PRESS RELEASE
For immediate release

Strong first quarter results for COGECO Inc.

Montréal, January 26, 2012 – Today, COGECO Inc. (TSX: CGO) ("COGECO" or the "Corporation") announced its financial results for the first quarter of fiscal 2012, ended November 30, 2011, in accordance with the newly adopted International Financial Reporting Standards ("IFRS").

For the first quarter of fiscal 2012:

- Revenue increased by 13.4% to reach $387.5 million;
- Operating income before depreciation and amortization[(1)] increased by 5.6% to reach $145 million when compared to the first quarter of fiscal 2011;
- Operating margin[(1)] decreased to 37.4% from 40.2% in the first quarter when compared to the same period of the previous fiscal year, mainly as a consequence of the expenditures incurred to migrate Cogeco Cable's Television service customers from analog to digital distribution and by the growth from the radio activities for which the operating margin is generally lower than for the cable sector;
- Profit for the period increased by 20.4% to reach $47.9 million when compared to $39.8 million in the first quarter of the prior year;
- In the first quarter of the year, a positive free cash flow[(1)] of $27.6 million was generated compared to a negative free cash flow of $24.3 million for the same period of the prior year. This variance is mostly attributable to the difference in the recognition of current income tax expense for both periods combined with the improvement of operating income before depreciation and amortization, partly offset by the increase in acquisition of property, plant and equipment;
- A quarterly dividend of $0.18 per share was paid to the holders of subordinate and multiple voting shares, an increase of $0.06 per share, or 50%, when compared to a dividend paid of $0.12 per share in the first quarter of fiscal 2011;
- In the cable sector, primary service units ("PSU")[(2)] grew by 45,129 net additions in the first quarter, for a total of 2,609,683 PSU as at November 30, 2011.

"COGECO Inc. reported very favorable results for the first quarter. Cogeco Cable improved on last year's first-quarter performance, adding a total of 45,129 PSU. Although our quarterly performance was even better than last year's, we must stay the course with our vigilant and disciplined approach to operating controls given the economic uncertainty in world markets," stated COGECO President and CEO Louis Audet.

"With regards to our radio operations, we successfully integrated our newly acquired radio stations. The latest survey results for fall 2011 show that we've adopted winning strategies, as most of our stations scored excellent performance ratings, particularly in Montréal and Québec City, where we're market leaders," added Mr. Audet.

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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.

ABOUT COGECO

COGECO is a diversified communications Corporation. Through its Cogeco Cable subsidiary, COGECO provides its residential customers with Audio, Analogue and Digital Television, as well as HSI and Telephony services using its two-way broadband cable networks. Cogeco Cable also provides, to its commercial customers, through its subsidiary Cogeco Data Services, data networking, e-business applications, video conferencing, hosting services, Ethernet, private line, VoIP, HSI access, data storage, co-location services, managed IT services, cloud services and other advanced communication solutions. Through its subsidiary, Cogeco Diffusion, COGECO owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences. Cogeco Diffusion also operates Cogeco News, its news agency, feeding 24 independent and community radio stations across Québec. COGECO's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CGO). The subordinate voting shares of Cogeco Cable are also listed on the Toronto Stock Exchange (TSX: CCA).

– 30 –

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Analyst Conference Call: **Thursday, January 26, 2012 at 9:30 a.m.** (EST)
Media representatives may attend as listeners only.

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

Canada/USA Access Number: 1 888 820-0231
International Access Number: + 1 416 640-5926
Confirmation Code: 8378457
By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until April 26, 2012, by dialling:
Canada and USA access number: 1 888 203-1112
International access number: + 1 647 436-0148
Confirmation code: 8378457



SHAREHOLDERS' REPORT

First quarter ended November 30, 2011

FINANCIAL HIGHLIGHTS

($000, except percentages and per share data)	Quarters ended November 30, 2011 $	2010 $	Change %
	(unaudited)	(unaudited)	
Operations			
Revenue	387,538	341,714	13.4
Operating income before depreciation and amortization[1]	145,009	137,267	5.6
Operating margin[1]	37.4%	40.2%	–
Operating income	78,102	75,287	3.7
Profit for the period	47,923	39,808	20.4
Profit for the period attributable to the owners of the Corporation	18,770	16,391	14.5
Cash Flow			
Cash flow from operating activities	15,702	57,615	(72.7)
Cash flow from operations[1]	109,397	42,542	–
Acquisitions of property, plant and equipment and intangible assets	81,838	66,842	22.4
Free cash flow[1]	27,559	(24,300)	–
Financial condition[2]			
Property, plant and equipment	1,287,081	1,272,251	1.2
Total assets	2,840,309	2,871,648	(1.1)
Indebtedness[3]	1,103,343	1,056,214	4.5
Shareholders' Equity	1,075,323	1,040,680	3.3
Equity attributable to owners of the Corporation	355,259	342,525	3.7
Primary service units[4] growth	45,129	49,220	(8.3)
Per Share Data[5]			
Earnings per share			
Basic	1.12	0.98	14.3
Diluted	1.11	0.97	14.4

(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 November 30, 2011 and August 31, 2011.

(3) Indebtedness is defined as the total of bank indebtedness, promissory note payable, 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)

First quarter ended November 30, 2011

TRANSITION TO IFRS

On January 1, 2011, the Canadian generally accepted accounting principles ("GAAP"), as used by publicly accountable enterprises, were fully converged to International Financial Reporting Standards ("IFRS"). Accordingly, the Corporation has prepared its first condensed interim consolidated financial statements for the three-month period ended November 30, 2011 in accordance with IFRS. Prior to the adoption of IFRS, for all periods up to and including the year ended August 31, 2011, the Corporation's consolidated financial statements were prepared in accordance with Canadian GAAP. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences related to recognition, measurement and disclosures.

The date of the opening balance sheet under IFRS and the date of transition to IFRS are September 1, 2010. The financial data for fiscal 2011 have therefore been restated. The Corporation is also required to apply IFRS accounting policies retrospectively to determine its opening statement of financial position, subject to certain exemptions. However, the Corporation is not required to restate figures for periods prior to September 1, 2010 that were previously prepared in accordance with Canadian GAAP.

The new significant accounting policies under IFRS are disclosed in Note 2 to the condensed interim consolidated financial statements for the three-month period ended November 30, 2011, while Note 17 explains adjustments made by the Corporation in preparing its IFRS opening consolidated balance sheet as of September 1, 2010 and in restating its previously published Canadian GAAP condensed interim consolidated financial statements for the three-month period ended November 30, 2010 and the year ended August 31, 2011. Note 17 also provides details on exemption choices made by the Corporation with respect to the general principle of retrospective application of IFRS. 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" below.

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's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Corporation's future operating results and economic performance and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which COGECO believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. The Corporation cautions the reader that the 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 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 currently expects. These factors include technological changes, changes in market and competition, governmental or regulatory developments, general economic conditions, the development of new products and services, the enhancement of existing products and services, and the introduction of competing products having technological or other advantages, many of which are beyond the Corporation's control. Therefore, future events and results may vary significantly from what management currently foresees. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While management may elect to, the Corporation is under no obligation (and expressly disclaims any such obligation), and does not undertake to update or alter this information before the next quarter.

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 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-month period ended November 30, 2011.

Corporate strategies and objectives

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

Cable sector

During the first three months of fiscal 2012, the Corporation's subsidiary, Cogeco Cable Inc. ("Cogeco Cable" or the "Cable subsidiary"), invested approximately $33 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 service offerings in the cable sector

During the first quarter ended November 30, 2011, the number of PSU in the Cable subsidiary increased by 45,129, or 1.8%, to reach 2,609,683 PSU, mainly as a result of targeted marketing initiatives in the Canadian operations and of the continuing interest for high definition ("HD") television service which offset the loss in the European operations resulting primarily from a decreased demand for services. As of fiscal 2012, Cogeco Cable has modified its key performance indicator for growth to a PSU concept instead of a revenue-generating units ("RGU") concept. Cogeco Cable expects a PSU growth of 90,000 net additions for the 2012 fiscal year which amounts in terms of RGU to 225,000 net additions for fiscal 2012 year as presented in the Fiscal 2012 financial guidelines of the 2011 Annual Report.

Operating income before depreciation and amortization and operating margin

First-quarter operating income before depreciation and amortization increased by 5.6% when compared to the first quarter of fiscal 2011 to reach $145 million and operating margin decreased to 37.4% from 40.2%.

Free cash flow

For the three-month period ended November 30, 2011, COGECO reports positive free cash flow of $27.6 million, compared to negative free cash flow of $24.3 million for the first quarter of the previous fiscal year, representing an increase of $51.9 million. This variance is mostly attributable to the difference in the recognition of current income tax expense for both periods combined with the improvement of operating income before depreciation and amortization, partly offset by the increase in acquisition of property, plant and equipment.

Other

BBM Canada's fall 2011 survey in the Montréal region, conducted with the Portable People Meter ("PPM"), shows that 98.5 FM is the leading radio station in the Montreal francophone market with listeners and men two years old and over ("2+"), while Rythme FM has maintained its leadership position in the female 2+ segment. In the other Quebec regions, our radio stations registered good ratings.

On December 6, 2011, COGECO Inc. concluded an agreement to acquire Métromédia CMR Plus Inc. ("Métromédia"), subject to customary closing adjustments and conditions. Métromédia is a Québec company that operates an advertising rep house in the public transit sector. Métromédia represents over 100 public transit markets notably in Montréal, in other Québec regions as well as in major cities and numerous markets in the rest of Canada. The transaction was completed on December 26, 2011.

On February 1, 2011, a subsidiary of the Corporation, Cogeco Diffusion Acquisitions Inc. ("Cogeco Diffusion"), completed the acquisition of 11 radio stations in the province of Québec ("Quebec Radio Stations Acquisition"), which was originally announced on April 30, 2010 and then subject to the Canadian Radio-television and Telecommunications Commission ("CRTC") approval. When the CRTC approved the Québec Radio Stations Acquisition, there was an order to divest three radio stations in order to comply with the common ownership policy in the Québec City and Sherbrooke markets.

On November 30, 2011, Cogeco Diffusion concluded an agreement for the sale of two of its four Québec City FM radio stations, CJEC-FM and CFEL-FM, subject to CRTC approval and customary closing adjustments and conditions. On December 6, 2011, Cogeco Diffusion closed its Sherbrooke radio station, CJTS-FM. On January 19, 2012, the CRTC approved the sale of CJEC-FM and CFEL-FM which should be completed on January 30, 2012 and marked the end of the process established with the CRTC for the divestiture of these three radio stations.

(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 – CONSOLIDATED OVERVIEW

($000, except percentages)	Quarters ended November 30, 2011 $ (unaudited)	2010 $ (unaudited)	Change %
Revenue	387,538	341,714	13.4
Operating costs[1]	242,529	204,447	18.6
Operating income before depreciation and amortization	145,009	137,267	5.6
Operating margin	37.4%	40.2%	–

(1) Represents the sum of salaries, employee benefits and outsourced services as well as other external purchases included in the Interim Consolidated Statements of Profit or Loss.

Revenue

Fiscal 2012 first-quarter revenue rose by $45.8 million, or 13.4% to reach $387.5 million primarily due to the cable sector and the results of the Québec Radio Stations Acquisition.

Cable revenue rose by $26.5 million, or 8%, to reach $356.9 million, when compared to the prior year. For further details on the Cogeco Cable's operating results, please refer to the "Cable sector" section.

Revenue from the radio activities improved by $19.4 million in the first quarter to reach $30.6 million, mainly as a result of the Québec Radio Stations Acquisition.

Operating costs

For the first quarter of fiscal 2012, operating costs increased by $38.1 million to reach $242.5 million, an increase of 18.6% compared to the first quarter of the prior year.

Operating costs in the Cable sector increased by $18.9 million, or 9.7%, for the first quarter when compared to the same periods of the prior year. For further details on Cogeco Cable's operating results, please refer to the "Cable sector" section.

Operating costs from the other sector, including radio activities, grew by $19.2 million in the first, mainly from the Québec Radio Stations Acquisition.

Operating income before depreciation and amortization and operating margin

Mainly as a result of the growth in the cable sector and Québec Radio Stations Acquisition, operating income before depreciation and amortization grew by $7.7 million, or 5.6%, in the first-quarter to reach $145 million, when compared to the same period of the previous year. COGECO's first-quarter operating margin decreased to 37.4%, from 40.2% in the first quarter of the previous year. This variation is mostly attributable to the incremental deployment and support costs related to the migration of Television service customers from analog to digital in the cable sector and from the growth in the radio activities for which the operating margin is generally lower than the cable sector. For further details on the Corporation's operating results, please refer to the "Cable sector" section.

FIXED CHARGES

($000, except percentages)	Quarters ended November 30, 2011 $ (unaudited)	2010 $ (unaudited)	Change %
Depreciation and amortization	66,907	61,980	7.9
Financial expense	17,667	16,862	4.8

First-quarter 2012 depreciation and amortization amounted to $66.9 million, compared to $62 million for the same period of the prior year. The increase is mainly due to additional acquisitions of property, plant and equipment in the Cogeco Cable's Canadian operations arising mainly from customer premise equipment acquisitions to support PSU growth as well as reduction of the depreciation period for some home terminal devices in Canada, partly offset by the write-down of property, plant and equipment in Portugal in the third quarter of 2011.

First-quarter financial expense amounted to $17.7 million, compared to $16.9 million in the prior year. The increase is mainly due to the new financing related to the Québec Radio Stations Acquisition.

INCOME TAXES

Fiscal 2012 first-quarter income tax expense amounted to $12.5 million, compared to $18.6 million in the prior year. Fiscal 2012 first quarter 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 five years, resulted in a tax expense reduction of $3.5 million in the first quarter of fiscal 2012 in the cable sector.

The changes limiting the tax deferrals described above will have an additional cash outflow impact of approximately $13 million for Cogeco Cable during the fiscal 2012, none of which have been disgorged during the quarter.

PROFIT FOR THE PERIOD

Fiscal 2012 first quarter profit for the period amounted to $47,9 million compared to $39,8 million for the same period in fiscal 2011. Profit progression for the period has resulted mainly from the operating income before depreciation and amortization growth and the decrease in income tax expense in the first three months of the 2012 fiscal year.

Fiscal 2012 first quarter profit for the period attributable to the owners of the Corporation amounted to $18.8 million, or $1.12 per share, compared to $16.4 million, or $0.98 per share, for the same period in fiscal 2011. Profit progression for the period has resulted mainly from the operating income before depreciation and amortization growth and the decrease in income tax expense in the first three months of the 2012 fiscal year.

The non-controlling interest represents a participation of approximately 67.9% in Cogeco Cable's results. During the first quarter of fiscal 2012, the profit attributable to non-controlling interest amounted to $29.2 million due to the cable sector's positive results, compared to $23.4 million in the first quarter of fiscal 2011.

CASH FLOW AND LIQUIDITY

	Quarters ended November 30,	
	2011	2010
($000)	$	$
	(unaudited)	(unaudited)
Operating activities		
Cash flow from operations	109,397	42,542
Changes in non-cash operating activities	(75,341)	(62,762)
Amortization of deferred transaction costs and discounts on long-term debt	(762)	(778)
Income taxes received (paid)	(36,027)	2,077
Current income tax expense	21,491	80,143
Financial expense paid	(20,723)	(20,469)
Financial expense	17,667	16,862
	15,702	57,615
Investing activities	(81,633)	(66,842)
Financing activities	30,988	171,267
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(338)	(229)
Net change in cash and cash equivalents	(35,281)	161,811
Cash and cash equivalents, beginning of period	55,216	35,842
Cash and cash equivalents, end of period	19,935	197,653

Fiscal 2012 first-quarter cash flow from operations reached $109.4 million compared to $42.5 million for the same period last year. This increase of $66.9 million is primarily due to the reduction in current income tax recovery, partly offset by the increase in operating income before depreciation and amortization. Changes in non-cash operating activities generated cash outflows of $75.3 million compared to $62.8 million for the same period in fiscal 2011, mainly as a result of a decrease in trade and other payables for both periods.

In the first quarter of fiscal 2012, investing activities, including mainly acquisitions of property, plant and equipment and intangible assets, amounted to $81.6 million, an increase of $14.8 million, or 22.1% when compared to $66.8 million for the corresponding period of last year. The most significant variations are in the cable sector and are due to the following factors:

- An increase in customer premise equipment spending mainly due to the timing of equipment purchases to support PSU and Digital Television growth in the Canadian operations and conversion from analog to digital distribution. This increase was partly offset by the decrease in customer premise equipment spending reflecting PSU loss in the European operations;
- An increase in scalable infrastructure in the Canadian operations to improve network capacity in existing areas served;
- An increase in support capital spending stemming from the construction and acquisition of new facilities in the Canadian operations.

In the first quarter, positive free cash flow amounted to $27.6 million, compared to negative free cash flow of $24.3 million in the comparable period of fiscal 2011, representing an increase of $51.9 million. The growth in free cash flow over the prior year is due to the increase in operating income before depreciation and amortization combined with the current income tax expense reduction, partly offset by the increase in property, plant and equipment acquisitions.

In the first three months of fiscal 2012, Indebtedness affecting cash increased by $46.9 million mainly due to the cash outflows of $75.3 million from the changes in non-cash operating activities, to $14.5 million and $3.1 million of income tax and financial expense payments made during the quarter but recorded in 2011 fiscal year and dividend payment of $11.3 million, partly offset by the positive free cash flow of $27.6 million and the decrease in cash and cash equivalents of $35.3 million. In the first three months of fiscal 2011, Indebtedness affecting cash increased by $182.1 million mainly due to the cash outflows of $62.8 million from the changes in non-cash operating activities, increase in cash and cash equivalents of $161.8 million, negative free cash flow of $24.3 million and the dividend payment of $7.6 million, partly offset by $80.1 million of income tax expense recorded in the first quarter of fiscal 2011 but not paid due to modifications made to Cogeco Cable's corporate structure. Indebtedness in 2011 mainly increased through the issuance of $200 million Senior Secured Debentures Series 2 by Cogeco Cable Inc., partly offset by a net repayment of $13.8 million on the Cogeco Cable Term Revolving Facility.

During the first quarter of fiscal 2012, a dividend of $0.18 per share was paid by the Corporation to the holders of subordinate and multiple voting shares, totalling $3 million, compared to a dividend of $0.12 per share, or $2 million the year before. In addition, dividends paid by a subsidiary to non-controlling interests in the first quarter of fiscal 2012 amounted to $8.2 million, for consolidated dividend payments of $11.3 million, compared to $5.6 million for consolidated dividend payments of $7.6 million in the first quarter of the prior year.

As at November 30, 2011, the Corporation had a working capital deficiency of $155.6 million compared to $188.7 million as at August 31, 2011. The decrease in the deficiency is mainly attributable to the cable sector and caused by a decrease in trade and other payables and income tax liabilities, partly offset by decreases in cash and cash equivalents and in income taxes receivable and by an increase in bank indebtedness. As part of the usual conduct of its business, COGECO maintains a working capital deficiency due to a low level of accounts receivable as a large portion of the Cogeco Cable'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 cable subsidiary to use cash and cash equivalents to reduce Indebtedness.

At November 30, 2011, the Corporation had used $39 million of its $100 million Term Revolving Facility for a remaining availability of $61 million and Cogeco Cable had used $151.2 million of its $750 million Term Revolving Facility for a remaining availability of $598.8 million.

Transfers of funds from non-wholly owned subsidiaries to COGECO are subject to approval by the subsidiaries' Boards of Directors and may also be restricted under the terms and conditions of certain debt instruments. In accordance with applicable corporate and securities laws, significant transfers of funds from COGECO may be subject to approval by minority shareholders.

FINANCIAL POSITION

Since August 31, 2011, there have been significant changes to the balances of, "trade and other payables", "property, plant and equipment", "income taxes receivable", "income tax liabilities", "future income tax liabilities", "long-term debt", "cash and cash equivalents", "bank indebtedness" and "non-controlling interest".

The $73 million decrease in trade and other payables is related to the timing of payments made to suppliers. The $14.8 million increase in property, plant and equipment reflects the acquisitions discussed in the "Cash flow and Liquidity" section net from the depreciation expense. The decrease of $24.3 million in income taxes receivable, of $38.8 million in income tax liabilities and of $7.8 million in future income tax liabilities primarily reflect the timing of the recognition of income tax liabilities as a result of modifications made to the corporate structure combined with the increase in operating income before depreciation and amortization. The increase of $31.7 million in bank indebtedness, of $23.5 million in long-term debt and the decrease of $35.3 million in cash and cash equivalents are due to the factors previously discussed in the "Cash Flow and Liquidity" section. The $18.9 million increase in non-controlling interest is due to improvements in the cable subsidiary's operating results in the current fiscal year.

A description of COGECO's share data as at December 31, 2011 is presented in the table below:

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

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

On November 30, 2011, the Corporation renewed its credit agreement for a $100 million credit facility in the form of a four-year Term Revolving Facility. The renewed Term Revolving Facility will mature on February 1, 2016, but may be extended by additional one-year periods on an annual basis, subject to lenders' approval. The 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, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries, excluding Cogeco Cable.

On November 7, 2011, the Corporation completed, pursuant to a private placement, the issue of 6.50 % Unsecured Notes for a total of $35 million maturing November 7, 2021. Interest on these Notes is payable semi-annually in arrears on November 7 and May 7 of each year commencing May 7, 2012. Net proceeds of approximately $35 million was used to reduce COGECO Inc.'s bank indebtedness.

On November 22, 2011, Cogeco Cable 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 led by Canadian Imperial Bank of Commerce and Bank of Montreal. 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 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 Cogeco Cable and certain of its subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount.

DIVIDEND DECLARATION

At its January 25, 2012 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of $0.18 per share for multiple voting and subordinate voting shares, payable on February 22, 2012, to shareholders of record on February 8, 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, their amount and frequency may vary.

FINANCIAL MANAGEMENT

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

Cogeco Cable 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 three months of fiscal 2012, amounts due under the US$190 million Senior Secured Notes Series A increased by $7.8 million due to the US dollar's appreciation relative to the Canadian dollar. The fair value of cross-currency swaps increased by a net amount of $7 million, of which an increase of $7.8 million offsets the foreign exchange loss on the debt denominated in US dollars. The difference of $0.7 million was recorded as a decrease of other comprehensive income, net of income taxes. In the first quarter of fiscal 2011, amounts due under the US$190 million Senior Secured Notes Series A decreased by $7.6 million due to the US dollar's depreciation over the Canadian dollar. The fair value of cross-currency swaps decreased by a net amount of $6.3 million, of which $7.6 million offsets the foreign exchange gain on the debt denominated in US dollars. The difference of $1.2 million was recorded as an increase of other comprehensive income, net of income taxes.

Furthermore, Cogeco Cable's net investment in self-sustaining foreign subsidiaries is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. The Corporation recorded a foreign exchange loss of $0.3 million in the first quarter, compared to a foreign exchange loss of $1.9 million in the comparable period of the prior year, which was deferred and recorded in the interim consolidated statement of comprehensive income, net of income taxes. The exchange rate used to convert the Euro currency into Canadian dollars for the balance sheet accounts as at November 30, 2011 was $1.3706 per Euro compared to $1.4071 per Euro as at August 31, 2011. The average exchange rate prevailing during the first quarter of fiscal 2012 used to convert the operating results of the European operations was $1.3891 per Euro compared to $1.3833 per Euro in the first quarter of fiscal 2011. Since the Corporation's condensed interim consolidated financial statements are expressed in Canadian dollars but a portion of its business is conducted in the Euro currency, exchange rate fluctuations can increase or decrease revenue, operating income before depreciation and amortization, profit for the period and the carrying value of assets and liabilities.

The following table shows the Canadian dollar impact of a 10% fluctuation in the average exchange rate of the Euro currency into Canadian dollars on European operating results in the cable sector for the first three months ended November 30, 2011:

Three months ended November 30, 2011	As reported	Exchange rate impact
($000)	$	$
	(unaudited)	(unaudited)
Revenue	41,515	4,152
Operating income before depreciation and amortization	4,748	475
Profit for the period	3,399	340

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 in the cable sector is purchased and subsequently paid in US dollars. Please consult the "Fixed charges" section of this MD&A and the "Foreign Exchange Risk" section in note 14 of the consolidated financial statements for further details.

CABLE SECTOR

CUSTOMER STATISTIC

	November 30, 2011	Net additions Quarters ended November 30, 2011	2010	% of Penetration[1] November 30, 2011	2010
PSU	2,609,683	45,129	49,220		
Television service customers[2]	1,137,219	3,457	7,626	44.9	45.6
HSI service customers	780,723	17,073	20,464	30.8	29.6
Telephony service customers	691,741	24,599	21,130	27.3	24.9

(1) As a percentage of Homes Passed
(2) The number of Television service customers includes 886,861 Digital Television service customers.

In the cable sector, first quarter PSU net additions amounted to 45,129, compared to 49,220 PSU in the comparable period of the previous fiscal year.

Fiscal 2012 first-quarter PSU net additions were lower than in the comparable period of the prior year, as the strong PSU growth generated by the Canadian operations, despite higher penetration rates, category maturity and aggressive competition, was offset by PSU losses in the European operations reflecting the continuing difficult economic conditions in Portugal. The Portuguese government has implemented financial reforms which include increases in sales and income taxes combined with reductions in government spending on social programs, thus reducing consumer disposable income. These measures have generated consumer spending constraints while the intensity of the competitive environment remained. The rate of growth for our services has diminished in this environment, with net customer losses in Television and HSI service customers.

The net customer additions for Television service customers stood at 3,457 for the first quarter, compared to 7,626 for the same period of the prior year. Television service customers net additions in fiscal 2012 is mainly due to the back to school period for college and university students, to network expansions and the bundling effect of continued growth in HSI and Telephony services. In the quarter, Telephony service customers grew by 24,599 compared to 21,130 for the same period last year, and the number of net additions to the HSI service stood at 17,073 customers compared to 20,464 customers in the first quarter of the prior year. HSI and Telephony net additions continue to stem from the enhancement of the product offering, the impact of the bundled offer (Cogeco Complete Connection) of Television, HSI and Telephony services, and promotional activities which was offset by the economic environment in Portugal. For the three month period ended November 30, 2011, additions to the Digital Television service which are included in the Television service customers, stood at 43,955 compared to 41,649 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 customer from analog to digital services.

OPERATING RESULTS

($000, except percentages)	Quarters ended November 30, 2011 $	2010 $	Change %
	(unaudited)	(unaudited)	
Revenue	356,939	330,467	8.0
Operating costs[1]	213,226	194,316	9.7
Management fees - COGECO Inc.	7,142	6,644	7.5
Operating income before depreciation and amortization	136,571	129,507	5.5
Operating margin	38.3%	39.2%	

(1) Represents the sum of salaries, employee benefits and outsourced services as well as other external purchases included in the Interim Consolidated Statements of Profit or Loss.

Revenue

Fiscal 2012 first-quarter revenue rose by $26.5 million, or 8%, to reach $356.9 million, when compared to the prior year.

Revenue for the Canadian operations grew by $28.2 million, or 9.8%, to reach $315.4 million. The increase in revenue was driven by PSU growth, rate increases implemented in October 2011 and April 2011 combined with the acquisitions of MTO Telecom Inc. (“MTO”) and Quiettouch Inc. (“QTI”).

In the first quarter of fiscal 2012 European operation’s revenue decreased by $1.7 million, or 4%, at $41.5 million as a result of a decreased demand for services, partly offset by a higher value of the Euro over the Canadian dollar when compared to prior year. Revenue from the European operations in the local currency for the 2012 first quarter amounted to €29.9 million, a decrease of €1.4 million, or 4.4%, when compared to the same period of the prior year.

Operating costs

For the first quarter of fiscal 2012, operating costs increased by $18.9 million, to reach $213.2 million, an increase of 9.7% compared to the prior year.

In the Canadian operations, for the three months ended November 30, 2011, operating costs increased by $21.1 million, or 13.6%, at $176.5 million. The increase in operating costs 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.

As for the European operations, fiscal 2012 first-quarter operating costs decreased by $2.2 million, or 5.7%, at $36.8 million, mainly due to the PSU losses and timing of marketing initiatives partly offset by a higher value of the Euro over the Canadian dollar when compared to prior year. Operating costs of the European operations for the first quarter in the local currency amounted to €26.5 million, a decrease of €1.7 million, or 6.1% when compared to the corresponding period of the prior year.

Operating income before depreciation and amortization and operating margin

Fiscal 2012 first-quarter operating income before depreciation and amortization increased by 5.5% to reach $136.6 million. Cogeco Cable's first-quarter operating margin decreased to 38.3% from 39.2% in the comparable period of the prior year.

Operating income before depreciation and amortization in the Canadian operations rose by $6.6 million, or 5.3%, to reach $131.8 million in the first quarter, mainly due to the increased revenue exceeding the increase in operating costs. Cogeco Cable's Canadian operations' operating margin decreased to 41.8% in the first quarter compared to 43.6% for the same period of the prior year mainly due to the incremental deployment and support costs for the migration of Television service customers from analog to digital.
For the European operations, operating income before depreciation and amortization increased to $4.7 million in the first quarter from $4.3 million for the same period of the prior year, representing an increase of $0.5 million, or 11.2%, mainly due to decreases in operating costs which outpaced the decreases in revenue. European operations' operating margin increased to 11.4% from 9.9% in the first quarter of fiscal 2012. Operating income before depreciation and amortization in the local currency amounted to €3.4 million compared to €3.1 million in the first quarter of the prior year, representing an increase of 10.7%.

CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting, as defined in NI 52-109. COGECO's internal control framework is based on the criteria published in the report "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with 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 November 30, 2011, and have concluded that they were adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended November 30, 2011.

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 can be found in the 2011 Annual Report.

CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation adopted the IFRS conceptual framework for its accounting policies on September 1, 2011 (see "Transition to IFRS" above"). Accordingly, the following paragraphs provide an analysis of accounting policies considered to be critical for which changes required under the adoption of IFRS were determined to be material. This "Changes in critical accounting policies and estimates" section should be read in conjunction with the Corporation's annual MD&A for the 2011 year, which provides a description of other accounting policies considered to be critical but for which the adoption of IFRS did not have a significant impact.

A. IMPAIRMENT OF NON FINANCIAL ASSETS

At the end of each reporting period, the Corporation reviews the carrying value of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets ("cash-generating unit" or "CGU"). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount for the amount of this excess. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The impairment loss is recognized immediately in profit or loss in the period in which the loss is incurred.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

B. PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized represents management's best estimate of the amount required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, the amount of a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

C. EMPLOYEE BENEFITS

DEFINED BENEFIT PENSION PLANS

Pension costs for defined benefit pension plans are determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service), with actuarial valuations being carried out at the end of each reporting period and are funded through contributions determined in accordance with this method. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan.

Pension expense is charged to salaries, employee benefits and outsourced services and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the period;
- Vested past service costs which are recognized immediately;
- Unvested past service costs which are amortized on a straight-line basis over the vesting period; and
- The interest cost of pension obligations less the expected return on pension fund assets. The Corporation uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

The Corporation recognizes actuarial gains or losses in other comprehensive income in the period in which they arise.

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 November 30, 2011 or year ended August 31, 2012, and have not been applied in preparing these condensed interim consolidated financial statements. The following standards may have a material impact on the consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after	
IFRS 9 *Financial Instruments*	January 1, 2015	Early adoption permitted
IFRS 10 *Consolidated Financial Statements*	January 1, 2013	Early adoption permitted
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013	Early adoption permitted
IFRS 13 *Fair Value Measurement*	January 1, 2013	Early adoption permitted
Amendments to IAS 1 *Presentation of Financial Statements*	January 1, 2013	Early adoption permitted
Amendment to IAS 19 *Employee Benefits*	January 1, 2013	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. This is the first phase of that project.

IFRS 10 replaces the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. It provides a single model to be applied in the control analysis for all investees.

IFRS 12 establishes disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structures entities.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard clarifies the definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income ("OCI") that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss.

The amendments to IAS 19 requires the recognition of actuarial gains and losses immediately in other comprehensive income, full recognition of past service costs immediately in profit or loss, recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation and additional disclosures explaining the characteristics of the Corporation's defined benefit pension plans.

The Corporation is in the process of determining the extent of the impact of these standards on its consolidated financial statements.

FISCAL 2012 FINANCIAL GUIDELINES

The Corporation has not modified its 2012 guidance with the recently announced acquisition of Métromédia. Since this transaction was completed late December 2011, the Corporation will include the projected financial results in its 2012 revised guidance upon announcement of the 2012 second quarter results.

NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by COGECO 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'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, 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's management and investors, to measure its ability to repay debt, distribute capital to its shareholders and finance its growth.

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

	Quarters ended November 30,	
($000)	2011 $	2010 $
	(unaudited)	(unaudited)
Cash flow from operating activities	15,702	57,615
Changes in non-cash operating activities	75,341	62,762
Amortization of deferred transaction costs and discounts on long-term debt	762	778
Income taxes paid (received)	36,027	(2,077)
Current income tax expense	(21,491)	(80,143)
Financial expense paid	20,723	20,469
Financial expense	(17,667)	(16,862)
Cash flow from operations	109,397	42,542

Free cash flow is calculated as follows:

($000)	Quarters ended November 30, 2011 $ (unaudited)	2010 $ (unaudited)
Cash flow from operations	109,397	42,542
Acquisition of property, plant and equipment	(77,894)	(63,350)
Acquisition of intangible assets	(3,944)	(3,492)
Free cash flow	27,559	(24,300)

Operating income before depreciation and amortization and operating margin

Operating income before depreciation and amortization is used by COGECO's management and investors to assess the Corporation's ability to seize growth opportunities in a cost effective manner, to finance its ongoing operations and to service its debt. Operating income before 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 November 30, 2011 $ (unaudited)	2010 $ (unaudited)
Operating income	78,102	75,287
Depreciation and amortization	66,907	61,980
Operating income before depreciation and amortization	145,009	137,267
Revenue	387,538	341,714
Operating margin	37.4%	40.2%

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	November 30,		August 31,		May 31,		February 28,	
($000, except percentages and per share data)	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010[1] (unaudited)	2011 (unaudited)	2010[1] (unaudited)	2011 (unaudited)	2010[1] (unaudited)
Revenue	387,538	341,714	374,531	333,671	373,905	330,933	349,593	329,087
Operating income before depreciation and amortization	145,009	137,267	159,912	137,785	148,035	127,928	123,064	124,363
Operating margin	37.4%	40.2%	42.7%	41.3%	39.6%	38.7%	35.2%	37.8%
Operating income	78,102	75,287	107,545	73,942	82,612	64,008	58,627	58,370
Impairment of goodwill and intangible assets	–	–	–	–	225,873	–	–	–
Profit (loss) for the period	47,923	39,808	70,089	12,265	(179,202)	10,740	22,433	10,511
Profit (loss) for the period attributable to the owners of the Corporation	18,770	16,391	23,317	–	(56,303)	–	634	–
Adjusted profit for the period attributable to the owners of the Corporation[2]	18,770	16,391	21,694	12,265	16,376	10,740	11,009	10,511
Cash flow from operating activities	15,702	57,615	226,804	198,492	147,398	110,756	83,519	117,498
Cash flow from operations	109,397	42,542	154,838	127,230	135,315	119,140	107,530	120,331
Acquisitions of property, plant and equipment and intangible assets	81,838	66,842	130,960	108,515	71,741	69,511	72,539	74,549
Free cash flow	27,559	(24,300)	23,878	18,715	63,574	49,629	34,991	45,782
Earnings (loss) per share[3]								
Basic	1.12	0.98	1.39	0.73	(3.36)	0.64	0.04	0.63
Diluted	1.11	0.97	1.38	0.73	(3.36)	0.64	0.04	0.63
Adjusted earnings per share[2][3]								
Basic	1.12	0.98	1.30	0.73	0.98	0.64	0.66	0.63
Diluted	1.11	0.97	1.29	0.73	0.97	0.64	0.65	0.63

(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) In addition to the adjustments described in the "Non-IFRS financial measures" section, profit for the period attributable to the owners of the Corporation for the second and the fourth quarter of fiscal 2011 has been adjusted to remove the integration, restructuring and acquisition costs, net of related income taxes, of $10.4 million and $1.6 million respectively. Loss for the period attributable to the owners of the Corporation for the third quarter of fiscal 2011 has been adjusted to remove the impairment of goodwill and property, plant and equipment, net of related income taxes, of $72.7 million.

(3) 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 and HSI services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television seasons, and students leaving their campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada, and Aveiro, Covilhã, Evora, Guarda and Coimbra in Portugal. Furthermore, the operating margin in the third and fourth quarters is generally higher as the maximum amount payable to COGECO under the management agreement is usually reached in the second quarter of the year. As part of the management agreement between Cogeco Cable and COGECO, Cogeco Cable pays management fees to COGECO equivalent to 2% of its revenue subject to an annual maximum amount. As the maximum amount is expected to be 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 did not pay management fees in the second half of the previous fiscal year.

ADDITIONAL INFORMATION

This MD&A was prepared on January 25, 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 Inc.
Montréal, Québec
January 26, 2012



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

First quarter ended November 30, 2011

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

	Three months ended November 30,	
	2011	2010
(In thousands of Canadian dollars, except per share data)	**$**	$
Revenue	**387,538**	341,714
Salaries, employee benefits and outsourced services	**77,850**	58,312
Other external purchases	**164,679**	146,135
Depreciation and amortization (note 5)	**66,907**	61,980
Operating income	**78,102**	75,287
Financial expense (note 6)	**17,667**	16,862
Profit before income taxes	**60,435**	58,425
Income taxes (note 7)	**12,512**	18,617
Profit for the period	**47,923**	39,808
Profit for the period attributable to:		
Owners of the Corporation	**18,770**	16,391
Non-controlling interest	**29,153**	23,417
	47,923	39,808
Earnings per share (note 8)		
Basic	**1.12**	0.98
Diluted	**1.11**	0.97

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

	Three months ended November 30,	
	2011	2010
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**47,923**	39,808
Other comprehensive income (loss)		
Cash flow hedging adjustments		
Net change in fair value of hedging derivative financial instruments	**7,044**	(5,833)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**(7,771)**	7,581
Income tax recovery (expense) on cash flow hedging adjustments	**(245)**	49
	(972)	1,797
Foreign currency translation adjustments		
Net foreign currency translation differences on translation of a net investment in foreign operations	**(272)**	(3,143)
Net change in unrealized gains on translation of long-term debts designated as hedges of a net investment in foreign operations	**–**	1,227
	(272)	(1,916)
Defined benefit plans actuarial gains (losses) adjustments		
Net change in defined benefit plans actuarial gains (losses)	**(1,826)**	1,712
Income tax recovery (expense) on defined benefit plans actuarial gains (losses) adjustments	**491**	(461)
	(1,335)	1,251
Other comprehensive income (loss) for the period	**(2,579)**	1,132
Comprehensive income for the period	**45,344**	40,940
Comprehensive income for the period attributable to:		
Owners of the Corporation	**17,034**	17,604
Non-controlling interest	**28,310**	23,336
	45,344	40,940

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

(In thousands of Canadian dollars)	Equity attributable to owners				Equity attributable to non-controlling interests	Total shareholders' equity
	Share capital (note 10)	Contributed surplus – share-based compensation	Accumulated other comprehensive income (note 11)	Retained earnings		
Balance at September 1, 2010	119,527	3,452	6,508	240,499	750,878	1,120,864
Profit for the period	–	–	–	16,391	23,417	39,808
Other comprehensive income (loss) for the period	–	–	1,213	–	(81)	1,132
Total comprehensive income for the period	–	–	1,213	16,391	23,336	40,940
Share-based compensation	–	317	–	–	253	570
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	–	(28)	–	–	318	290
Dividends on multiple voting shares	–	–	–	(221)	–	(221)
Dividends on subordinate voting shares	–	–	–	(1,786)	(5,582)	(7,368)
Effect of changes in ownership of a subsidiary on non-controlling interest	–	–	–	5	(5)	–
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(1,282)	–	–	–	–	(1,282)
Acquisition by a subsidiary from non-controlling interests 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	458	(503)	–	45	–	–
Total contributions by and distributions to shareholders	(824)	(214)	–	(1,957)	(7,274)	(10,269)
Balance at November 30, 2010	118,703	3,238	7,721	254,933	766,940	1,151,535
Loss for the period	–	–	–	(32,352)	(54,328)	(86,680)
Other comprehensive income (loss) for the period	–	–	(4,713)	–	381	(4,332)
Total comprehensive loss for the period	–	–	(4,713)	(32,352)	(53,947)	(91,012)
Issuance of subordinate voting shares under the employee stock option plan	629	–	–	–	–	629
Share-based compensation	–	1,203	–	–	1,132	2,335
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	–	(376)	–	–	4,826	4,450
Dividends on multiple voting shares	–	–	–	(700)	–	(700)
Dividends on subordinate voting shares	–	–	–	(5,660)	(17,773)	(23,433)
Effect of changes in ownership of a subsidiary on non-controlling interest	–	–	–	55	(55)	–
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(14)	–	–	–	–	(14)
Acquisition by a subsidiary from non-controlling interests of subordinate voting shares held in trust under the Incentive Share Unit Plan	–	–	–	–	(110)	(110)
Distribution to employees by a subsidiary of subordinate voting shares held in trust under the Incentive Share Unit Plan	–	(153)	–	11	142	–
Total contributions by and distributions to shareholders	615	674	–	(6,294)	(11,838)	(16,843)
Balance at August 31, 2011	119,318	3,912	3,008	216,287	701,155	1,043,680
Profit for the period	–	–	–	18,770	29,153	47,923
Other comprehensive loss for the period	–	–	(1,736)	–	(843)	(2,579)
Total comprehensive income (loss) for the period	–	–	(1,736)	18,770	28,310	45,344
Share-based compensation	–	438	–	–	391	829
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	–	(121)	–	–	1,416	1,295
Dividends on multiple voting shares	–	–	–	(332)	–	(332)
Dividends on subordinate voting shares	–	–	–	(2,684)	(8,244)	(10,928)
Effect of changes in ownership of a subsidiary on non-controlling interest	–	–	–	109	(109)	–
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan	(1,710)	–	–	–	–	(1,710)
Acquisition by a subsidiary from non-controlling interests of subordinate voting shares held in trust under the Incentive Share Unit Plan	–	–	–	–	(2,855)	(2,855)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	325	(442)	–	117	–	–
Total contributions by and distributions to shareholders	(1,385)	(125)	–	(2,790)	(9,401)	(13,701)
Balance at November 30, 2011	117,933	3,787	1,272	232,267	720,064	1,075,323

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

(In thousands of Canadian dollars)	**November 30, 2011** **$**	August 31, 2011 $	September 1, 2010 $
Assets			
Current			
Cash and cash equivalents (note 12 b))	**19,935**	55,216	35,842
Trade and other receivables (note 14)	**111,178**	100,297	74,560
Income taxes receivable	**14,183**	38,480	45,400
Prepaid expenses and other	**14,792**	14,020	14,189
Assets held for sale (note 15)	**7,148**	1,365	–
	167,236	209,378	169,991
Non-current			
Other assets	**7,377**	6,422	7,886
Property, plant and equipment	**1,287,081**	1,272,251	1,323,161
Intangible assets	**1,124,469**	1,125,519	1,046,944
Goodwill	**226,573**	225,802	144,695
Derivative financial instruments	**–**	–	5,085
Deferred tax assets	**27,573**	26,390	27,992
Assets held for sale (note 15)	**–**	5,886	–
	2,840,309	2,871,648	2,725,754
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness	**31,688**	–	2,328
Trade and other payables	**197,243**	270,246	235,830
Provisions	**20,162**	15,558	12,945
Income tax liabilities	**21,120**	59,935	558
Deferred and prepaid revenue	**43,680**	43,520	45,602
Promissory note payable, non-interest bearing and due on February 1, 2012	**5,000**	5,000	–
Derivative financial instrument	**–**	–	1,189
Current portion of long-term debt (note 9)	**1,790**	2,119	2,329
Liabilities related to assets held for sale (note 15)	**2,153**	1,747	–
	322,836	398,125	300,781
Non-current			
Long-term debt (note 9)	**1,040,179**	1,016,663	952,741
Balance due on a business acquisition, bank prime rate plus 1% and payable in February 2013	**11,400**	11,400	–
Derivative financial instruments	**7,364**	14,408	–
Deferred and prepaid revenue and other liabilities	**19,698**	19,390	12,234
Pension plan liabilities and accrued employees benefits	**37,517**	33,718	24,335
Deferred tax liabilities	**325,992**	333,746	314,799
Liabilities related to assets held for sale (note 15)	**–**	518	–
	1,764,986	1,827,968	1,604,890
Shareholders' equity			
Equity attributable to owners			
Share capital (note 10)	**117,933**	119,318	119,527
Contributed surplus	**3,787**	3,912	3,452
Accumulated other comprehensive income (note 11)	**1,272**	3,008	6,508
Retained earnings	**232,267**	216,287	240,499
	355,259	342,525	369,986
Non-controlling interest	**720,064**	701,155	750,878
	1,075,323	1,043,680	1,120,864
	2,840,309	2,871,648	2,725,754

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

(In thousands of Canadian dollars)	Three months ended November 30, **2011** **$**	2010 $
Cash flow from operating activities		
Profit for the period	**47,923**	39,808
Adjustments for:		
Depreciation and amortization (note 5)	**66,907**	61,980
Income taxes	**12,512**	18,617
Financial expense (note 6)	**17,667**	16,862
Share-based compensation (note 10)	**1,014**	679
Loss (gain) on disposals and write-offs of property, plant and equipment	**(19)**	320
Other	**1,789**	503
	147,793	138,769
Changes in non-cash operating activities (note 12 a))	**(75,341)**	(62,762)
Income taxes received (paid)	**(36,027)**	2,077
Financial expense paid	**(20,723)**	(20,469)
	15,702	57,615
Cash flow from investing activities		
Acquisition of property, plant and equipment	**(77,894)**	(63,350)
Acquisition of intangible assets	**(3,944)**	(3,492)
Other	**205**	–
	(81,633)	(66,842)
Cash flow from financing activities		
Increase (decrease) in bank indebtedness	**31,688**	(1,588)
Net repayments under the Term Revolving Facilities	**(18,767)**	(13,800)
Issuance of long-term debt, net of discounts and transaction costs	**34,641**	198,320
Repayments of long-term debt	**(614)**	(826)
Increase in deferred transaction costs	**(1,430)**	–
Acquisition of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 10)	**(1,710)**	(1,282)
Dividends paid on multiple voting shares	**(332)**	(221)
Dividends paid on subordinate voting shares	**(2,684)**	(1,786)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**1,295**	290
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive Share Unit Plan (note 10)	**(2,855)**	(2,258)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	**(8,244)**	(5,582)
	30,988	171,267
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(338)**	(229)
Net change in cash and cash equivalents	**(35,281)**	161,811
Cash and cash equivalents, beginning of the period	**55,216**	35,842
Cash and cash equivalents, end of the period	**19,935**	197,653

NATURE OF OPERATIONS

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

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 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.

These are the Corporation's first condensed interim consolidated financial statements prepared in conformity with IAS 34 and International financial reporting standards ("IFRS") 1 *First-time Adoption of International Financial Reporting Standards* has been applied. 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, assets held for sale (see note 15) 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 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.

The condensed interim consolidated financial statements were approved by the Board of Directors of COGECO Inc. at its meeting held on January 25, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation expects to adopt in its annual August 31, 2012 consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in the condensed interim consolidated financial statements and in preparing the opening consolidated statement of financial position as at September 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

A. BASIS OF CONSOLIDATION

These condensed interim consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation. Business segments and percentage of interest in the principal operating subsidiaries are as follows:

Segment	Principal subsidiaries	Percentage of equity interest %	Voting rights %
Cable	Cogeco Cable Inc.	32.1	82.6
Other	Cogeco Diffusion Acquisitions Inc.	100.0	100.0

The Corporation and its cable subsidiary, Cogeco Cable Inc., have established special purpose entities ("SPEs") for the purpose of mitigating the impact of stock price fluctuations in connection with its Incentive Share Unit Plans. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Corporation and the SPEs' risks and rewards, the Corporation concludes that it controls the SPEs. SPEs controlled by the Corporation and Cogeco Cable Inc. were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Corporation receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

All inter-company transactions and balances and any unrealized revenue and expenses are eliminated in preparing the interim consolidated financial statements.

B. BUSINESS COMBINATIONS

Acquisitions on or after September 1, 2010

Business acquisitions are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the sum of the fair values of assets transferred, liabilities incurred, and equity instruments issued by the Corporation at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange for control of the acquiree.

An obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not re-measured. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments for preliminary purchase price allocations are adjusted in the current period against the cost of acquisition and such changes are applied on a retroactive basis.

Transaction costs, other than those associated with the issue of debt or equity securities and integration and restructuring costs, that the Corporation incurs in connection with a business acquisition are recognized in profit or loss as incurred.

Acquisitions prior to September 1, 2010

As part of its transition to IFRS, the Corporation elected not to restate those business combinations that occurred prior to September 1, 2010. In respect of acquisitions prior to that date, assets and liabilities are included in the statement of financial position on the basis of their deemed cost at the date of acquisition, which represents the amounts recognized under previous Canadian Generally Accepted Accounting Principles ("GAAP") immediately after the date of acquisition.

C. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement with the goods; and
- The recovery of the consideration is probable.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

- Monthly subscription revenue received for Cable Television, HSI and Telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recorded as the services are provided;
- Revenue generated from the sale of home terminal devices or other equipment are recorded when the equipment is delivered and accepted by the customers; and
- Revenue generated from the sale of advertising airtime are recognized when the advertisement has been aired.

MULTIPLE-ELEMENT ARRANGEMENTS

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation evaluates each deliverable in an arrangement to determine whether such deliverable would represent a separate component. Components are accounted separately when:

- The delivered elements have stand-alone value to the customers; and
- There is objective and reliable evidence of fair value of any undelivered elements.

Consideration is measured and allocated amongst the components based upon their relative fair values and the relevant revenue recognition policy is applied to them.

The Corporation considers that installation and activation fees are not separate components because they have no stand-alone value. Accordingly, they are deferred and amortized into revenue at the same pace as the related telecommunications services are earned, which is the average life of a customer's subscription for residential customers and the term of the agreement for commercial customers.

Unearned revenue, such as payments for goods and services received in advance of delivery, are recorded as deferred and prepaid revenue until the service is provided or the product is delivered to the customer.

D. BARTER TRANSACTIONS

In the normal course of its business, the Corporation enters into barter transactions under which goods, advertising and other services are acquired in exchange for advertising services. Such revenues and expenses are recorded at the estimated fair value of goods and services received when goods and other services are received and at the estimated fair value of advertising provided when advertising services are received.

E. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

During construction of new assets, direct costs plus a portion of direct overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

Depreciation is recognized from the date the asset is ready for its intended use so as to write off the cost of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The depreciation periods are as follows:

BUILDINGS	10 TO 40 YEARS
CABLE SYSTEMS	5 TO 20 YEARS
BROADCASTING, PROGRAMMING AND PRODUCTION EQUIPMENT	3 TO 10 YEARS
HOME TERMINAL DEVICES	3 TO 5 YEARS
ROLLING STOCK AND EQUIPMENT	5 YEARS
OTHER EQUIPMENT	2 TO 10 YEARS
LEASEHOLD IMPROVEMENTS	LEASE TERM

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Corporation does not record decommissioning obligations in connection with its cable distribution network. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, thus the resulting present value of the obligation is not significant.

F. INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over their useful life. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite useful lives are amortized as follows:

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a commercial customer's subscription, not exceeding eight years;
- Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity and are amortized over the average life of a customer's subscription, not exceeding four years; and
- Direct and incremental costs associated with the acquisition of commercial customers are capitalized and amortized over the term of the agreement.

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They comprised Cable Distribution Undertaking Broadcasting Licenses ("Cable Distribution Licenses") and Broadcasting Licenses. Cable Distribution Licenses are comprised of broadcast authorities licenses and exemptions from licensing that allow access to homes and subscribers in a specific area. Broadcasting Licenses are broadcast authorities licenses that allow access to a radio frequency in a specific market. The Corporation has concluded that the Cable Distribution and Broadcasting Licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Corporation reviews at the end of each reporting period whether event and circumstances continue to support indefinite useful life assessment for these licenses. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually, or more frequently if there is any indication of impairment.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. It is not amortized but tested for impairment at least annually, or whenever there is an indication of possible impairment.

G. IMPAIRMENT OF NON FINANCIAL ASSETS

At the end of each reporting period, the Corporation reviews the carrying value of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, or whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets ("cash-generating unit" or "CGU"). When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount for the amount of this excess. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. The impairment loss is recognized immediately in profit or loss in the period in which the loss is incurred.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

H. LEASES

LESSEE

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between financial expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expense and depreciation of the assets are recognized in profit or loss in the period they occur.

Rentals payable under operating leases are charged to the profit or loss statement on a straight line basis over the term of the relevant lease.

LESSOR

The Corporation leases certain telecommunication equipment, primarily home terminal devices, to its customers. These leases are classified as operating leases and rental revenue is recognized on a straight-line basis over the term of the relevant lease.

I. INCOME TAXES

Income tax expense represents the sum of the tax currently payable and deferred. Current and deferred taxes are recognized in profit or loss, except when they relate to a business combination or to items that are recognized in other comprehensive income or directly in equity.

CURRENT TAX

The tax currently payable is based on taxable profit for the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

DEFERRED TAX

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit or is related to investments in subsidiaries to the extent that the Corporation is able to control the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which, those deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle its current tax assets and liabilities on a net basis.

J. PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized represents management's best estimate of the amount required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, the amount of a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

K. SHARE-BASED PAYMENTS

EQUITY SETTLED AWARDS

The Corporation measures stock options granted to employees that vest rateably over the service period based on the fair value of each tranche on grant date by using the Black-Scholes pricing model and a compensation expense is recognized on a straight-line basis over the vesting period applicable to the tranche, with a corresponding increase in contributed surplus. Granted options vest equally over a period of five years beginning one year after the day such options are granted. At the end of each reporting period, the Corporation revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in contributed surplus. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

The Corporation measures incentive share units ("ISUs") granted to employees 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, with a corresponding increase in contributed surplus. The total vesting period of each grant is three years less one day.

CASH SETTLED AWARDS

The fair value of the amount payable to Board directors in respect of share appreciation rights under the Deferred Share Unit Plans of the Corporation, which are settled in cash, is recognized as a compensation expense with a corresponding increase in pension plan liabilities and accrued employee benefits as of the date units are awarded to Board directors. The accrued liability is re-measured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period. Any changes in the fair value of the liability are recognized in profit or loss.

L. EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. They are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation as a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

DEFINED CONTRIBUTION PENSION PLANS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the periods during which services are rendered by employees.

DEFINED BENEFIT PENSION PLANS

Pension costs for defined benefit pension plans are determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service), with actuarial valuations being carried out at the end of each reporting period, when necessary, and are funded through contributions determined in accordance with this method. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan.

Pension expense is charged to salaries, employee benefits and outsourced services and includes:

- The cost of pension benefits provided in exchange for employees' services rendered during the period;
- Vested past service costs which are recognized immediately;
- Unvested past service costs which are amortized on a straight-line basis over the vesting period; and
- The interest cost of pension obligations less the expected return on pension fund assets. The Corporation uses the fair value of plan assets to evaluate plan assets for the purpose of calculating the expected return on plan assets.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service costs and as reduced by the fair value of plan assets.

The Corporation recognizes actuarial gains or losses in other comprehensive income in the period in which they arise.

M. FOREIGN CURRENCY TRANSLATION

FOREIGN CURRENCY TRANSACTIONS

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation for the consolidated financial statements.

Transactions in foreign currencies are translated to the respective functional currency of the Corporation's entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss, except for those arising on the translation of financial instruments designated as a hedge of a net investment in foreign operations, and financial instruments designated and effective as hedging items in a cash-flow hedge, which are recognized in other comprehensive income until the instruments are settled. Non-monetary items that are measured in terms of historical cost are translated at historical rates at the date of the transaction.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate prevailing at the end of the reporting period.

Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognized as foreign currency translation adjustment in other comprehensive income and accumulated in equity.

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency (Canadian dollars). Foreign currency differences arising on the translation of the long-term debt designated as a hedge of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation adjustment balance. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustment is transferred to profit or loss as part of the profit or loss on disposal.

N. FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT

All financial instruments, including derivatives, are included in the statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, non-derivative financial instruments are measured in accordance with their classification as described below:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents and trade and other receivables are classified as loans and receivables. They are measured at amortized cost using the effective interest method, less any impairment loss;
- Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss; and
- Trade and other payables and loans and borrowings are classified as other liabilities. They are measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred in respect of the Term Revolving Facilities, which are amortized over the term of the related financing on a straight-line basis.

Financial assets are derecognized only when the Corporation no longer holds the contractual rights to the cash flows of the asset or when the Corporation transfers substantially all the risks and rewards of ownership of the financial asset to another entity. Financial liabilities are derecognized only when the Corporation's obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS, INCLUDING HEDGE ACCOUNTING

The Corporation uses cross-currency swaps as derivative financial instruments to manage foreign exchange risk related to its foreign denominated long-term debt. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes.

Derivatives are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Net receipts or payments arising from derivative agreements are recognized as financial expense.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Cash flow hedge accounting

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in accumulated other comprehensive income and presented in unrealized gains or losses on cash flow hedges in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in accumulated other comprehensive income and presented in unrealized gains or losses on cash flow hedges in equity, remains there until the forecasted hedged item affects profit or loss. If the forecasted hedged item is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in profit or loss.

In other cases the amount recognized in accumulated other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

EMBEDDED DERIVATIVES

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. At November 30, 2011 and 2010, August 31, 2011 and September 1, 2010, there were no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated statements of financial position.

IMPAIRMENT OF FINANCIAL ASSETS

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter bankruptcy.

The Corporation considers evidence of impairment for receivables at both a specific asset and aggregate basis. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are assessed on an aggregate basis for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account presented in reduction of receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

O. CASH AND CASH EQUIVALENTS

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

P. EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share data for its multiple and subordinate voting shares. Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Corporation by the weighted average number of multiple and subordinate voting shares outstanding during the period, adjusted for subordinate voting shares held in trust under the ISU Plan. Diluted earnings per share is determined by adjusting the weighted average number of multiple and subordinate voting shares outstanding for the effects of all dilutive potential subordinate voting shares, which comprise stock options and ISUs granted to employees.

Q. SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transaction with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's Chief Operating Decision Maker ("CODM") to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are directly reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

R. ACCOUNTING JUDGEMENT AND USE OF ESTIMATES

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

Significant areas requiring the use of management judgements and estimates relate to the following items:

- Allowance for doubtful accounts is established based on specific credit risk of the Corporation's 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;
- Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at date of acquisition and involves considerable judgement in determining the fair values assigned to the property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts;
- Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the asset's expected useful lives and residual values. Management judgement is required to determine the components and the depreciation method used;
- Management judgement is used to determine the timing of expected cash outflows related to decommissioning provisions;
- The fair value of derivative financial instruments is estimated using valuation techniques based on several inputs such as interest rates and volatilities and foreign exchange rates;
- The defined benefit pension plans liability is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase and expected average remaining years of service of employees;

- The impairment of non-financial assets requires the use of management judgement to identify the existence of indicators of impairment and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable; and
- Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences. Judgment is also required in determining the tax basis of indefinite life intangible assets and the resulting tax rate used to measure deferred taxes.

Such judgments and estimates are based on the facts and information available to the management of the Corporation. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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 November 30, 2011 or year ended August 31, 2012, and have not been applied in preparing these condensed interim consolidated financial statements. The following standards may have a material impact on the consolidated financial statements of the Corporation:

	Effective for annual periods starting on or after	
IFRS 9 *Financial Instruments*	January 1, 2015	Early adoption permitted
IFRS 10 *Consolidated Financial Statements*	January 1, 2013	Early adoption permitted
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013	Early adoption permitted
IFRS 13 *Fair Value Measurement*	January 1, 2013	Early adoption permitted
Amendments to IAS 1 *Presentation of Financial Statements*	January 1, 2013	Early adoption permitted
Amendment to IAS 19 *Employee Benefits*	January 1, 2013	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. This is the first phase of that project.

IFRS 10 replaces the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. It provides a single model to be applied in the control analysis for all investees.

IFRS 12 establishes disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structures entities.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard clarifies the definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income ("OCI") that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss.

The amendments to IAS 19 requires the recognition of actuarial gains and losses immediately in other comprehensive income, full recognition of past service costs immediately in profit or loss, recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation and additional disclosures explaining the characteristics of the Corporation's defined benefit pension plans.

The Corporation is in the process of determining the extent of the impact of these standards on its consolidated financial statements.

4. OPERATING SEGMENTS

The Corporation's activities are divided into two operating segments: Cable and other. The Cable segment is comprised of Cable Television, HSI, Telephony, managed information technology and infrastructure and other telecommunications services, and the other segment is comprised of radio, head office activities as well as eliminations. The Cable segment's activities are carried out in Canada and in Europe.

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

	Cable		Other		Consolidated	
Three months ended November 30,	**2011**	2010	**2011**	2010	**2011**	2010
	$	$	**$**	$	**$**	$
Revenue	**356,939**	330,467	**30,599**	11,247	**387,538**	341,714
Salaries, employee benefits and outsourced services	**59,374**	51,675	**18,476**	6,637	**77,850**	58,312
Other external purchases	**153,852**	142,641	**10,827**	3,494	**164,679**	146,135
Management fees- COGECO Inc.	**7,142**	6,644	**(7,142)**	(6,644)	**–**	–
Depreciation and amortization	**66,112**	61,831	**795**	149	**66,907**	61,980
Operating income	**70,459**	67,676	**7,643**	7,611	**78,102**	75,287
Financial expense	**16,718**	16,657	**949**	205	**17,667**	16,862
Income taxes	**10,775**	16,429	**1,737**	2,188	**12,512**	18,617
Profit for the period	**42,966**	34,590	**4,957**	5,218	**47,923**	39,808
Total assets[(1)]	**2,671,900**	2,712,679	**168,409**	158,969	**2,840,309**	2,871,648
Property, plant and equipment[(1)]	**1,268,721**	1,254,217	**18,360**	18,034	**1,287,081**	1,272,251
Intangible assets[(1)]	**1,044,551**	1,045,601	**79,918**	79,918	**1,124,469**	1,125,519
Goodwill[(1)]	**208,993**	208,796	**17,580**	17,006	**226,573**	225,802
Acquisition of property, plant and equipment	**76,773**	63,252	**1,121**	98	**77,894**	63,350

(1) At November 30, 2011 and August 31, 2011.

The principal following tables set out certain geographic market information based on clients' locations:

	Three months ended November 30,	
	2011	2010
	$	$
Revenue		
Canada	**346,023**	298,451
Europe	**41,515**	43,263
	387,538	341,714

	November 30, 2011	August 31, 2011
	$	$
Property, plant and equipment		
Canada	**1,251,243**	1,237,657
Europe	**35,838**	34,594
	1,287,081	1,272,251
Intangible assets		
Canada	**1,124,469**	1,125,519
Europe	**–**	–
	1,124,469	1,125,519
Goodwill		
Canada	**226,573**	225,802
Europe	**–**	–
	226,573	225,802

5. DEPRECIATION AND AMORTIZATION

	Three months ended November 30, **2011**	2010
	$	$
Property, plant and equipment	**61,913**	58,101
Intangible assets	**4,994**	3,879
	66,907	61,980

6. FINANCIAL EXPENSE

	Three months ended November 30, **2011**	2010
	$	$
Interest on long-term debt	**14,894**	15,892
Net foreign exchange losses (gains)	**1,458**	(332)
Amortization of deferred transaction costs	**475**	489
Capitalized borrowing costs	**(372)**	(43)
Other	**1,212**	856
	17,667	16,862

7. INCOME TAXES

	Three months ended November 30, **2011**	2010
	$	$
Current	**21,491**	80,143
Deferred	**(8,979)**	(61,526)
	12,512	18,617

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 November 30,	
	2011	2010
	$	$
Profit before income taxes	**60,435**	58,425
Combined income tax rate	**27.03%**	28.91%
Income tax expense at combined income tax rate	**16,336**	16,891
Adjustment for losses or profit subject to lower or higher tax rates	**258**	(953)
Decrease in income taxes from changes in tax legislation on partnership income	**(3,450)**	–
Income taxes arising from non-deductible expenses	**56**	170
Effect of foreign income tax rate differences	**–**	2,461
Other	**(688)**	48
Income tax expense at effective income tax rate	**12,512**	18,617

8. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2011	2010
	$	$
Profit for the period attributable to owners	**18,770**	16,391
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,737,638**	16,728,184
Effect of dilutive stock options	**–**	10,970
Effect of dilutive incentive share units	**102,704**	74,014
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,840,342**	16,813,168
Earnings per share		
Basic	**1.12**	0.98
Diluted	**1.11**	0.97

9. LONG-TERM DEBT

	Maturity	Interest rate	November 30, 2011	August 31, 2011
		%	**$**	$
Parent Corporation				
Term Revolving Facility				
Revolving loans	February 2016[1]	3.30[2]	**30,963**	69,849
Unsecured Notes[3]	November 2021	6.50	**34,641**	–
Finance lease	November 2013	9.29	**47**	52
Subsidiaries				
Term Revolving Facility				
Revolving loans	November 2016[4]	3.50[2]	**130,000**	110,000
Senior Secured Notes				
Series A – US$190,000,000	October 2015	7.00[5]	**192,876**	185,049
Series B	October 2018	7.60	**54,655**	54,646
Senior Secured Debentures Series 1	June 2014	5.95	**298,186**	298,016
Senior Secured Debentures Series 2	November 2020	5.15	**198,435**	198,400
Senior Unsecured Debenture	March 2018	5.94	**99,833**	99,827
Finance leases	October 2013	6.73 – 9.93	**2,333**	2,939
Other	October 2011	–	**–**	3
			1,041,969	1,018,782
Less current portion			**1,790**	2,119
			1,040,179	1,016,663

(1) On November 30, 2011, the Corporation renewed its credit agreement for a $100 million credit facility in the form of a four-year Term Revolving Facility. The renewed Term Revolving Facility will mature on February 1, 2016, but may be extended by additional one-year periods on an annual basis, subject to lenders' approval. The 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, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Cable Inc., and guaranteed by its subsidiaries, excluding Cogeco Cable Inc.

(2) Interest rate on debt at November 30, 2011, including applicable margin.

(3) On November 7, 2011, the Corporation completed, pursuant to a private placement, the issue of 6.50 % Unsecured Notes for a total of $35 million maturing November 7, 2021. Interest on these Notes is payable semi-annually in arrears on November 7 and May 7 of each year commencing May 7, 2012. Net proceeds of approximately $35 million have been used to reduce COGECO Inc.'s bank indebtedness.

(4) On November 22, 2011, the Corporation's subsidiary, Cogeco Cable Inc., 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 led by Canadian Imperial Bank of Commerce and Bank of Montreal. 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 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 Cogeco Cable Inc. 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.

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

10. SHARE CAPITAL

Authorized

Unlimited number of:

Preferred shares of first and second rank, issuable in series and non-voting, except when specified in the Articles of Incorporation of the Corporation or in the Law.

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

Issued

	November 30, 2011	August 31, 2011
	$	$
1,842,860 multiple voting shares	**12**	12
14,989,338 subordinate voting shares	**121,976**	121,976
	121,988	121,988
112,921 subordinate voting shares held in trust under the Incentive Share Unit Plan (95,733 at August 31, 2011)	**(4,055)**	(2,670)
	117,933	119,318

During the first three months, subordinate voting shares held in trust under the ISU Plan transactions were as follows:

	Number of shares	**Amount**
		$
Balance at August 31, 2011	**95,733**	**2,670**
Subordinate voting shares acquired	**34,890**	**1,710**
Subordinate voting shares distributed to employees	**(17,702)**	**(325)**
Balance at November 30, 2011	**112,921**	**4,055**

Dividends

For the three-month period ended November 30, 2011, a dividend of $0.18 per share was paid to the holders of multiple and subordinate voting shares, totalling $3 million, compared to a dividend of $0.12 per share, or $2 million the year before.

Share-based payment plans

The Corporation and its subsidiary, Cogeco Cable Inc., offer for certain executives Stock Option Plans, which are described in the Corporation's annual consolidated financial statements. For the three-month periods ended November 30, 2011 and 2010, no stock options were granted to employees by COGECO Inc. Under the Stock Option Plan of the Corporation, no options were outstanding at November 30, 2011 and August 31, 2011. However, for the three-month period ended November 30, 2011, the Corporation's subsidiary, Cogeco Cable Inc., granted 87,400 stock options (66,700 in 2010) with an exercise price of $48.02 ($39.00 in 2010) of which 46,400 stock options (35,800 in 2010) were granted to the Corporation's employees. These options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years. During the three-month period ended November 30, 2011, Cogeco Cable Inc. charged COGECO Inc. an amount of $74,000 ($49,000 in 2010) with respect to the options granted to COGECO Inc.'s employees. As a result, a compensation expense of $162,000 ($167,000 in 2010) was recorded for the three-month period ended November 30, 2011.

The weighted average fair value of stock options granted by Cogeco Cable Inc. for the three-month period ended November 30, 2011 was $11.34 ($10.62 in 2010) 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:

	2011	2010
	%	%
Expected dividend yield	**1.65**	1.44
Expected volatility	**26.84**	29
Risk-free interest rate	**1.76**	2.25
Expected life in years	**6.1**	6.2

Under the Stock Option Plan, the following options were granted by Cogeco Cable Inc. and are outstanding at November 30, 2011:

	Options	**Weighted average exercise price**
Outstanding at August 31, 2011	**564,377**	**32.30**
Granted	**87,400**	**48.02**
Exercised[(1)]	**(43,852)**	**29.52**
Outstanding at November 30, 2011	**607,925**	**34.76**
Exercisable at November 30, 2011	**406,191**	**31.61**

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

The Corporation and its subsidiary, Cogeco Cable Inc., also offers senior executive and designated employee Incentive Share Unit Plans ("ISU Plans"), which are described in the Corporation's annual consolidated financial statements. For the three-month period ended November 30, 2011, 34,890 (36,085 in 2010) and 57,943 (58,088 in 2010) ISUs were granted by the Corporation and its subsidiary, respectively. The Corporation and its subsidiary establish the value of the compensation related to the ISUs granted based on the fair value of the subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years less one day. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation. The Corporation and its subsidiary instructed the trustees to purchase 34,890 (36,085 in 2010) and 57,821 (57,203 in 2010) subordinate voting shares on the stock market. These shares were purchased for cash consideration aggregating $1,710,000 ($1,282,000 in 2010) and $2,855,000 ($2,258,000 in 2010) and are held in trusts for the participants until they are fully vested. The trusts, considered as special purpose entities, are 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 Plans in reduction of share capital or non-controlling interest. A compensation expense of $667,000 ($403,000 in 2010) was recorded for the three-month period ended November 30, 2011 related to these plans. During the three-month period ended November 30, 2011, Cogeco Cable Inc. charged COGECO Inc. an amount of $76,000 ($39,000 in 2010) with respect to the ISUs granted to COGECO Inc.'s employees.

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at November 30, 2011:

Outstanding at August 31, 2011	**95,733**
Granted	**34,890**
Distributed	**(17,702)**
Forfeited	**(1,102)**
Outstanding at November 30, 2011	**111,819**

Under the ISU Plan of Cogeco Cable Inc, the following ISUs were granted and are outstanding at November 30, 2011:

Outstanding at August 31, 2011	**105,064**
Granted	**57,943**
Outstanding at November 30, 2011	**163,007**

The Corporation and its subsidiary, Cogeco Cable Inc., also offer Deferred Share Unit Plans ("DSU Plans") for members of the Board of directors which are described in the Corporation's annual consolidated financial statements. For the three-month periods ended November 30, 2011 and 2010, the Corporation did not issue any deferred share units ("DSUs") to the participants in connection with the DSU Plans. A compensation expense of $185,000 ($109,000 in 2010) was recorded for the three-month period ended November 30, 2011 for the liability related to these plans.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at November 30, 2011:

Outstanding at August 31, 2011	**22,415**
Dividend equivalents	**80**
Outstanding at November 30, 2011	**22,495**

Under the DSU Plan of Cogeco Cable Inc., the following DSUs were issued and are outstanding at November 30, 2011:

Outstanding at August 31, 2011	**15,608**
Dividend equivalents	**80**
Outstanding at November 30, 2011	**15,688**

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges	Foreign currency translation	Defined benefit pension plans	Total
	$	$	$	$
Balance at September 1, 2010	941	5,567	–	6,508
Other comprehensive income (loss)	581	(619)	1,251	1,213
Balance at November 30, 2010	1,522	4,948	1,251	7,721
Other comprehensive income (loss)	(874)	1,694	(5,533)	(4,713)
Balance at August 31, 2011	648	6,642	(4,282)	3,008
Other comprehensive loss	(313)	(88)	(1,335)	(1,736)
Balance at November 30, 2011	335	6,554	(5,617)	1,272

12. STATEMENTS OF CASH FLOWS

a) Changes in non-cash operating activities

	Three months ended November 30,	
	2011	2010
	$	$
Trade and other receivables	**(11,066)**	(5,112)
Prepaid expenses and other	**(829)**	3,293
Trade and other payables	**(67,725)**	(60,356)
Provisions	**4,604**	(649)
Deferred and prepaid revenue and other liabilities	**(325)**	62
	(75,341)	(62,762)

b) Cash and cash equivalents

	November 30, 2011	August 31, 2011
	$	$
Cash	**15,823**	50,995
Cash equivalents[(1)]	**4,112**	4,221
	19,935	55,216

(1) At November 30, 2011, term deposit of €3,000,000, bearing interest at 2%, maturing on December 27, 2011.

13. EMPLOYEE BENEFITS

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

	Three months ended November 30,	
	2011	2010
	$	$
Contributory defined benefit pension plans	**2,073**	915
Defined contribution pension plans and collective registered retirement savings plans	**1,386**	1,277
	3,459	2,192

14. FINANCIAL INSTRUMENTS

a) Financial risk management

Management's objectives are to protect COGECO Inc. and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, 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 November 30, 2011, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A".

Cash and cash equivalents consist mainly of highly liquid investments, such as term deposits. The 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. In the current global economic environment, particularly in Portugal, the Corporation's credit exposure is higher than usual but it is difficult to predict the impact this could have on the Corporation's account receivable balances. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. At November 30, 2011 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 and in Portugal, there is no significant concentration of credit risk. The following table provides further details on the Corporation's accounts receivable balances:

	November 30, 2011	August 31, 2011
	$	$
Trade accounts receivable	**109,772**	98,950
Allowance for doubtful accounts	**(9,472)**	(8,725)
	100,300	90,225
Other accounts receivable	**10,878**	10,072
	111,178	100,297

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

	November 30, 2011	August 31, 2011
	$	$
Net trade accounts receivable not past due	**63,042**	57,790
Net trade accounts receivable past due	**37,258**	32,435
	100,300	90,225

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At November 30, 2011, the available amount of the Corporation's Term Revolving Facilities was $659.7 million. Management believes that the committed Term Revolving Facilities will, until their maturities in February and 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 $
Bank indebtedness	31,688	31,688	–	–	–	–	–	31,688
Trade and other payables[1]	183,802	183,802	–	–	–	–	–	183,802
Provisions	20,162	20,162	–	–	–	–	–	20,162
Promissory note payable	5,000	5,000	–	–	–	–	–	5,000
Long-term debt[2]	1,039,589	–	–	300,000	–	224,857	520,000	1,044,857
Balance due on a business acquisition	11,400	–	11,400	–	–	–	–	11,400
Other liabilities	5,434	516	1,315	1,314	1,305	1,304	2,608	8,362
Derivatives financial instruments	7,364	–	–	–	–	8,018	–	8,018
Finance leases[3]	2,380	1,620	890	13	–	–	–	2,523
	1,306,819	242,788	13,605	301,327	1,305	234,179	522,608	1,315,812

(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 November 30, 2011 and their respective maturities:

	2012 $	2013 $	2014 $	2015 $	2016 $	Thereafter $	Total $
Interest payments on long-term debt	40,160	59,684	59,684	41,834	34,452	82,323	318,137
Interest payments on derivative financial instruments	7,307	14,614	14,614	14,614	7,307	–	58,456
Interest receipts on derivative financial instruments	(6,785)	(13,570)	(13,570)	(13,570)	(6,785)	–	(54,280)
	40,682	60,728	60,728	42,878	34,974	82,323	322,313

Interest rate risk

The Corporation is exposed to interest rate risks for both fixed interest rate and floating interest rate instruments. Fluctuations in interest rates will have an effect on the valuation and collection or repayment of these instruments. At November 30, 2011, all of the Corporation's long-term debt was at fixed rate, except for the Corporation's Term Revolving Facilities. The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to the Term Revolving Facility is approximately $1.6 million based on the current debt at November 30, 2011.

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's subsidiary, Cogeco Cable Inc., entered into cross-currency swap agreements to set the liability for interest and principal payments on its US$190 million Senior Secured Notes Series A issued on October 1, 2008. These agreements have the effect of converting the US interest coupon rate of 7.00% per annum to an average Canadian dollar interest rate of 7.24% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at $1.0625. The Corporation elected to apply cash flow hedge accounting on these derivative financial instruments.

The Corporation is also exposed to foreign exchange risk on cash and cash equivalents, bank indebtedness and trade and other payables denominated in US dollars or Euros. The Corporation's exposure to foreign currency risk is as follows:

	November 30, 2011		August 31, 2011	
	US	**Euro**	US	Euro
	$	**$**	$	$
Cash and cash equivalents	**821**	**514**	8,649	497
Trade and other payables	**16,432**	**–**	30,309	–
	17,253	**514**	38,958	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 $1.5 million.

Furthermore, the Corporation's net investment in a foreign operation is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the Euro. At November 30, 2011, the net investment amounted to €8.6 million (€6.1 million at August 31, 2011). The exchange rate used to convert the Euro currency into Canadian dollars for the statement of financial position accounts at November 30, 2011 was $1.3706 per Euro compared to $1.4071 per Euro at August 31, 2011. The impact of a 10% fluctuation in the exchange rate of the Euro into Canadian dollars would change other comprehensive income by approximately $1.2 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, trades and other payables, provisions, promissory note payable 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 Facilities are based on bankers' acceptance, LIBOR, EURIBOR, bank prime rate loan or US base rate loan plus applicable margin. Therefore, the carrying value approximates fair value for the Term Revolving Facilities, since the Term Revolving Facilities have conditions similar to those currently available to the Corporation.

c) The fair value of the Senior Secured Debentures Series 1 and 2, Senior Secured Notes Series A and B, Senior Unsecured Debenture and Unsecured Notes 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:

	November 30, 2011		August 31, 2011	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**1,041,969**	**1,124,283**	1,018,782	1,096,987

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, promissory note payable, long-term debt, balance due on a business acquisition and assets or liabilities related to derivative financial instruments.

The provisions of the Term Revolving Facilities 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 November 30, 2011 and 2010, August 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:

	November 30, 2011	August 31, 2011
Net senior indebtedness[(1)] / operating income before depreciation and amortization[(2)]	**1.7**	1.5
Net indebtedness[(3)] / operating income before depreciation and amortization[(2)]	**1.9**	1.7
Operating income before amortization[(2)] / financial expense[(2)]	**7.7**	7.7

(1) Net senior 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 and Unsecured Notes.

(2) Calculation based on operating income before depreciation and amortization and financial expense for the twelve-month periods ended November 30, 2011 and August 31, 2011.

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

15. ASSETS HELD FOR SALE

Pursuant to the acquisition of 11 radio stations in the province of Québec by Cogeco Diffusion Acquisitions Inc. ("Cogeco Diffusion"), and the decision by the Canadian Radio-Television and Telecommunications Commission ("CRTC") regarding the Corporation's transfer application, the Corporation put for sale two radio stations acquired in the transaction, CFEL-FM in the Québec City market and CJTS-FM in the Sherbrooke market. In addition to the two acquired radio stations above, and also as part of the CRTC's decision, the Corporation put for sale radio station CJEC-FM, which it owned prior to the acquisition, in the Québec City market. Radio stations for which divestiture has been required by the CRTC, and the sale process, are managed by a trustee approved by the CRTC pursuant to a voting trust agreement. Accordingly, the assets and liabilities of the three radio stations put for sale have been classified as assets held for sale as of February 1, 2011 in the Corporation's consolidated statement of financial position (see note 16).

The estimated fair value of assets and liabilities related to the three radio stations held for sale at November 30, 2011 and August 31, 2011, are as follows:

	November 30, 2011	August 31, 2011
	$	$
Trade and other receivables	**1,676**	1,360
Prepaid expenses	**5**	5
Property, plant and equipment	**1,752**	2,171
Broadcasting licences	**3,267**	3,267
Goodwill	**448**	448
Assets held for sale	**7,148**	7,251
Trade and other payables	**1,171**	1,456
Income tax liabilities	**415**	247
Deferred and prepaid revenue	**68**	44
Other liabilities	**19**	38
Deferred tax liabilities	**480**	480
Liabilities related to assets held for sale	**2,153**	2,265
Net assets held for sale	**4,995**	4,986
Financial statements presentation:		
Current assets held for sale	**7,148**	1,365
Non-current assets held for sale	**–**	5,886
Current liabilities related to assets held for sale	**(2,153)**	(1,747)
Non-current liabilities related to assets held for sale		(518)
Net assets held for sale	**4,995**	4,986

16. SUBSEQUENT EVENTS

Acquisition of Métromédia CMR Plus Inc.

On December 6, 2011, COGECO Inc. concluded an agreement to acquire Métromédia CMR Plus Inc. ("Métromédia"), subject to customary closing adjustments and conditions. Métromédia is a Québec corporation that operates an advertising rep house in the public transit sector. Métromédia represents over 100 public transit markets notably in Montréal, in other Québec regions as well as in major cities and numerous markets in the rest of Canada. The transaction was completed on December 26, 2011. The Corporation is currently in the process of determining the preliminary purchase price allocation.

Divestiture of the three radio stations to comply with the common ownership policy

On February 1, 2011, a subsidiary of the Corporation, Cogeco Diffusion, completed the acquisition of 11 radio stations in the province of Québec, which was originally announced on April 30, 2010 and then subject to the CRTC approval. When the CRTC approved the acquisition, there was an order to divest three radio stations in order to comply with the common ownership policy in the Québec City and Sherbrooke markets.

On November 30, 2011, Cogeco Diffusion concluded an agreement for the sale of two of its four Québec City FM radio stations, CJEC-FM and CFEL-FM, subject to CRTC approval and customary closing adjustments and conditions. On December 6, 2011, Cogeco Diffusion closed its Sherbrooke radio station, CJTS-FM. On January 19, 2012, the CRTC approved the sale of CJEC-FM and CFEL-FM which should be completed on January 30, 2012 and marked the end of the process established with the CRTC for the divestiture of the three radio stations.

17. TRANSITION TO IFRS

As mentioned in note 1, these are the first condensed interim consolidated financial statements prepared in accordance with IFRS.

The significant accounting policies set out in note 2 have been applied in preparing the condensed interim consolidated financial statements for the three months ended November 30, 2011, the comparative information presented in the three months ended November 30, 2010 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 financial statements:

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 capitalisation 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		74,560	–	–	74,560
Income taxes receivable		45,400	–	–	45,400
Prepaid expenses and other		14,189	–	–	14,189
Deferred tax assets		6,133	–	(6,133)	–
		176,124	–	(6,133)	169,991
Non-current					
Investments		739	–	(739)	–
Property, plant and equipment	3	1,328,866	(5,705)	–	1,323,161
Deferred charges		27,960	–	(27,960)	–
Other assets		–	–	7,886	7,886
Intangible assets	1,4	1,042,998	(16,867)	20,813	1,046,944
Goodwill		144,695	–	–	144,695
Derivative financial instruments		5,085	–	–	5,085
Deferred tax assets	5	18,189	3,670	6,133	27,992
		2,744,656	(18,902)	–	2,725,754
Liabilities and Shareholders' equity					
Liabilities					
Current					
Bank indebtedness		2,328	–	–	2,328
Trade and other payables		248,775	–	(12,945)	235,830
Provisions		–	–	12,945	12,945
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		2,329	–	–	2,329
Deferred tax liabilities		78,267	–	(78,267)	–
		379,048	–	(78,267)	300,781
Non-current					
Long-term debt		952,741	–	–	952,741
Deferred and prepaid revenue and other liabilities		12,234	–	–	12,234
Pension plan liabilities and accrued employees benefits	5	10,568	13,767	–	24,335
Deferred tax liabilities	1,3,4,7	238,699	(2,167)	78,267	314,799
		1,593,290	11,600	–	1,604,890
Shareholders' equity					
Equity attributable to owners					
Share capital		119,527	–	–	119,527
Contributed surplus	2	3,005	447	–	3,452
Accumulated other comprehensive income		5,934	574	–	6,508
Retained earnings	1,2,3,4,5,7	253,169	(12,670)	–	240,499
		381,635	(11,649)	–	369,986
Non-controlling interest	1,2,3,4,5,7	769,731	(18,853)	–	750,878
		1,151,366	(30,502)	–	1,120,864
		2,744,656	(18,902)	–	2,725,754

Reconciliation of statement of financial position at November 30, 2010:

	Notes	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Assets					
Current					
Cash and cash equivalents		197,653	–	–	197,653
Trade and other receivables		79,534	–	–	79,534
Income taxes receivable		43,362	–	–	43,362
Prepaid expenses and other		10,869	–	–	10,869
Deferred tax assets		4,799	–	(4,799)	–
		336,217	–	(4,799)	331,418
Non-current					
Investments		739	–	(739)	–
Property, plant and equipment	3,6	1,329,837	(4,503)	–	1,325,334
Deferred charges		28,277	–	(28,277)	–
Other assets		–	–	7,651	7,651
Intangible assets	1,4	1,041,805	(16,867)	21,365	1,046,303
Goodwill		144,297	–	–	144,297
Deferred tax assets	5	9,562	3,146	4,799	17,507
		2,890,734	(18,224)	–	2,872,510
Liabilities and Shareholders' equity					
Liabilities					
Current					
Bank indebtedness		740	–	–	740
Trade and other payables		182,671	–	(12,296)	170,375
Provisions		–	–	12,296	12,296
Income tax liabilities		80,767	–	–	80,767
Deferred and prepaid revenue		45,361	–	–	45,361
Derivative financial instrument		674	–	–	674
Current portion of long-term debt		177,339	–	–	177,339
Deferred tax liabilities		15,257	–	(15,257)	–
		502,809	–	(15,257)	487,552
Non-current					
Long-term debt		953,206	–	–	953,206
Derivative financial instruments		1,263	–	–	1,263
Deferred and prepaid revenue and other liabilities		12,532	–	–	12,532
Pension plan liabilities and accrued employees benefits	5	11,417	11,818	–	23,235
Deferred tax liabilities	1,3,4,6,7	229,787	(1,857)	15,257	243,187
		1,711,014	9,961	–	1,720,975
Shareholders' equity					
Equity attributable to owners					
Share capital		118,703	–	–	118,703
Contributed surplus	2	2,784	454	–	3,238
Accumulated other comprehensive income		5,896	1,825	–	7,721
Retained earnings	1,2,3,4,5,6,7	267,182	(12,249)	–	254,933
		394,565	(9,970)	–	384,595
Non-controlling interest	1,2,3,4,5,6,7	785,155	(18,215)	–	766,940
		1,179,720	(28,185)	–	1,151,535
		2,890,734	(18,224)	–	2,872,510

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

	Notes	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Assets					
Current					
Cash and cash equivalents		55,216	–	–	55,216
Trade and other receivables		100,297	–	–	100,297
Income taxes receivable		38,480	–	–	38,480
Prepaid expenses and other		14,020	–	–	14,020
Deferred tax assets		5,350	–	(5,350)	–
Assets held for sale		1,365	–	–	1,365
		214,728	–	(5,350)	209,378
Non-current					
Investments		539	–	(539)	–
Property, plant and equipment	3,6	1,272,610	(359)	–	1,272,251
Deferred charges		26,847	–	(26,847)	–
Other assets		–	–	6,422	6,422
Intangible assets	1,4	1,121,422	(16,867)	20,964	1,125,519
Goodwill	1	239,664	(13,862)	–	225,802
Deferred tax assets	5	15,558	5,482	5,350	26,390
Assets held for sale		5,886	–	–	5,886
		2,897,254	(25,606)	–	2,871,648
Liabilities and Shareholders' equity					
Liabilities					
Current					
Trade and other payables		285,804	–	(15,558)	270,246
Provisions		–	–	15,558	15,558
Income tax liabilities		59,935	–	–	59,935
Deferred and prepaid revenue		43,520	–	–	43,520
Promissory note payable		5,000	–	–	5,000
Current portion of long-term debt		2,119	–	–	2,119
Deferred tax liabilities		85,201	–	(85,201)	–
Liabilities related to assets held for sale		1,747	–	–	1,747
		483,326	–	(85,201)	398,125
Non-current					
Long-term debt		1,016,663	–	–	1,016,663
Balance due on a business acquisition		11,400	–	–	11,400
Derivative financial instruments		14,408	–	–	14,408
Deferred and prepaid revenue and other liabilities		19,390	–	–	19,390
Pension plan liabilities and accrued employees benefits	5	13,215	20,503	–	33,718
Deferred tax liabilities	1,3,4,6,7	252,958	(4,413)	85,201	333,746
Liabilities related to assets held for sale		518	–	–	518
		1,811,878	16,090	–	1,827,968
Shareholders' equity					
Equity attributable to owners					
Share capital		119,318	–	–	119,318
Contributed surplus	2	3,488	424	–	3,912
Accumulated other comprehensive income	5	6,716	(3,708)	–	3,008
Retained earnings	1,2,3,4,5,6,7	235,879	(19,592)	–	216,287
		365,401	(22,876)	–	342,525
Non-controlling interest	1,2,3,4,5,6,7	719,975	(18,820)	–	701,155
		1,085,376	(41,696)	–	1,043,680
		2,897,254	(25,606)	–	2,871,648

Reconciliation of profit or loss for the three months ended November 30, 2010:

	Notes	Canadian GAAP	IFRS adjustments	IFRS
Revenue		342,766	(1,052)	341,714
Salaries, employee benefits and outsourced services[1]		58,312	–	58,312
Other external purchases[1]	2,5	147,423	(1,288)	146,135
Depreciation and amortization	3	63,139	(1,159)	61,980
Operating income		73,892	1,395	75,287
Financial expense	6	16,905	(43)	16,862
Profit before income taxes		56,987	1,438	58,425
Income taxes	5,6	18,244	373	18,617
Gains on dilution resulting from issuance of shares by a subsidiary		(5)	5	–
Non-controlling interest		22,773	(22,773)	–
Profit for the period		15,975	23,833	39,808
Profit for the period attributable to:				
Owners of the Corporation		15,975	416	16,391
Non-controlling interest		–	23,417	23,417
		15,975	23,833	39,808
Earnings per share				
Basic		0.95	0.02	0.98
Diluted		0.95	0.02	0.97

(1) Previously reported as operating costs under previous Canadian GAAP.

Reconciliation of comprehensive income for the three months ended November 30, 2010:

	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Profit for the period	15,975	23,833	–	39,808
Other comprehensive loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	(1,571)	(3,296)	(966)	(5,833)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	2,152	4,512	917	7,581
Income tax recovery on cash flow hedging adjustments	–	–	49	49
	581	1,216	–	1,797
Foreign currency translation adjustments				
Net foreign currency translation differences on translation of a net investment in foreign operations	(1,015)	(2,128)	–	(3,143)
Net change in unrealized gains on translation of long-term debts designated as hedges of a net investment in foreign operations	396	831	–	1,227
	(619)	(1,297)	–	(1,916)
Defined benefit plans actuarial gains adjustments				
Net change in defined benefit plans actuarial gains	–	1,712	–	1,712
Income tax expense on defined benefit plans actuarial gains adjustments	–	(461)	–	(461)
	–	1,251	–	1,251
Other comprehensive income (loss) for the period	(38)	1,170	–	1,132
Comprehensive income for the period	15,937	25,003	–	40,940
Comprehensive income for the period attributable to:				
Owners of the Corporation	15,937	1,667	–	17,604
Non-controlling interest	–	23,336	–	23,336
	15,937	25,003	–	40,940

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

(In thousands of dollars, except per share data)	Notes	Canadian GAAP	IFRS adjustments	IFRS
Revenue		1,443,769	(4,206)	1,439,563
Salaries, employee benefits and outsourced services[(1)]		271,079	–	271,079
Integration, restructuring and acquisition costs	1	–	12,332	12,332
Other external purchases[(1)]	2,5	593,100	(5,226)	587,874
Depreciation and amortization	3	249,012	(4,805)	244,207
Operating income		330,578	(6,507)	324,071
Financial expense	6	74,080	(541)	73,539
Impairment of goodwill and property, plant and equipment		225,873	–	225,873
Profit before income taxes		30,625	(5,966)	24,659
Income taxes	1,5,6	71,992	(461)	71,531
Gains on dilution resulting from issuance of shares by subsidiary		(60)	60	–
Non-controlling interest		(32,328)	32,328	–
Loss for the year		(8,979)	(37,893)	(46,872)
Loss for the year attributable to:				
Owners of the Corporation		(8,979)	(6,982)	(15,961)
Non-controlling interest		–	(30,911)	(30,911)
		(8,979)	(37,893)	(46,872)
Loss per share				
Basic		(0.54)	(0.42)	(0.95)
Diluted		(0.54)	(0.42)	(0.95)

(1) Previously reported as operating costs under previous Canadian GAAP.

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

	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS
Loss for the year	(8,979)	(37,893)	–	(46,872)
Other comprehensive income (loss)				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	(4,943)	(10,410)	(2,953)	(18,306)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	4,650	9,775	2,124	16,549
Income tax recovery on cash flow hedging adjustments	–	–	829	829
	(293)	(635)	–	(928)
Foreign currency translation adjustments				
Net foreign currency translation differences on translation of a net investment in foreign operations	2,330	4,918	–	7,248
Net change in unrealized losses on translation of long-term debts designated as hedges of a net investment in foreign operations	(1,255)	(2,648)	–	(3,903)
	1,075	2,270	–	3,345
Defined benefit plans actuarial losses adjustments				
Net change in defined benefit plans actuarial losses	–	(7,684)	–	(7,684)
Income tax recovery on defined benefit plans actuarial losses adjustments	–	2,067	–	2,067
	–	(5,617)	–	(5,617)
Other comprehensive income (loss) for the year	782	(3,982)	–	(3,200)
Comprehensive loss for the year	(8,197)	(41,875)	–	(50,072)
Comprehensive loss for the year attributable to:				
Owners of the Corporation	(8,197)	(11,264)	–	(19,461)
Non-controlling interest	–	(30,611)	–	(30,611)
	(8,197)	(41,875)	–	(50,072)

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	November 30, 2010	September 1, 2010
Goodwill	(10,237)	–	–
Retained earnings	(8,752)	–	–
Non-controlling interest	(1,485)	–	–

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011	November 30, 2010
Integration, restructuring and acquisition costs	12,332	–
Deferred tax expense	(2,095)	–
Profit or loss for the period	(10,237)	–

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 dates 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	November 30, 2010	September 1, 2010
Intangible assets	(74,823)	(74,823)	(74,823)
Deferred tax liabilities	(63,096)	(63,096)	(63,096)
Retained earnings	(3,922)	(3,922)	(3,922)
Non-controlling interest	(7,805)	(7,805)	(7,805)

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	November 30, 2010	September 1, 2010
Contributed surplus – share-based compensation	424	454	447
Retained earnings	(742)	(743)	(736)
Non-controlling interest	318	289	289

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011	November 30, 2010
Salaries, employee benefits and outsource services	(72)	1
Profit or loss for the period	72	(1)

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	November 30, 2010	September 1, 2010
Property, plant and equipment	(900)	(4,546)	(5,705)
Deferred tax liabilities	(229)	(1,171)	(1,470)
Retained earnings	(217)	(1,089)	(1,368)
Non-controlling interest	(454)	(2,286)	(2,867)

Consolidated statements of profit or loss

Increase (decrease)	August 31, 2011	November 30, 2010
Depreciation and amortization	(4,805)	(1,159)
Deferred tax expense	1,241	299
Profit or loss for the period	3,564	860

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 thechange is as follows:

Consolidated statements of financial position

Increase (decrease)	August 31, 2011	November 30, 2010	September 1, 2010
Intangible assets	57,956	57,956	57,956
Deferred tax liabilities	8,844	8,844	8,844
Retained earnings	19,846	19,846	19,846
Non-controlling interest	29,266	29,266	29,266

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 quarter ended November 30, 2010 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	November 30, 2010	September 1, 2010
Deferred tax assets	5,482	3,146	3,670
Pension plan liabilities and accrued employee benefits	20,503	11,818	13,767
Accumulated other comprehensive income	(4,282)	1,251	–
Retained earnings	(7,324)	(7,740)	(7,879)
Non-controlling interest	(3,415)	(2,183)	(2,218)

Consolidated statements of profit or loss Increase (decrease)	August 31, 2011	November 30, 2010
Salaries, employee benefits and outsourced services	(948)	(237)
Deferred tax expense	255	63
Profit or loss for the period	693	174

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 capitalisation 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	November 30, 2010	September 1, 2010
Property, plant and equipment	541	43	–
Deferred tax liabilities	138	11	–
Retained earnings	130	10	–
Non-controlling interest	273	22	–

Consolidated statements of profit or loss Increase (decrease)	August 31, 2011	November 30, 2010
Financial expense	(541)	(43)
Deferred tax expense	138	11
Profit or loss for the period	403	32

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	November 30, 2010	September 1, 2010
Goodwill	(3,625)	–	–
Deferred tax liabilities	49,930	53,555	53,555
Retained earnings	(18,037)	(18,037)	(18,037)
Non-controlling interest	(35,518)	(35,518)	(35,518)

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.

8. ADDITIONAL ANNUAL DISCLOSURE UNDER IFRS

As these interim consolidated financial statements are the first financial statements prepared using IFRS, certain additional annual disclosures required under IFRS have been provided below for the year ended August 31, 2011, having taken into consideration the adjustments made from Canadian GAAP to reconcile with IFRS as discussed above. Certain disclosures normally included in a set of annual financial statements have been intentionally omitted or condensed as the Corporation does not consider such information material to the understanding of the impact of IFRS on the consolidated financial statements.

i) GOODWILL AND OTHER INTANGIBLE ASSETS

	August 31, 2011	September 1, 2010
Intangible assets with finite useful lives		
Reconnect and additional service activation costs	20,964	20,813
Customer relationships	57,637	28,106
Intangible assets with indefinite useful lives		
Cable Distribution Licences	967,000	967,000
Broadcasting Licences	79,918	31,025
	1,125,519	1,046,944
Goodwill	225,802	144,695
	1,351,321	1,191,639

At September 1, 2010 and August 31, 2011, the Corporation tested the value of goodwill and intangible assets with indefinite useful lives for impairment. The recoverable amount of each CGU is based on value in use calculations. The value in use was determined using cash flow projections derived from financial budgets covering a five year period submitted to the Board of directors. They reflect management's expectation of revenue growth, expenses and margin for each CGU based on past experience. Cash flows beyond the five year period have been extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profile of the individual CGUs. The recoverable amount of each CGU was determined to be higher than its carrying amount and no impairment loss has been recognized at the transition date and at August 31, 2011.

ii) OTHER ASSETS

	August 31, 2011	September 1, 2010
Transaction costs	5,258	6,701
Other	1,164	1,185
	6,422	7,886

iii) PROVISIONS

	August 31, 2011	September 1, 2010
Withholding and stamp taxes	7,383	7,494
Programming costs	7,428	1,671
Other	747	3,780
	15,558	12,945

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 Cogeco Cable Inc.

The provisions for programming costs include provision for 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, renewal of the collective bargaining agreement and other legal obligations.

iv) DEFERRED TAXES

	August 31, 2011	September 1, 2010
Property, plant and equipment	(88,515)	(86,218)
Intangible assets	(154,519)	(138,824)
Deferred and prepaid revenue	5,682	5,659
Share issuance costs	–	858
Partnerships income	(86,801)	(78,258)
Non-capital loss and other tax credit carryforwards, net of valuation allowance	4,848	2,833
Other	11,949	7,143
Net deferred tax liabilities	(307,356)	(286,807)
Financial statement presentation		
Deferred tax assets	26,390	27,992
Deferred tax liabilities	(333,746)	(314,799)
Net deferred tax liabilities	(307,356)	(286,807)

v) EMPLOYEE BENEFITS

The following table presents a reconciliation of the net defined benefit liability recognized in the consolidated statement of financial position at the transition date and August 31, 2011:

	August 31, 2011	September 1, 2010
Defined benefit obligations	54,463	44,276
Plan assets at fair value	22,951	21,729
Net defined benefit liability	31,512	22,547

The following table presents a reconciliation of the net benefit cost components recognized in the consolidated statement of profit or loss at August 31, 2011:

	September 1, 2010
Net benefit costs	
Current service cost	2,019
Past service cost	99
Interest cost	2,533
Expected return on plan assets	(1,292)
Net benefit costs	3,359

Cable Sector Customer Statistics
(unaudited)

	November 30, 2011	August 31, 2011
Primary service units[1]		
Canada	1,943,648	1,897,469
Portugal	666,035	667,085
Total	2,609,683	2,564,554
Digital Television service customers		
Canada	727,219	678,326
Portugal	159,642	164,580
Total	886,861	842,906
Analog Television service customers		
Canada	155,218	199,659
Portugal	95,140	91,197
Total	250,358	290,856
Total Television service customers		
Canada	882,437	877,985
Portugal	254,782	255,777
Total	1,137,219	1,133,762
High Speed Internet service customers		
Canada	618,499	601,214
Portugal	162,224	162,436
Total	780,723	763,650
Telephony service customers		
Canada	442,712	418,270
Portugal	249,029	248,872
Total	691,741	667,142

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