation of a net investment in foreign operations	**–**	8,952	**(745)**	7,199
Net change in unrealized adjustments on translation of long-term debts designated as hedges of a net investment in foreign operations	**–**	(3,731)	**–**	(3,330)
Reclassification to profit and loss of accumulated realized foreign currency translation gain of a net investment in foreign operations (note 15)	**–**	–	**(19,817)**	–
	–	5,221	**(20,562)**	3,869
Defined benefit plans actuarial adjustments				
Net change in defined benefit plans actuarial adjustments	**(1,070)**	(1,730)	**(2,261)**	(242)
Income tax recovery on defined benefit plans actuarial adjustments	**288**	467	**608**	67
	(782)	(1,263)	**(1,653)**	(175)
Other comprehensive income (loss) for the period	**20**	4,901	**(21,597)**	3,645
Comprehensive income (loss) for the period	**53,179**	(176,320)	**157,661**	(110,890)

COGECO CABLE INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

(In thousands of Canadian dollars)	Share capital	Contributed surplus – share-based compensation	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
	(note 10)		(note 11)		
Balance at September 1, 2010	988,830	7,470	20,137	92,016	1,108,453
Loss for the period	–	–	–	(114,535)	(114,535)
Other comprehensive income for the period	–	–	3,645	–	3,645
Comprehensive income (loss) for the period	–	–	3,645	(114,535)	(110,890)
Issuance of subordinate voting shares under the employee Stock Option Plan	4,740	–	–	–	4,740
Share-based compensation	–	1,558	–	–	1,558
Share-based compensation previously recorded in contributed surplus for options exercised	1,255	(1,255)	–	–	–
Dividends on multiple voting shares	–	–	–	(8,001)	(8,001)
Dividends on subordinate voting shares	–	–	–	(16,760)	(16,760)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(2,258)	–	–	–	(2,258)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	465	(476)	–	11	–
Contributions by and distributions to shareholders	4,202	(173)	–	(24,750)	(20,721)
Balance at May 31, 2011	993,032	7,297	23,782	(47,269)	976,842
Profit for the period	–	–	–	68,964	68,964
Other comprehensive loss for the period	–	–	(3,196)	–	(3,196)
Comprehensive income (loss) for the period	–	–	(3,196)	68,964	65,768
Share-based compensation	–	485	–	–	485
Dividends on multiple voting shares	–	–	–	(3,138)	(3,138)
Dividends on subordinate voting shares	–	–	–	(6,595)	(6,595)
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(110)	–	–	–	(110)
Contributions by and distributions to shareholders	(110)	485	–	(9,733)	(9,358)
Balance at August 31, 2011	**992,922**	**7,782**	**20,586**	**11,962**	**1,033,252**
Profit for the period	**–**	**–**	**–**	**179,258**	**179,258**
Other comprehensive loss for the period	**–**	**–**	**(21,597)**	**–**	**(21,597)**
Comprehensive income (loss) for the period	**–**	**–**	**(21,597)**	**179,258**	**157,661**
Issuance of subordinate voting shares under the employee Stock Option Plan	**1,295**	**–**	**–**	**–**	**1,295**
Share-based compensation	**–**	**1,677**	**–**	**–**	**1,677**
Share-based compensation previously recorded in contributed surplus for options exercised	**375**	**(375)**	**–**	**–**	**–**
Dividends on multiple voting shares	**–**	**–**	**–**	**(11,768)**	**(11,768)**
Dividends on subordinate voting shares	**–**	**–**	**–**	**(24,723)**	**(24,723)**
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	**(3,049)**	**–**	**–**	**–**	**(3,049)**
Disposal of subordinate voting shares held in trust under the Incentive Share Unit Plan	**522**	**–**	**–**	**171**	**693**
Contributions by and distributions to shareholders	**(857)**	**1,302**	**–**	**(36,320)**	**(35,875)**
Balance at May 31, 2012	**992,065**	**9,084**	**(1,011)**	**154,900**	**1,155,038**

COGECO CABLE INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(In thousands of Canadian dollars)	**May 31, 2012** **$**	August 31, 2011 $	September 1, 2010 $
Assets			
Current			
Cash and cash equivalents (note 12 b))	**149,331**	55,447	35,842
Trade and other receivables (note 14 a))	**64,802**	74,685	66,952
Income taxes receivable	**13,617**	38,360	44,800
Prepaid expenses and other	**12,024**	12,856	13,669
	239,774	181,348	161,263
Non-current			
Other assets	**5,800**	5,676	6,700
Property, plant and equipment	**1,262,495**	1,254,217	1,319,372
Intangible assets	**1,040,990**	1,045,601	1,015,919
Goodwill	**209,330**	208,796	144,695
Derivative financial instruments	**–**	–	5,085
Deferred tax assets	**22,554**	17,041	23,115
	2,780,943	2,712,679	2,676,149
Liabilities and Shareholders' equity			
Liabilities			
Current			
Trade and other payables	**122,602**	239,706	222,392
Provisions (note 8)	**27,712**	15,308	12,695
Income tax liabilities	**41,869**	59,356	558
Deferred and prepaid revenue	**42,413**	43,128	45,602
Derivative financial instrument	**–**	–	1,189
Balance due on a business acquisition, bank prime rate plus 1% and payable in February 2013	**11,400**	–	–
Current portion of long-term debt (note 9)	**1,119**	2,094	2,296
	247,115	359,592	284,732
Non-current			
Long-term debt (note 9)	**1,045,144**	946,783	952,687
Balance due on a business acquisition, bank prime rate plus 1% and payable in February 2013	**–**	11,400	–
Derivative financial instruments	**2,962**	14,408	–
Deferred and prepaid revenue and other liabilities	**14,377**	14,576	12,234
Pension plan liabilities and accrued employee benefits	**13,004**	11,154	8,061
Deferred tax liabilities	**303,303**	321,514	309,982
	1,625,905	1,679,427	1,567,696
Shareholders' equity			
Share capital (note 10)	**992,065**	992,922	988,830
Contributed surplus	**9,084**	7,782	7,470
Accumulated other comprehensive income (loss) (note 11)	**(1,011)**	20,586	20,137
Retained earnings	**154,900**	11,962	92,016
	1,155,038	1,033,252	1,108,453
	2,780,943	2,712,679	2,676,149

COGECO CABLE INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
(In thousands of Canadian dollars)	**$**	$	**$**	$
Cash flow from operating activities from continuing operations				
Profit for the period from continuing operations	**53,159**	52,352	**123,812**	136,420
Adjustments for:				
Depreciation and amortization (note 4)	**61,680**	51,152	**210,756**	150,644
Income taxes	**21,449**	18,747	**45,669**	50,039
Financial expense (note 5)	**16,373**	15,896	**47,990**	56,679
Share-based compensation (note 10)	**734**	649	**1,739**	1,813
Loss on disposals and write-offs of property, plant and equipment	**156**	113	**907**	1,223
Other	**(772)**	(163)	**(473)**	279
	152,779	138,746	**430,400**	397,097
Changes in non-cash operating activities (note 12 a))	**(12,083)**	22,007	**(71,572)**	(60,351)
Income taxes received (paid)	**(10,821)**	422	**(64,638)**	3,158
Financial expense paid	**(17,600)**	(19,166)	**(47,147)**	(59,666)
	112,275	142,009	**247,043**	280,238
Cash flow from investing activities from continuing operations				
Acquisition of property, plant and equipment	**(83,479)**	(60,001)	**(240,406)**	(173,343)
Acquisition of intangible assets	**(3,980)**	(2,781)	**(10,570)**	(8,535)
Adjustments related to a business acquisition	**(337)**	–	**(337)**	–
Other	**935**	216	**1,082**	216
	(86,861)	(62,566)	**(250,231)**	(181,662)
Cash flow from financing activities from continuing operations				
Net repayments under the Term Revolving Facility	**–**	–	**(110,000)**	(27,392)
Issuance of long-term debt, net of discounts and transaction costs	**–**	–	**198,074**	198,295
Repayments of long-term debt	**(524)**	(652)	**(1,726)**	(177,165)
Increase in deferred transaction costs	**(41)**	–	**(1,321)**	–
Issuance of subordinate voting shares	**–**	561	**1,295**	4,740
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	**–**	–	**(3,049)**	(2,258)
Disposal of subordinate voting shares held in trust under the Incentive Share Unit Plan	**693**	–	**693**	–
Dividends paid on multiple voting shares	**(3,922)**	(2,667)	**(11,768)**	(8,001)
Dividends paid on subordinate voting shares	**(8,241)**	(5,601)	**(24,723)**	(16,760)
	(12,035)	(8,359)	**47,475**	(28,541)
Net change in cash and cash equivalents from continuing operations	**13,379**	71,084	**44,287**	70,035
Net change in cash and cash equivalents from discontinued operations (note 15)	**–**	(1,069)	**49,597**	(9,786)
Cash and cash equivalents, beginning of the period	**135,952**	26,076	**55,447**	35,842
Cash and cash equivalents, end of the period	**149,331**	96,091	**149,331**	96,091

NATURE OF OPERATIONS

Cogeco Cable Inc. (the "Corporation" or the "Parent Corporation") is a Canadian public corporation whose shares are listed on the Toronto Stock Exchange ("TSX"). The Corporation's core business is providing Cable Television, High Speed Internet ("HSI"), Telephony, managed information technology and infrastructure, and other telecommunications services to its residential and commercial customers in Canada.

The Corporation is a subsidiary of COGECO Inc., which holds 32.1% of the Corporation's equity shares, representing 82.6% of the votes attached to the Corporation's voting shares.

The Corporation's registered office is located at 5 Place Ville Marie, Suite 1700, Montréal, Québec, H3B 0B3.

1. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. Certain information and footnote disclosure normally included in the annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2011 annual financial statements as well as the Corporation's condensed interim consolidated financial statements for the first quarter ended November 30, 2011.

These condensed interim consolidated financial statements have been prepared in conformity with IAS 34 and International financial reporting standards ("IFRS") 1 *First-time Adoption of International Financial Reporting Standards*. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 17.

The condensed interim consolidated financial statements have been prepared on a going concern basis using historical cost except for derivative financial instruments and cash-settled share-based payment arrangements, which are measured at fair value.

Financial information is presented in Canadian dollars, which is the functional currency of Cogeco Cable Inc.

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that the customer growth in the Cable Television 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 season, and students leaving their campuses at the end of the school year. 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, the Corporation pays a fee equal to 2% of its total revenue subject to a maximum amount. As the maximum amount was reached in the second quarter of fiscal 2012, the Corporation will not pay management fees in the second half of fiscal 2012.

The condensed interim consolidated financial statements were approved by the Board of Directors of Cogeco Cable Inc. at its meeting held on July 11, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and as described in note 2 of the condensed interim consolidated financial statements for the first quarter ended November 30, 2011, except as described below.

Change in useful life of home terminal devices

The Corporation has revised the useful life of certain of its home terminal devices to reflect technological changes occurring in the distribution of high definition services. As a result, high definition digital terminals and embedded multimedia terminal adapters' useful lives have been reduced from 5 years to 3 years. The impact of this change in useful life has increased depreciation of property, plant and equipment by an amount of $26.5 million in the second quarter ended February 29, 2012.

3. OPERATING EXPENSES

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Salaries, employee benefits and outsource services	**49,371**	47,154	**152,488**	138,539
Service delivery costs[1][2]	**90,495**	84,511	**276,721**	252,707
Customers related costs[1][3]	**11,426**	11,848	**37,183**	34,266
Other external purchases[4]	**15,818**	16,551	**48,826**	50,406
	167,110	160,064	**515,218**	475,918

(1) Previously presented under other external purchases.
(2) Includes cost of equipment sold, content and programming costs, payment to other carriers and network costs.
(3) Includes advertising and marketing expenses, selling costs, billing expense, bad debts and collection expense.
(4) Includes building expense, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees and other administrative expense.

4. DEPRECIATION AND AMORTIZATION

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Property, plant and equipment	**56,537**	47,283	**195,575**	139,024
Intangible assets	**5,143**	3,869	**15,181**	11,620
	61,680	51,152	**210,756**	150,644

5. FINANCIAL EXPENSE

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Interest on long-term debt	**16,042**	14,631	**44,985**	54,893
Net foreign exchange losses (gains)	**81**	(43)	**1,091**	(1,496)
Amortization of deferred transaction costs	**399**	399	**1,197**	1,240
Capitalized borrowing costs	**(492)**	(154)	**(1,225)**	(274)
Other	**343**	1,063	**1,942**	2,316
	16,373	15,896	**47,990**	56,679

6. INCOME TAXES

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Current	**24,044**	(2,415)	**69,740**	70,004
Deferred	**(2,595)**	21,162	**(24,071)**	(19,965)
	21,449	18,747	**45,669**	50,039

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

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Profit before income taxes	**74,608**	71,099	**169,481**	186,459
Combined income tax rate	**27.05%**	28.91%	**27.05%**	28.91%
Income tax expense at combined income tax rate	**20,181**	20,555	**45,844**	53,906
Adjustment for losses or profit subject to lower or higher tax rates	**402**	(1,697)	**754**	(4,105)
Decrease in income taxes from changes in tax legislation on partnership income	**–**	–	**(3,450)**	**–**
Income taxes arising from non-deductible expenses	**199**	123	**616**	447
Other	**667**	(234)	**1,905**	(209)
Income tax expense at effective income tax rate	**21,449**	18,747	**45,669**	50,039

7. EARNINGS (LOSS) PER SHARE

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

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Profit for the period from continuing operations attributable to shareholders	**53,159**	52,352	**123,812**	136,420
Profit (loss) for the period from discontinued operations attributable to shareholders	**–**	(233,573)	**55,446**	(250,955)
Profit (loss) for the period attributable to shareholders	**53,159**	(181,221)	**179,258**	(114,535)
Weighted average number of multiple voting and subordinate voting shares outstanding	**48,656,657**	48,641,624	**48,652,918**	48,556,353
Effect of dilutive stock options[1][2]	**176,049**	–	**179,297**	–
Effect of dilutive incentive share units[2]	**151,802**	–	**147,897**	–
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**48,984,508**	48,641,624	**48,980,112**	48,556,353
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	**1.09**	1.08	**2.54**	2.81
Profit (loss) for the period from discontinued operations	**–**	(4.80)	**1.14**	(5.17)
Profit (loss) for the period	**1.09**	(3.73)	**3.68**	(2.36)
Diluted				
Profit for the period from continuing operations	**1.09**	1.08	**2.53**	2.81
Profit (loss) for the period from discontinued operations	**–**	(4.80)	**1.13**	(5.17)
Profit (loss) for the period	**1.09**	(3.73)	**3.66**	(2.36)

(1) For the three and nine-month periods ended May 31, 2012, 66,726 stock options (69,309 in 2011) 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.

(2) The weighted average dilutive potential number of subordinate voting shares which were anti-dilutive for the three and nine-month periods ended May 31, 2011 amounted to 275,212 and 275,183.

8. PROVISIONS

	May 31, 2012 **$**	August 31, 2011 $
Withholding and stamp taxes	**6,386**	7,383
Programming costs	**20,571**	7,428
Other	**755**	497
	27,712	15,308

The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of the Portuguese subsidiary by the Corporation. Pursuant to the completion of the sale of the Portuguese subsidiary (note 15), the Corporation remains responsible for these contingent liabilities up to a maximum amount of €5 million under the terms of the sale agreement.

The provisions for programming costs include provision for rate increases as well as additional royalties or content costs as a result of periodical audits from service providers.

The other provisions include provisions for contractual obligations and other legal obligations.

9. LONG-TERM DEBT

	Maturity	Interest rate %	**May 31, 2012** **$**	August 31,2011 $
Parent Corporation				
Term Revolving Facility				
Revolving loans	November 2016[1]	–	**–**	110,000
Senior Secured Notes				
Series A – US$190,000,000	October 2015	7.00[2]	**195,384**	185,049
Series B	October 2018	7.60	**54,675**	54,646
Senior Secured Debentures Series 1	June 2014	5.95	**298,525**	298,016
Senior Secured Debentures Series 2	November 2020	5.15	**198,504**	198,400
Senior Secured Debentures Series 3[3]	February 2022	4.93	**198,118**	–
Senior Unsecured Debenture	March 2018	5.94	**99,844**	99,827
Subsidiaries				
Finance leases	October 2013	6.73 – 9.93	**1,213**	2,939
			1,046,263	948,877
Less current portion			**1,119**	2,094
			1,045,144	946,783

(1) On November 22, 2011, the Corporation renewed its credit agreement for a $750 million credit facility, with an option to increase to a total amount of up to $1 billion, subject to lenders' participation, in the form of a five year Term Revolving Facility. The renewed Term Revolving Facility was arranged by a group of financial institutions. The renewed Term Revolving Facility will mature on November 22, 2016, but may be extended by additional one-year periods on an annual basis, subject to lenders' approval. The renewed Term Revolving Facility is indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount.

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

(3) On February 14, 2012, the Corporation completed pursuant to a public debt offering, the issue of $200 million Senior Secured Debentures Series 3 (the "Debentures"). These Debentures mature on February 14, 2022 and bear interest at 4.925% 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.

10. SHARE CAPITAL

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 and paid

	May 31, 2012	August 31, 2011
	$	$
15,691,100 multiple voting shares	**98,346**	98,346
33,117,508 subordinate voting shares (33,073,656 at August 31, 2011)	**899,997**	898,327
	998,343	996,673
151,802 subordinate voting shares held in trust under the Incentive Share Unit Plan (103,728 at August 31, 2011)	**(6,278)**	(3,751)
	992,065	992,922

During the first nine months of 2012, subordinate voting share transactions were as follows:

	Number of shares	**Amount**
		$
Balance at August 31, 2011	**33,073,656**	**898,327**
Shares issued for cash under the employee Stock Option Plan	**43,852**	**1,295**
Compensation expense previously recorded in contributed surplus for options exercised	**–**	**375**
Balance at May 31, 2012	**33,117,508**	**899,997**

During the first nine months of 2012, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	**Amount**
		$
Balance at August 31, 2011	**103,728**	**3,751**
Subordinate voting shares acquired	**61,815**	**3,049**
Subordinate voting shares sold	**(13,741)**	**(522)**
Balance at May 31, 2012	**151,802**	**6,278**

Dividends

For the nine-month period ended May 31, 2012, quarterly dividends of $0.25 per share, for a total of $0.75 per share, were paid to the holders of multiple and subordinate voting shares, totalling $36.5 million, compared to quarterly dividends of $0.17 per share, for a total of $0.51 per share, or $24.8 million the year before.

Share-based payment plans

The Corporation offers, for certain executives a Stock Option Plan, which is described in the Corporation's annual consolidated financial statements. For the nine-month period ended May 31, 2012, the Corporation granted 91,961 stock options (69,500 in 2011) with an exercise price ranging from $48.02 to $48.15 ($39.00 to $44.00 in 2011) of which 47,729 stock options (35,800 in 2011) 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 and nine-month periods ended May 31, 2012, the Corporation charged COGECO Inc. an amount of $83,000 and $232,000 ($70,000 and $202,000 in 2011), respectively, in regards to the Corporation's options granted to COGECO Inc.'s employees. As a result, a compensation expense of $85,000 and $251,000 ($78,000 and $157,000 in 2011) was recorded for the three and nine-month periods ended May 31, 2012.

The weighted average fair value of stock options granted for the nine-month period ended May 31, 2012 was $11.30 ($10.68 in 2011) 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 Black-Sholes option pricing model based on the following assumptions:

	2012	2011
	%	%
Expected dividend yield	**1.66**	1.44
Expected volatility	**26.85**	28.71
Risk-free interest rate	**1.74**	2.29
Expected life (in years)	**6.1**	6.2

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at May 31, 2012:

	Options	**Weighted average exercise price $**
Outstanding at August 31, 2011	**564,377**	**32.30**
Granted	**91,961**	**48.03**
Exercised[(1)]	**(43,852)**	**29.52**
Outstanding at May 31, 2012	**612,486**	**34.86**
Exercisable at May 31, 2012	**408,443**	**31.65**

(1) The weighted average share price for options exercised during the period was $49.48.

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. For the nine-month period ended May 31, 2012, the Corporation granted 60,479 (60,388 in 2011) ISUs of which 11,006 (10,000 in 2011) 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 less one day. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation. The Corporation instructed the trustee to purchase 61,815 (57,203 in 2011) subordinate voting shares of the Corporation on the stock market. These shares were purchased for cash consideration aggregating $3,049,000 ($2,258,000 in 2011) and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose 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 share capital. A compensation expense of $414,000 and $909,000 ($362,000 and $1,043,000 in 2011) was recorded for the three and nine-month periods ended May 31, 2012, respectively, related to this plan. During the three and nine-month periods ended May 31, 2012, the Corporation charged COGECO Inc. an amount of $105,000 and $285,000 ($59,000 and $156,000 in 2011), respectively, in 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 May 31, 2012:

Outstanding at August 31, 2011	**105,064**
Granted	**60,479**
Forfeited	**(13,741)**
Outstanding at May 31, 2012	**151,802**

The Corporation offers a Deferred Share Unit Plan ("DSU Plan") for members of the Board of directors which is described in the Corporation's annual consolidated financial statements. For the nine-month period ended May 31, 2012, the Corporation issued 4,446 DSUs (4,521 in 2011) to the participants in connection with the DSU Plan. A compensation expense of $47,000 and $62,000 ($80,000 and $255,000 in 2011) was recorded for the three and nine-month periods ended May 31, 2012, respectively, for the liability related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at May 31, 2012:

Outstanding at August 31, 2011	**15,608**
Issued	**4,446**
Dividend equivalents	**296**
Outstanding at May 31, 2012	**20,350**

11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	**Foreign currency translation**	**Defined benefit pension plans**	**Total**
	$	**$**	**$**	**$**
Balance at September 1, 2010	2,920	17,217	–	20,137
Other comprehensive income (loss)	(49)	3,869	(175)	3,645
Balance at May 31, 2011	2,871	21,086	(175)	23,782
Other comprehensive loss	(879)	(524)	(1,793)	(3,196)
Balance at August 31, 2011	**1,992**	**20,562**	**(1,968)**	**20,586**
Other comprehensive income (loss)	**618**	**(20,562)**	**(1,653)**	**(21,597)**
Balance at May 31, 2012	**2,610**	**–**	**(3,621)**	**(1,011)**

12. STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating activities

	Three months ended May 31, **2012**	2011	Nine months ended May 31, **2012**	2011
	$	$	**$**	$
Trade and other receivables	**8,170**	7,490	**1,110**	(4,134)
Prepaid expenses and other	**(1,677)**	(855)	**(1,644)**	(1,632)
Trade and other payables	**(22,935)**	13,142	**(83,109)**	(56,227)
Provisions	**3,907**	222	**12,404**	(790)
Deferred and prepaid revenue and other liabilities	**452**	2,008	**(333)**	2,432
	(12,083)	22,007	**(71,572)**	(60,351)

b) Cash and cash equivalents

	May 31, 2012	August 31, 2011
	$	$
Cash	**19,415**	51,226
Cash equivalents[(1)]	**129,916**	4,221
	149,331	55,447

(1) At May 31, 2012, Banker's acceptances of a total of $130,000,000, bearing interest from 1.08% to 1.10% with maturity dates ranging from June 11, 2012 to July 3, 2012. At August 31, 2011, term deposit of €3 million, bearing interest at 0.65%, maturing on September 19, 2011.

13. EMPLOYEE BENEFITS

The Corporation and its Canadian subsidiaries offer their employees contributory defined benefit pension plans, defined contribution pension plans 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 May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Contributory defined benefit pension plans	**449**	443	**1,347**	1,239
Defined contribution pension plans and collective registered retirement savings plan	**1,492**	1,322	**4,153**	3,863
	1,941	1,765	**5,500**	5,102

14. FINANCIAL INSTRUMENTS

a) Financial risk 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, liquidity, interest rate 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 statement of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the cross-currency swaps 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 May 31, 2012, 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 Bankers' acceptances. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for 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. 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 May 31, 2012 and August 31, 2011, no customer balance represented 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, there is no significant concentration of credit risk.

The following table provides further details on the Corporation's accounts receivable balances:

	May 31, 2012	August 31, 2011
	$	$
Trade accounts receivable	**63,186**	74,429
Allowance for doubtful accounts	**(3,667)**	(7,242)
	59,519	67,187
Other accounts receivable	**5,283**	7,498
	64,802	74,685

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.

	May 31, 2012	August 31, 2011
	$	$
Net trade accounts receivable not past due	**49,156**	50,133
Net trade accounts receivable past due	**10,363**	17,054
	59,519	67,187

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 May 31, 2012 the available amount of the Corporation's Term Revolving Facility was $749.9 million. Management believes that the committed Term Revolving Facility will, until its maturity in November 2016, 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:

		Contractual cash flows						
	Carrying amount	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$	$
Trade and other payables[1]	**106,268**	**106,268**	**–**	**–**	**–**	**–**	**–**	**106,268**
Provisions	**27,712**	**27,712**	**–**	**–**	**–**	**–**	**–**	**27,712**
Long-term debt[2]	**1,045,050**	**–**	**–**	**300,000**	**–**	**196,251**	**555,000**	**1,051,251**
Balance due on a business acquisition	**11,400**	**–**	**11,400**	**–**	**–**	**–**	**–**	**11,400**
Derivative financial instruments	**2,962**	**–**	**–**	**–**	**–**	**5,624**	**–**	**5,624**
Finance leases[3]	**1,213**	**399**	**862**	**7**	**–**	**–**	**–**	**1,268**
	1,194,605	**134,379**	**12,262**	**300,007**	**–**	**201,875**	**555,000**	**1,203,523**

(1) Excluding accrued interest.
(2) Principal excluding finance leases.
(3) Including interest.

The following table is a summary of interest payable on long-term debt (excluding interest on finance leases) that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at May 31, 2012 and their respective maturities:

	2012	2013	2014	2015	2016	Thereafter	Total
	$	$	$	$	$	$	$
Interest payments on long-term debt	**13,850**	**61,854**	**61,854**	**44,005**	**37,134**	**122,847**	**341,544**
Interest payments on derivative financial instruments	**–**	**14,614**	**14,614**	**14,614**	**7,307**	**–**	**51,149**
Interest receipts on derivative financial instruments	**–**	**(13,738)**	**(13,738)**	**(13,738)**	**(6,869)**	**–**	**(48,083)**
	13,850	**62,730**	**62,730**	**44,881**	**37,572**	**122,847**	**344,610**

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 May 31, 2012 all of the Corporation's long-term debt was at fixed rate. As no amounts were drawn on the Corporation's Term Revolving Facility at May 31, 2012, the Corporation was not exposed to interest rate risk.

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 and trade and other payables denominated in US dollars or Euros. The Corporation's exposure to foreign currency risk is as follows:

	May 31, 2012		August 31, 2011	
	US	**Euro**	US	Euro
	$	**$**	$	$
Cash and cash equivalents	**2,471**	**1,944**	8,649	497
Trade and other payables and provisions	**(10,153)**	**(7,896)**	(30,309)	–
	(7,682)	**(5,952**)	(21,660)	497

Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is usually not significant. The impact of a 10% fluctuation in the foreign exchange rates (US dollar and Euro) would change financial expense by approximately $1.4 million.

b) Fair value of financial instruments

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, trade and other receivables, trade and other payables, provisions and balance due on a business acquisition 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 approximates fair value for the Term Revolving Facility, since the Term Revolving Facility has conditions similar to those currently available to the Corporation.

c) The fair value of the Senior Secured Debentures Series 1, 2 and 3, 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 finance leases are not significantly different from their carrying amounts.

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

	May 31, 2012		August 31, 2011	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**1,046,263**	**1,148,484**	948,877	1,027,082

All financial instruments recognized at fair value on the consolidated statement of financial position must be measured 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.

c) 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, cash and cash equivalents, bank indebtedness, long-term debt, balance due on a business acquisition and assets or liabilities related to derivative financial instruments.

The provisions of 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 the maintenance of certain financial ratios primarily linked to the operating income before depreciation and amortization, financial expense and total indebtedness. At May 31, 2012, August 31, 2011, May 31, 2011 and September 1, 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:

	May 31, 2012	August 31, 2011
Net secured indebtedness[(1)] / operating income before depreciation and amortization[(2)]	**1.4**	1.5
Net indebtedness[(3)] / operating income before depreciation and amortization[(2)]	**1.6**	1.7
Operating income before depreciation and amortization[(2)] / financial expense[(2)]	**9.3**	7.7

(1) Net secured 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 and principal on Senior Unsecured Debenture.

(2) Calculation based on operating income before depreciation and amortization from continuing operations and financial expense for the twelve-month periods ended May 31, 2012 and August 31, 2011.

(3) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt, balance due on a business acquisition and obligations under derivative financial instruments, less cash and cash equivalents.

15. DISPOSAL OF SUBSIDIARY AND DISCONTINUED OPERATIONS

On February 29, 2012, the Corporation completed the sale of its Portuguese subsidiary, Cabovisão – Televisão por Cabo, S.A. ("Cabovisão) for a cash consideration of €45 million ($59.3 million). The selling price has been reduced by selling fees of approximately €8.5 million ($11.2 million) and contingent claims assumed up to a maximum amount of €5 million ($6.6 million). The carrying value of the net liabilities disposed of on February 29, 2012 was $6.7 million resulting in a gain of $48.2 million recorded in the interim consolidated statements of profit or loss in the second quarter. The letters of credits which were issued to guarantee the payment by Cabovisão of stamp taxes and withholding taxes have been also released.

The carrying value of assets and liabilities disposed were as follows:

	$
Cash and cash equivalents	**13,041**
Trade and other receivables	**7,693**
Income taxes receivable	**277**
Prepaid expenses and other	**2,777**
Property, plant and equipment	**38,931**
Trade and other payables	**(42,514)**
Provisions	**(6,665)**
Deferred and prepaid revenue	**(411)**
Foreign currency translation adjustment	**(19,817)**
	(6,688)

As a result of the sale and in accordance with *IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current and prior year results and cash flows of the European operations, up to the date of disposal, as discontinued operations. The assets and liabilities of the discontinued operations have not been reclassified in the statements of financial position at August 31, 2011 and September 1, 2010.

The profit or loss of the discontinued operations were as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Revenue	–	43,647	**80,546**	128,971
Operating expenses	**–**	37,637	**70,247**	114,544
Depreciation and amortization	**–**	13,640	**2,814**	40,068
Operating income (loss)	**–**	(7,630)	**7,485**	(25,641)
Financial income	**–**	7	**155**	85
Impairment of goodwill	**–**	29,344	**–**	29,344
Impairment of property, plant and equipment	**–**	196,529	**–**	196,529
Gain on disposal	**–**	–	**48,215**	–
Profit (loss) before income taxes	**–**	(233,496)	**55,855**	(251,429)
Income taxes	**–**	77	**409**	(474)
Profit (loss) for the period	**–**	(233,573)	**55,446**	(250,955)

The cash flows of the discontinued operations were as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Net cash flows from operating activities	**–**	6,292	**13,637**	15,849
Net cash flows from investing activities	**–**	(7,934)	**36,826**	(26,073)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**–**	573	**(866)**	438
Net increase (decrease) in cash and cash equivalents	**–**	(1,069)	**49,597**	(9,786)

16. SUBSEQUENT EVENT

Corporate income tax rate

On March 27, 2012 in its 2012 budget, the Ontario government announced a corporate income tax rate freeze at 11.5% until the province's budget is balanced. The previously announced corporate income tax rate reductions to 11% effective July 1, 2012 and 10% effective July 1, 2013 would resume at a later date. Management considered this corporate income tax rate not substantively enacted, due to, notably, the fact that a minority government is in place. On June 20, 2012, this corporate income tax freeze received royal assent. Based on the existing temporary differences at May 31, 2012, the revised corporate income tax rate will increase deferred income tax expense by approximately $10 million in the fourth quarter of 2012.

17. TRANSITION TO IFRS

As mentioned in note 1, these condensed interim consolidated financial statements have been prepared in accordance with IFRS.

The significant accounting policies set out in note 2 of the Corporation's condensed interim consolidated financial statement for the first quarter ended November 30, 2011 have been applied in preparing the condensed interim consolidated financial statements for the three and nine-month periods ended May 31, 2012, the comparative information presented in the three and nine-month periods ended May 31, 2011 and in the preparation of the opening IFRS statement of financial position as at September 1, 2010 (the Corporation's transition date).

IFRS 1 elective exemptions and mandatory exceptions

IFRS 1 permits some exemption from full retrospective application of IFRS at the transition date. The Corporation elected the following elective exemptions in preparing its opening IFRS Statement of financial position:

a) Business combinations
A first-time adopter may elect not to apply IFRS 3, *Business combinations*, retrospectively to business acquisitions completed before the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Corporation has elected not to retrospectively apply IFRS 3 to business combinations completed prior to its transition date and such business combinations have not been restated. Any assets or liabilities arising on business combinations completed before the transition date have not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

b) Employee benefits
The Corporation has elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all of its employee defined benefit pension plans. The Corporation also elected to prospectively disclose required defined benefit pension plans amounts under IAS 19 *Employee Benefits* as the amounts are determined for each accounting period from the date of transition instead of the current annual period and previous four annual periods.

c) Share-based payments
The Corporation has elected to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 and which vested after the date of transition to IFRS.

d) Borrowing costs
The Corporation has elected to apply the requirements of IAS 23 *Borrowing Costs* only to borrowing costs relating to assets for which the commencement date for capitalization was on or after the date of transition. Borrowing costs incurred before the date of transition were expensed.

e) Financial assets and financial liabilities
At the date of transition, the Corporation has elected to reclassify cash and cash equivalents from held-for-trading to loans and receivables.

The Corporation applied the following mandatory exceptions in preparing its opening IFRS financial statements:

a) Hedge accounting
Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of its transition date are reflected as hedges in the Corporation's results under IFRS.

b) Estimates
Hindsight is not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The Corporation has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how transition from previous Canadian GAAP to IFRS has affected the Corporation's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of statement of financial position at September 1, 2010:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS reclassifications $	IFRS $
Assets					
Current					
Cash and cash equivalents		35,842	–	–	35,842
Trade and other receivables	2	67,064	427	(539)	66,952
Income taxes receivable		44,800	–	–	44,800
Prepaid expenses and other		13,669	–	–	13,669
Deferred tax assets		6,133	–	(6,133)	–
		167,508	427	(6,672)	161,263
Non-current					
Property, plant and equipment	3	1,325,077	(5,705)	–	1,319,372
Deferred charges		26,974	–	(26,974)	–
Other assets		–	–	6,700	6,700
Intangible assets	1,4	1,017,658	(22,552)	20,813	1,015,919
Goodwill		144,695	–	–	144,695
Derivative financial instruments		5,085	–	–	5,085
Deferred tax assets	5	15,822	1,160	6,133	23,115
		2,702,819	(26,670)	–	2,676,149
Liabilities and Shareholders' equity					
Liabilities					
Current					
Trade and other payables		235,087	–	(12,695)	222,392
Provisions		–	–	12,695	12,695
Income tax liabilities		558	–	–	558
Deferred and prepaid revenue		45,602	–	–	45,602
Derivative financial instrument		1,189	–	–	1,189
Current portion of long-term debt		2,296	–	–	2,296
Deferred tax liabilities		78,267	–	(78,267)	–
		362,999	–	(78,267)	284,732
Non-current					
Long-term debt		952,687	–	–	952,687
Deferred and prepaid revenue and other liabilities		12,234	–	–	12,234
Pension plan liabilities and accrued employee benefits	5	3,624	4,437	–	8,061
Deferred tax liabilities	1,3,4,7	234,974	(3,259)	78,267	309,982
		1,566,518	1,178	–	1,567,696
Shareholders' equity					
Share capital		988,830	–	–	988,830
Contributed surplus	2	6,087	1,383	–	7,470
Accumulated other comprehensive income		18,359	1,778	–	20,137
Retained earnings	1,2,3,4,5,7	123,025	(31,009)	–	92,016
		1,136,301	(27,848)	–	1,108,453
		2,702,819	(26,670)	–	2,676,149

Reconciliation of statement of financial position at May 31, 2011:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS reclassifications $	IFRS $
Assets					
Current					
Cash and cash equivalents		96,091	–	–	96,091
Trade and other receivables	2	71,691	455	(539)	71,607
Income taxes receivable		38,530	–	–	38,530
Prepaid expenses and other		14,909	–	–	14,909
Deferred tax assets		4,523	–	(4,523)	–
		225,744	455	(5,062)	221,137
Non-current					
Property, plant and equipment	3,6	1,151,049	(2,433)	–	1,148,616
Deferred charges		26,230	–	(26,230)	–
Other assets		–	–	5,460	5,460
Intangible assets	1,4	1,014,077	(22,552)	21,309	1,012,834
Goodwill		116,243	–	–	116,243
Deferred tax assets	5	10,400	1,171	4,523	16,094
		2,543,743	(23,359)	–	2,520,384
Liabilities and Shareholders' equity					
Liabilities					
Current					
Trade and other payables		175,348	–	(11,256)	164,092
Provisions		–	–	11,256	11,256
Income tax liabilities		67,269	–	–	67,269
Deferred and prepaid revenue		47,161	–	–	47,161
Derivative financial instrument		132	–	–	132
Current portion of long-term debt		2,322	–	–	2,322
Deferred tax liabilities		60,356	–	(60,356)	–
		352,588	–	(60,356)	292,232
Non-current					
Long-term debt		932,442	–	–	932,442
Derivative financial instruments		15,339	–	–	15,339
Deferred and prepaid revenue and other liabilities		13,250	–	–	13,250
Pension plan liabilities and accrued employee benefits	5	4,367	4,470	–	8,837
Deferred tax liabilities	1,3,4,6,7	223,501	(2,415)	60,356	281,442
		1,541,487	2,055	–	1,543,542
Shareholders' equity					
Share capital		993,032	–	–	993,032
Contributed surplus	2	6,001	1,296	–	7,297
Accumulated other comprehensive income		22,179	1,603	–	23,782
Retained earnings	1,2,3,4,5,6,7	(18,956)	(28,313)	–	(47,269)
		1,002,256	(25,414)	–	976,842
		2,543,743	(23,359)	–	2,520,384

Reconciliation of statement of financial position at August 31, 2011:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS reclassifications $	IFRS $
Assets					
Current					
Cash and cash equivalents		55,447	–	–	55,447
Trade and other receivables	2	74,754	470	(539)	74,685
Income taxes receivable		38,360	–	–	38,360
Prepaid expenses and other		12,856	–	–	12,856
Deferred tax assets		4,168	–	(4,168)	–
		185,585	470	(4,707)	181,348
Non-current					
Property, plant and equipment	3,6	1,254,576	(359)	–	1,254,217
Deferred charges		26,101	–	(26,101)	–
Other assets		–	–	5,676	5,676
Intangible assets	1,4	1,047,189	(22,552)	20,964	1,045,601
Goodwill	1	210,986	(2,190)	–	208,796
Deferred tax assets	5	11,063	1,810	4,168	17,041
		2,735,500	(22,821)	–	2,712,679
Liabilities and Shareholders' equity					
Liabilities					
Current					
Trade and other payables		255,014	–	(15,308)	239,706
Provisions		–	–	15,308	15,308
Income tax liabilities		59,356	–	–	59,356
Deferred and prepaid revenue		43,128	–	–	43,128
Current portion of long-term debt		2,094	–	–	2,094
Deferred tax liabilities		85,201	–	(85,201)	–
		444,793	–	(85,201)	359,592
Non-current					
Long-term debt		946,783	–	–	946,783
Balance due on a business acquisition		11,400	–	–	11,400
Derivative financial instruments		14,408	–	–	14,408
Deferred and prepaid revenue and other liabilities		14,576	–	–	14,576
Pension plan liabilities and accrued employee benefits	5	4,302	6,852	–	11,154
Deferred tax liabilities	1,3,4,6,7	238,193	(1,880)	85,201	321,514
		1,674,455	4,972	–	1,679,427
Shareholders' equity					
Share capital		992,922	–	–	992,922
Contributed surplus	2	6,471	1,311	–	7,782
Accumulated other comprehensive income	5	20,776	(190)	–	20,586
Retained earnings	1,2,3,4,5,6,7	40,876	(28,914)	–	11,962
		1,061,045	(27,793)	–	1,033,252
		2,735,500	(22,821)	–	2,712,679

Reconciliation of profit or loss for the three months ended May 31, 2011:

	Notes	Canadian GAAP	IFRS adjustments	IFRS
		$	$	$
Revenue		299,263	(1,052)	298,211
Operating expenses	2,5	161,188	(1,124)	160,064
Depreciation and amortization	3	52,001	(849)	51,152
Operating income		86,074	921	86,995
Financial expense	6	16,050	(154)	15,896
Profit before income taxes		70,024	1,075	71,099
Income taxes	5,6	18,470	277	18,747
Profit for the period from continuing operations		51,554	798	52,352
Loss for the period from discontinued operations		(233,573)	–	(233,573)
Loss for the period		(182,019)	798	(181,221)
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations		1.06	0.02	1.08
Loss for the period from discontinued operations		(4.80)	–	(4.80)
Loss for the period		(3.74)	0.02	(3.73)
Diluted				
Profit for the period from continuing operations		1.06	0.02	1.08
Loss for the period from discontinued operations		(4.80)	–	(4.80)
Loss for the period		(3.74)	0.02	(3.73)

Reconciliation of comprehensive loss for the three months ended May 31, 2011:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS reclassifications $	IFRS $
Loss for the period		(182,019)	798	–	(181,221)
Other comprehensive income					
Cash flow hedging adjustments					
Net change in fair value of hedging derivative financial instruments		483	–	183	666
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		460	–	72	532
Income tax expense on cash flow hedging adjustments		–	–	(255)	(255)
		943	–	–	943
Foreign currency translation adjustments					
Net foreign currency translation differences on translation of a net investment in foreign operations		8,952	–	–	8,952
Net change in unrealized gains on translation of long-term debts designated as hedges of a net investment in foreign operations		(3,731)	–	–	(3,731)
		5,221	–	–	5,221
Defined benefit plans actuarial adjustments					
Net change in defined benefit plans actuarial adjustments		–	(1,730)	–	(1,730)
Income tax recovery on defined benefit plans actuarial adjustments		–	467	–	467
		–	(1,263)	–	(1,263)
Other comprehensive income for the period		6,164	(1,263)	–	4,901
Comprehensive loss for the period		(175,855)	(465)	–	(176,320)

Reconciliation of profit or loss for the nine months ended May 31, 2011:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS $
Revenue		882,027	(3,155)	878,872
Operating expenses	2,5	479,397	(3,479)	475,918
Management fees – COGECO Inc.		9,172	–	9,172
Depreciation and amortization	3	153,642	(2,998)	150,644
Operating income		239,816	3,322	243,138
Financial expense	6	56,953	(274)	56,679
Profit before income taxes		182,863	3,596	186,459
Income taxes	5,6	49,139	900	50,039
Profit for the period from continuing operations		133,724	2,696	136,420
Loss for the period from discontinued operations		(250,955)	–	(250,955)
Loss for the period		(117,231)	2,696	(114,535)
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations		2.75	0.06	2.81
Loss for the period from discontinued operations		(5.17)	–	(5.17)
Loss for the period		(2.41)	0.06	(2.36)
Diluted				
Profit for the period from continuing operations		2.75	0.06	2.81
Loss for the period from discontinued operations		(5.17)	–	(5.17)
Loss for the period		(2.41)	0.06	(2.36)

Reconciliation of comprehensive loss for the nine months ended May 31, 2011:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS reclassifications $	IFRS $
Loss for the period		(117,231)	2,696	–	(114,535)
Other comprehensive income					
Cash flow hedging adjustments					
Net change in fair value of hedging derivative financial instruments		(16,250)	–	(3,117)	(19,367)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		16,201	–	2,400	18,601
Income tax recovery on cash flow hedging adjustments		–	–	717	717
		(49)	–	–	(49)
Foreign currency translation adjustments					
Net foreign currency translation differences on translation of a net investment in foreign operations		7,199	–	–	7,199
Net change in unrealized adjustments on translation of long-term debts designated as hedges of a net investment in foreign operations		(3,330)	–	–	(3,330)
		3,869	–	–	3,869
Defined benefit plans actuarial adjustments					
Net change in defined benefit plans actuarial adjustments		–	(242)	–	(242)
Income tax recovery on defined benefit plans actuarial adjustments		–	67	–	67
		–	(175)	–	(175)
Other comprehensive income for the period		3,820	(175)	–	3,645
Comprehensive loss for the period		(113,411)	2,521	–	(110,890)

Reconciliation of profit or loss for the year ended August 31, 2011:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS $
Revenue		1,188,889	(4,206)	1,184,683
Operating expenses	2,5	634,749	(4,599)	630,150
Management fees – COGECO Inc.		9,172	–	9,172
Integration, restructuring and acquisition costs	1	–	2,324	2,324
Depreciation and amortization	3	206,763	(4,805)	201,958
Operating income		338,205	2,874	341,079
Financial expense	6	71,703	(541)	71,162
Profit before income taxes		266,502	3,415	269,917
Income taxes	1,5,6	69,432	1,320	70,752
Profit for the year from continuing operations		197,070	2,095	199,165
Loss for the year from discontinued operations		(244,736)	–	(244,736)
Loss for the year		(47,666)	2,095	(45,571)
Earnings (loss) per share				
Basic				
Profit for the year from continuing operations		4.06	0.04	4.10
Loss for the year from discontinued operations		(5.04)	–	(5.04)
Loss for the year		(0.98)	0.04	(0.94)
Diluted				
Profit for the year from continuing operations		4.06	0.04	4.10
Loss for the year from discontinued operations		(5.04)	–	(5.04)
Loss for the year		(0.98)	0.04	(0.94)

Reconciliation of comprehensive loss for the year ended August 31, 2011:

	Notes	Canadian GAAP $	IFRS adjustments $	IFRS reclassifications $	IFRS $
Loss for the year		(47,666)	2,095	–	(45,571)
Other comprehensive income					
Cash flow hedging adjustments					
Net change in fair value of hedging derivative financial instruments		(15,353)	–	(2,953)	(18,306)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		14,425	–	2,124	16,549
Income tax recovery on cash flow hedging adjustments		–	–	829	829
		(928)	–	–	(928)
Foreign currency translation adjustments					
Net foreign currency translation differences on translation of a net investment in foreign operations		7,248	–	–	7,248
Net change in unrealized adjustments on translation of long-term debts designated as hedges of a net investment in foreign operations		(3,903)	–	–	(3,903)
		3,345	–	–	3,345
Defined benefit plans actuarial adjustments					
Net change in defined benefit plans actuarial adjustments		–	(2,694)	–	(2,694)
Income tax recovery on defined benefit plans actuarial adjustments		–	726	–	726
		–	(1,968)	–	(1,968)
Other comprehensive income for the year		2,417	(1,968)	–	449
Comprehensive loss for the year		(45,249)	127	–	(45,122)

Reconciliation of the Statements of Cash Flows

In addition to the adjustments described above resulting from the accounting policy differences on adoption of IFRS, financial expense paid and income taxes paid have been moved into the body of the consolidated statements of cash flows while they were disclosed as supplementary information under Canadian GAAP. There were no other material changes to the statements of cash flows on adoption of IFRS.

NOTES TO THE RECONCILIATIONS

1. BUSINESS COMBINATIONS

As described above, the Corporation has elected not to restate business combinations completed prior to the date of transition.

The requirements of IFRS 3 were applied prospectively to business combinations completed after the date of transition. As part of the application of those requirements to business combinations completed in 2011, integration, restructuring and acquisition costs were expensed when incurred in accordance with IFRS, while they were capitalized under Canadian GAAP.

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Goodwill	(2,190)	–	–
Retained earnings	(2,190)	–	–

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011 $	May 31, 2011 $
Integration, restructuring and acquisition costs	2,324	–
Deferred tax expense	(134)	–
Profit or loss for the period	(2,190)	–

Also as a result of the IFRS 1 election on business combinations described above, any assets or liabilities arising on business combinations completed before the transition date have not been adjusted from the carrying value previously determined at the date of the business acquisitions under previous Canadian GAAP. As a result, the amount of intangible assets stemming from the recognition of deferred income taxes upon application of CICA Handbook section 3465, *Income taxes*, which occurred after the date of the business combinations, has been reversed.

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Intangible assets	(73,333)	(73,333)	(73,333)
Deferred tax liabilities	(61,804)	(61,804)	(61,804)
Retained earnings	(11,529)	(11,529)	(11,529)

2. SHARE-BASED COMPENSATION

The Corporation's share options granted vest in tranches over a specified vesting period. Under IFRS, when the only vesting condition is service from the grant date to the vesting date of each tranche granted, then each tranche should be accounted for as a separate share-based payment arrangement (i.e. graded vesting method). Canadian GAAP permitted an accounting policy choice with respect to graded vesting awards. As such, the Corporation treated arrangement as a single award and the share-based payment was amortized on a straight-line basis over the vesting period. This difference resulted in an accelerated recognition of the expense for the Corporation.

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Trade and other receivables	470	455	427
Contributed surplus – share-based compensation	1,311	1,296	1,383
Retained earnings	(841)	(841)	(956)

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011 $	May 31, 2011 $
Operating expenses	(115)	(115)
Profit or loss for the period	115	115

3. PROPERTY, PLANT AND EQUIPMENT

IAS 16 *Property, Plant and Equipment* requires that each significant component of an asset be depreciated separately over their respective useful lives which resulted in a more detailed approach to determining the useful lives for certain asset components under IFRS than those that were used under previous Canadian GAAP. The impact of the retroactive application of IAS 16 is as follows:

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Property, plant and equipment	(900)	(2,707)	(5,705)
Deferred tax liabilities	(229)	(696)	(1,470)
Retained earnings	(671)	(2,011)	(4,235)

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011 $	May 31, 2011 $
Depreciation and amortization	(4,805)	(2,998)
Deferred tax expense	1,241	774
Profit or loss for the period	3,564	2,224

4. INTANGIBLE ASSETS

Under IFRS, intangible assets with indefinite useful lives are not amortized but tested at least annually for impairment. IAS 38, *Intangible assets*, requires retrospective application of those requirements. Under Canadian GAAP, those assets were amortized until September 1, 2001 and transitional provisions did not require the reversal of amortization previously recorded. Therefore, on the date of transition, the Corporation reversed all amortization recorded in respect of intangible assets with indefinite lives. The impact of the change is as follows:

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Intangible assets	50,781	50,781	50,781
Deferred tax liabilities	7,552	7,552	7,552
Retained earnings	43,229	43,229	43,229

5. EMPLOYEE BENEFITS

IAS 19 *Employee Benefits* permits an accounting policy choice with respect to the recognition of actuarial gains and losses. The Corporation has elected to recognize all actuarial gains and losses immediately in other comprehensive income while under Canadian GAAP they were accounted for using the corridor method. At the date of transition, all previously unrecognized actual gains and losses, including the unamortized transitional obligation, were recognized in retained earnings. Also, the unrecognized actuarial gains and losses exceeding the corridor that were recognized for the nine-month period ended May 31, 2011 under Canadian GAAP were reversed.

In addition, under IFRS, all unrecognized past service costs that were vested were recognized in retained earnings at the date of transition whereas under Canadian GAAP past service costs were deferred and amortized on a straight-line basis over the remaining service period of active employees at the date of employee benefit plan amendments. At the date of transition, all previously unrecognized past service costs were fully vested and therefore were recognized in retained earnings.

The impact from those changes is summarised as follows:

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Deferred tax assets	1,810	1,171	1,160
Pension plan liabilities and accrued employee benefits	6,852	4,470	4,437
Accumulated other comprehensive income	(1,968)	(175)	–
Retained earnings	(3,074)	(3,124)	(3,277)

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011 $	May 31, 2011 $
Operating expenses	(278)	(209)
Deferred tax expense	75	56
Profit or loss for the period	203	153

6. BORROWING COSTS

IFRS requires that borrowing costs be capitalized on qualifying assets whereas Canadian GAAP permitted an accounting policy choice to capitalize or expense these costs, which the Corporation elected to expense.

As described above, the Corporation has elected to apply those requirements only to borrowing costs relating to assets for which the commencement date for capitalization is on or after the date of transition. Therefore, there is no impact at the date of transition since those costs were already expensed. The impact of that change in respect of assets which commencement date for capitalization is after the date of transition is as follows:

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Property, plant and equipment	541	274	–
Deferred tax liabilities	138	70	–
Retained earnings	403	204	–

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011 $	May 31, 2011 $
Financial expense	(541)	(274)
Deferred tax expense	138	70
Profit or loss for the period	403	204

7. INCOME TAXES

The expected manner of recovery of intangible assets with indefinite useful lives for purposes of calculating deferred taxes is different under IFRS than under Canadian GAAP. The impact of applying IAS 12 on a retroactive basis is as follows:

Consolidated statements of financial position

Increase (decrease)	August 31, 2011 $	May 31, 2011 $	September 1, 2010 $
Deferred tax liabilities	52,463	52,463	52,463
Retained earnings	(52,463)	(52,463)	(52,463)

In addition, IFRS also requires that temporary differences relating to current assets and current liabilities be presented as non-current liabilities and non-current assets.

CUSTOMER STATISTICS
(unaudited)

	May 31, 2012	February 29, 2012	November 30, 2011	August 31, 2011
Primary service units[1]	1,962,174	1,955,928	1,943,648	1,897,469
Digital Television service customers	765,585	752,642	727,219	678,326
Analog Television service customers	103,288	120,684	155,218	199,659
Total Television service customers	868,873	873,326	882,437	877,985
High Speed Internet service customers	628,852	626,017	618,499	601,214
Telephony service customers	464,449	456,585	442,712	418,270

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