



Press release
For immediate release

**COGECO'S FOURTH QUARTER AND FISCAL YEAR 2007 BENEFIT FROM THE CABLE
SECTOR'S PERFORMANCE**

Montréal, October 29, 2007 – Today, COGECO Inc. (TSX: CGO) announced its financial results for the fourth quarter and fiscal year 2007 ended August 31, 2007.

During the fourth quarter and fiscal 2007:

- Consolidated revenue grew by 35.1% to \$269.3 million and by 43.4% to \$1,071.1 million respectively;
- Consolidated operating income before amortization rose by 43% to \$98.2 million and by 44.5% reaching \$365.7 million (above July 2007 guidelines);
- Consolidated net income rose by \$20.1 million reaching \$30.4 million and free cash flow grew by \$7.8 million to \$4.2 million. For fiscal 2007, consolidated net income grew by more than three times reaching \$74.7 million and free cash flow stood at \$19.4 million (above July 2007 guidelines).

Cable sector

- Strong subscriber growth continued with 49,576 net additions of revenue-generating units (RGUs), for a total of 300,688 in fiscal 2007 (above July 2007 guidelines);
- The second public offering in fiscal 2007 of 3,000,000 subordinate voting shares resulted in a gross proceed of \$153,450,000;
- A new Canadian operational structure was put in place to foster increased synergy throughout Canada.

Media sector

Radio

- 93³ radio station in Québec City announced the arrival of new hosts, Gilles Parent and Martin Pouliot;
- The RYTHME FM network continues to lead in the Montreal market, with a strong fall programming line-up;
- COGECO and Corus Entertainment Inc. joined forces to create a new company, called Groupe Force Radio that will combine the two media companies' national radio sales teams. This new company will represent a total of 30 radio stations in Québec.

Television

- On September 20, 2007, the Société Radio-Canada (SRC), the Canadian Broadcasting Corporation (CBC) public French broadcaster, notified TQS that the SRC affiliation in effect for three TQS “twinstick” local stations in Saguenay, Sherbrooke and Trois-Rivières will end on March 31, 2009.
- Cogeco Radio-Television Inc. (CRTI) and CTV Television Inc. (CTV) the two indirect shareholders of TQS, have retained CIBC World Markets to assist in assessing the strategic options available to them in connection with TQS.

“COGECO’s fourth quarter is very positive. In the cable sector, we are well positioned to continue to address the needs of our various customer segments. During the year, the financial markets have recognized the relevance of our acquisition strategy outside Canada and our stock price has grown from \$23 to \$38 between August 2006 and 2007. The new structure we implemented in Canada will enable our Canadian operations to develop increased synergy and will impact favorably the way in which we deliver our services. We are looking forward to achieving a strong fiscal 2008 in this sector. In the media sector, we will strive to attract more audience for our radio stations and assess promptly the strategic options available for our television stations,” said Louis Audet, President and CEO of COGECO.

FINANCIAL HIGHLIGHTS

	Quarters ended August 31, (unaudited)			Years ended August 31, (audited)		
	2007	2006	% Change	2007	2006	% Change
Revenue	\$ 269,326	\$ 199,351	35.1	\$ 1,071,102	\$ 746,906	43.4
Operating income before amortization	98,180	68,645	43.0	365,711	253,114	44.5
Net Income	30,384	10,300	-	74,740	23,101	-
Cash flow from operations ⁽¹⁾	75,035	51,729	45.1	276,618	192,308	43.8
Less:						
Capital expenditures and increase in deferred charges	70,793	55,309	28.0	257,171	168,131	53.0
Free cash flow ⁽¹⁾	4,242	(3,580)	-	19,447	24,177	
Per share data						
Basic net income	\$ 1.82	\$ 0.62	-	\$ 4.50	\$ 1.40	-

⁽¹⁾ Cash flow from operations and free cash flow do not have standard definitions prescribed by Canadian generally accepted accounting principles (GAAP) and should be treated accordingly. For more details, please consult the “non-GAAP financial measures” section.

FORWARD-LOOKING STATEMENT

Certain statements in this press release may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events, our business, our operations, our financial performance, our financial condition or our 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 our future operating results and economic performance and our 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 we believe are reasonable as of the current date. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in the section "Uncertainties and main risk factors" of the Company's 2006 annual Management's Discussion and Analysis (MD&A) that could cause actual results to differ materially from what we currently expect. 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 our control. Therefore, future events and results may vary significantly from what we currently foresee. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation (and expressly disclaim any such obligation) and do not undertake to update or alter this information before next quarter.

This analysis should be read in conjunction with the Company's financial statements, and the notes thereto, prepared in accordance with Canadian GAAP and the MD&A included in the Company's 2006 Annual Report. Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CORPORATE STRATEGIES AND OBJECTIVES

COGECO's objectives are to maximize shareholder value by increasing profitability and by ensuring continued growth. The strategies for reaching those objectives are, for the cable sector, sustained corporate growth through the diversification and improvement of products and services as well as clientele and territories, effective management of capital and tight cost control. The media sector focusses on continuous improvement of its programming to increase its market share, and therefore, its profitability. The Company measures its performance with regard to these objectives with growth of operating income before amortization, free cash flow¹ and RGU² growth for the cable sector. Below are the recent achievements of the cable and media sectors in furtherance of COGECO's objectives.

Tight control over costs and business processes

- During the fourth quarter and fiscal 2007, the Company's operating costs increased by 30.9% and 42.9%, respectively, over the same periods last year, essentially in line with revenue growth;
- The design of internal controls over financial reporting as per National Instrument 52-109 is well underway. As discussed in the 2006 annual MD&A, the Company had identified certain material weaknesses in the design of internal controls over financial reporting and there have been improvements in the design of internal controls on some significant processes during the year. The documentation and remediation of internal controls weaknesses are progressing normally.

¹ See the "non-GAAP financial measures" section for explanations.

² See the "Customer statistics" section of the cable sector section for detailed explanations.

Cable sector

Continuous improvement of the service offering and expansion of the customer base

Canadian operations

- Digital Television services:
 - On June 5, addition of six high definition (HD) channels in its HD line-up in Québec;
 - On July 17, addition of WGN HD to its HD line-up in Ontario;
 - On September 4, addition of Setanta International Sports Pak to its digital line-up in Ontario;
 - On September 25, addition of MTV to its digital line-up in Québec;
 - On October 3, addition of RDS HD to its HD line-up in Québec;
 - On October 11, addition of Leafs TV HD to its HD line-up in Ontario.
- Telephony service:
 - New International calling service with Gold Line as supplier of choice.

Portuguese operations

- Cabovisão - Televisão por Cabo, S.A. (Cabovisão) launched its Digital Television service in July 2007;
- Growth of Basic Cable service by 4,756 customers.

Continuous improvement of networks and equipment

- During fiscal 2007, Cogeco Cable has invested approximately \$102 million in its infrastructure including head-ends and upgrade/rebuild.

Effective management of capital

- On August 9, Cogeco Cable announced the completion of a 3,000,000 subordinate voting shares issue. The net proceed of \$146.9 million was used to reduce long-term indebtedness.

Media sector

- During the fourth quarter, TQS has continued its programming investment in order to recapture market share. The financial situation of TQS remains however difficult and CRTI and CTV, the two indirect shareholders of TQS, have retained the services of CIBC World Markets to assist them in assessing the strategic options available to them in connection with TQS.
- With the announcement of the last BBM survey, RYTHME FM was confirmed in top position in the Montreal and Trois-Rivières markets and is gaining market share in its Québec and Sherbrooke stations. The 93³ continues to gain new listeners in a particularly competitive market.

RGU growth

During fiscal 2007, the consolidated number of RGUs, in the cable sector, increased by 13.8% to reach almost 2.5 million units. In the third quarter of fiscal 2007, Cogeco Cable revised its guidelines and anticipated RGU growth of 13% to 14% for all of fiscal 2007. With better-than-anticipated High Speed Internet (HSI), Basic Cable and Telephony customer growth, Cogeco Cable reached the upper end of its most recent 2007 guidelines.

Revenue and operating income before amortization growth

During the fourth quarter and fiscal 2007, consolidated revenue increased respectively by 35.1% to reach \$269.3 million, and by 43.4% to reach \$1,071.1 million. For the same periods, operating income before amortization grew by \$29.5 million, or 43%, to reach \$98.2 million and by \$112.6 million, or 44.5%, to reach \$365.7 million. These increases are mainly due to stronger RGU growth and the consolidation of the financial results of Cabovisão acquired on August 1, 2006 in the cable sector.

Free cash flow

In the fourth quarter of fiscal 2007, COGECO generated free cash flow of \$4.2 million, compared to a negative cash flow of \$3.6 million for the same period last year, as a result of the increase in operating income before amortization in the cable sector. For fiscal 2007, the Company generated a free cash flow of \$19.4 million compared to \$24.2 million for the same period the year before, mainly due to higher capital expenditures in order to sustain RGU growth in the cable sector. Capital expenditures and deferred charges amounted to \$70.8 million and \$257.2 million for the fourth quarter and fiscal 2007.

OPERATING RESULTS – CONSOLIDATED OVERVIEW

(\$000s, except percentages)	Quarters ended August 31, (unaudited)			Years ended August 31, (audited)		
	2007	2006	% Change	2007	2006	% Change
Revenue	\$ 269,326	\$ 199,351	35.1	\$ 1,071,102	\$ 746,906	43.4
Operating costs	171,146	130,706	30.9	705,391	493,792	42.9
Operating income before amortization	98,180	68,645	43.0	365,711	253,114	44.5
Operating margin	36.5 %	34.4 %		34.1 %	33.9 %	

Revenue

For the fourth quarter 2007, revenue rose by \$70 million, or 35.1%, to reach \$269.3 million and, for fiscal 2007, by \$324.2 million, or 43.4%, to reach \$1,071.1 million. Cable revenue, driven by a strong RGU growth, together with rate increases and the consolidation of the financial results of Cabovisão, went up by \$69.4 million, or 39.7%, and \$318.9 million, or 51.4%, respectively, in the fourth quarter and fiscal 2007. Media revenue increased by \$0.5 million, or 2.2%, in the fourth quarter and by \$5.3 million, or 4.2% in fiscal 2007, essentially due to higher radio advertising revenue.

Operating income before amortization

Operating income before amortization grew by \$29.5 million, or 43%, to reach \$98.2 million in the fourth quarter of fiscal 2007 and by \$112.6 million, or 44.5%, to reach \$365.7 million in fiscal 2007 compared to the corresponding periods of last year. The cable sector contributed to the growth by \$29.6 million and \$117.8 million during the fourth quarter and fiscal 2007 respectively, and the media sector contributed \$1.2 million in the fourth quarter and \$0.9 million for fiscal 2007. The increase in operating income before amortization for the fourth quarter and fiscal 2007 were partly offset by head office costs related to the termination of the Performance Unit Plan.

FIXED CHARGES

(\$000s, except percentages)	Quarters ended August 31, (unaudited)			Years ended August 31, (audited)		
	2007	2006	% Change	2007	2006	% Change
Amortization	\$ 56,018	\$ 36,446	53.7	\$ 195,804	\$ 127,204	53.9
Financial expense	19,190	16,864	13.8	86,981	59,176	47.0

For the fourth quarter and fiscal 2007, amortization amounted to \$56 million and \$195.8 million compared to \$36.4 million and \$127.2 million for the same periods the year before. In the cable sector, the rise in amortization expense is due to several factors: the consolidation of the financial results of the Portuguese operations in fiscal 2007 while it was only applicable for one month in 2006, the amortization resulting from the completion of the purchase price allocation of the Cabovisão acquisition including the valuation of tangible assets and intangible assets, as well as the increased capital expenditures arising from the required customer premise equipment to sustain RGU growth, scalable infrastructure, upgrade/rebuild, support capital and deferred charges for the Canadian operations.

During the fourth quarter and fiscal 2007, financial expense increased by \$2.3 million and \$27.8 million, respectively, compared to the same periods in fiscal 2006. This is due to the higher level of Indebtedness (defined as bank indebtedness and long-term debt) required to finance the acquisition of the Portuguese subsidiary, Cabovisão.

INCOME TAXES

For the fourth quarter of fiscal 2007, income tax recoveries amounted to \$0.4 million compared to a recovery of \$14 million in fiscal 2006. The recovery was lower mainly as a result of non-cash net adjustments of \$7.3 million in fiscal 2007 compared to a non-cash adjustment of \$19.8 million in fiscal 2006. The 2007 fourth quarter net adjustments amounting to \$7.3 million resulted from an adjustment of \$14.3 million in the cable sector, partly offset by an adjustment of \$7 million in the media sector. Excluding income tax adjustments, income taxes would have increased from \$5.9 million to \$6.9 million due to higher operating income before amortization outpacing the increase of fixed charges.

For fiscal 2007, income tax amounted to \$18.4 million compared to \$6.8 million last year. This increase was mainly due to the operating income before amortization growing faster than the rise in fixed charges for the Canadian operations in the cable sector, and, in the media sector, by the increase of \$9.2 million in the valuation allowance with respect to future income tax assets since management considers that the conditions to recognize these future income tax assets are no longer met. The increase in income taxes for fiscal 2007 was partly offset by the elimination of Canadian federal capital tax on January 1, 2006 and by non-cash adjustments of \$15.7 million related to the recognition of benefits from prior years' income tax losses and minimum income tax paid and a reduction of Canadian federal enacted income tax rate effective in January 2011. For fiscal 2006, a non-cash adjustment of \$19.8 million was also recorded to reduce future income taxes due to the announcement, by the Canadian federal government, to reduce the corporate income tax rate progressively from 21% to 19% effective in January 2010 and to eliminate the corporate surtax of 1.12% on January 1, 2008. Excluding these adjustments, income taxes would have amounted to \$24.9 million, for fiscal 2007 compared to \$26.6 million for the same period in fiscal 2006.

NON-CONTROLLING INTEREST

The non-controlling interest represents an interest of approximately 67.5% in Cogeco Cable's results and a 40% interest in TQS Inc. During the fourth quarter and fiscal 2007, the non-controlling interest amounted to \$19.8 million and \$47.6 million, respectively, mainly due to the cable sector results. The non-controlling interest for the comparable periods of last year amounted to \$19 million and \$36.6 million, respectively.

GAIN ON DILUTION RESULTING FROM SHARES ISSUED BY A SUBSIDIARY

During fiscal 2007, the Company's cable subsidiary, Cogeco Cable, completed two public offerings totalling 8,000,000 subordinate voting shares for gross proceeds of \$346 million. The offerings resulted in net proceeds to Cogeco Cable of approximately \$331.1 million, which were used to reduce long-term indebtedness and working capital deficiency. Cogeco Cable also issued 7,344 subordinate voting shares pursuant to its Employee Stock Purchase Plan and 348,131 subordinate voting shares pursuant to its Employee Stock Option Plan for cash consideration of \$198,000 and \$6,816,000, respectively. As a result, COGECO's interest in Cogeco Cable decrease from 39.2% to 32.5% and gains on dilution of \$27 million and \$57.9 million were recorded respectively in the fourth quarter and fiscal 2007.

NET INCOME

Net income for the fourth quarter amounted to \$30.4 million, or \$1.82 per share, compared to \$10.3 million, or \$0.62 per share, for the same period last year. For fiscal 2007, net income amounted to \$74.7 million, or \$4.50 per share compared to \$23.1 million or \$1.40 per share for the same period in fiscal 2006. For the fourth quarter 2007, net income excluding the gain on dilution and income tax adjustments, net of non-controlling interest, would have amounted to \$3.1 million, or \$0.18 per share, compared to \$2.4 million, or \$0.15 per share for the fourth quarter 2006. For fiscal 2007, net income excluding the gain on dilution and income tax adjustments, net of non-controlling interest, would have stood at \$17.3 million, or \$1.04 per share, compared to a net income of \$15.2 million, or \$0.92 per share for fiscal 2006. Net income increases in the fourth quarter and fiscal 2007, excluding the gain on dilution and income tax adjustments described above, were mainly attributable to the growth in operating income before amortization outpacing the fixed charge increases. See "non-GAAP financial measures" section for further details.

CASH FLOW AND LIQUIDITY

(\$000s)	Quarters ended August 31, (unaudited)		Years ended August 31, (audited)	
	2007	2006	2007	2006
Operating Activities				
Cash flow from operations	\$ 75,035	\$ 51,729	\$ 276,618	\$ 192,308
Changes in non-cash operating items	39,705	57,288	(66,525)	3,645
	<u>\$ 114,740</u>	<u>\$ 109,017</u>	<u>\$ 210,093</u>	<u>\$ 195,953</u>
Investing Activities ⁽¹⁾	<u>\$ (70,700)</u>	<u>\$ (632,547)</u>	<u>\$ (251,830)</u>	<u>\$ (742,594)</u>
Financing Activities ⁽¹⁾	<u>\$ (910)</u>	<u>\$ 595,759</u>	<u>\$ 34,542</u>	<u>\$ 618,870</u>
Net change in cash and cash equivalents	\$ 43,130	\$ 72,229	\$ (7,195)	\$ 72,229
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(243)	(713)	1,243	(713)
Cash and cash equivalents at beginning	22,677	-	71,516	-
Cash and cash equivalents at end	<u>\$ 65,564</u>	<u>\$ 71,516</u>	<u>\$ 65,564</u>	<u>\$ 71,516</u>

(1) Excludes assets acquired under capital leases.

During the fourth quarter of 2007, cash flow from operations reached \$75 million, 45.1% higher than for the comparable period last year, primarily due to the increase in operating income before amortization, partly offset by an increase in financial expense in the cable sector and by an increase in the operating income before amortization in the media sector. Changes in non-cash operating items generated lower cash inflows than for the same period last year, mainly as a result of a decrease in accounts payable and accrued liabilities from non-recurring payments made by the cable Portuguese subsidiary in accordance with the terms of the acquisition.

During fiscal 2007, cash flow from operations reached \$276.6 million, an increase of 43.8% compared to the same period the year before, mostly due to the increase in operating income before amortization, partly offset by an increase in financial expense in the cable sector. Changes in non-cash operating items generated \$66.5 million of cash outflows compared to cash inflows of \$3.6 million for the same period last year, mainly as a result of a decrease in accounts payable and accrued liabilities from non recurring payments made by the Portuguese cable subsidiary in accordance with the terms of the acquisition and by increases in accounts receivable.

Acquisition of Cabovisão – Televisão por Cabo, S.A.

On June 2, 2006, the Company's subsidiary, Cogeco Cable, entered into an agreement with Cable Satisfaction International Inc. ("CSII"), Catalyst Fund Limited Partnership I and Cabovisão, to purchase, for a total consideration of €461.8 million (\$667.5 million), all the shares of the second largest cable telecommunications company in Portugal, an indirect wholly-owned subsidiary of CSII. The price included the purchase of senior debt and reimbursement of certain other Cabovisão liabilities. The acquisition was completed on August 1, 2006. The final purchase price was determined following completion of a post-closing working capital adjustment that occurred on March 9, 2007. According to the agreement, the final purchase price was reduced by an amount of €2.2 million (\$3.4 million). The acquisition was accounted for using the purchase method. The results of Cabovisão were consolidated as of the acquisition date.

Management has completed its valuation of tangible and intangible assets acquired and liabilities assumed and the final allocation is as follows:

(amounts are in thousands of dollars)	
Consideration paid	
Purchase of shares	\$ 304,188
Working capital adjustment	(3,371)
Secured lenders debt and certain specified Cabovisão liabilities	274,761
Acquisition costs	6,299
	\$ 581,877
Net assets acquired	
Cash and cash equivalents	\$ 5,711
Restricted cash	489
Accounts receivable	16,570
Prepaid expenses	1,324
Fixed assets	323,796
Customer relationships	71,684
Goodwill	344,004
Accounts payable and accrued liabilities assumed	(60,433)
Other specified Cabovisão liabilities assumed	(91,914)
Future income tax liabilities	(29,354)
	\$ 581,877

The final allocation resulted in an increase in fixed assets of \$36,144,000, an increase in customer relationships of \$71,684,000 and an increase in future income tax liabilities of \$29,354,000, as well as a decrease in accounts payable and accrued liabilities assumed of \$4,849,000. The net impact of these adjustments, combined with the reduction of the purchase price, reduced goodwill by \$87,020,000.

Also, in accordance with the Portuguese Companies Income Tax Code (CIRC), accumulated tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless an authorization is requested before such change in the ownership takes place. To this effect, a request for preservation of tax losses was filed by Cabovisão on July 28, 2006 and Cabovisão has not yet received a reply. Consequently, the tax benefits of these losses have not been included in the purchase price allocation, but will be recorded as a reduction of goodwill upon realisation.

In the fourth quarter of fiscal 2007, investing activities stood at \$70.7 million mainly due to capital expenditures of \$57.9 million and an increase in deferred charges of \$10.8 million in the cable sector. During fiscal 2007, investing activities stood at \$251.8 million due to capital expenditures of \$224.0 million and an increase in deferred charges of \$30 million.

During the fourth quarter and fiscal 2007, the increases related to capital expenditures compared to the same periods last year are mainly due to the following factors in the cable sector:

- The Portuguese operations capital expenditures amounted to \$12.6 million and \$41.6 million, respectively, for the fourth quarter and fiscal 2007, essentially to support RGU growth and the early stage of deployment of the Digital Television service.
- In Canada, the customer premise equipment expenditures increased as a result of a greater demand for HSI and Telephony services, from a rise in the number of HD terminals and from a greater ratio of digital terminals per digital home.

- The growth in capital expenditures for scalable infrastructure was mainly attributable to the support of the Telephony service rollout for the Canadian operations.
- The increase in capital expenditures associated with the network upgrade and rebuild program for the Canadian operations was due to the acceleration of the program to expand the bandwidth to 750 MHz and 550 MHz for the Ontario and Québec networks, respectively, and to improve network reliability. An increase in the number of households with access to two-way service was also a factor and the percentage of customers with access to two-way service rose from 93% as at August 31, 2006 to 94% as at August 31, 2007.

In the fourth quarter and fiscal 2007, increases in deferred charges are explained by higher reconnect costs attributable to the significant level of RGU growth.

In the fourth quarter of fiscal 2007, the Company generated free cash flow of \$4.2 million compared to a negative cash flow of \$3.6 million the preceding year. For fiscal 2007, the Company generated free cash flow of \$19.4 million compared to \$24.2 million for the same period the year before. The fourth quarter free cash flow increase over the same period last year is attributable to the cable sector and mainly due to growth in operating income before amortization, partly offset by higher level of capital expenditures and deferred charges to serve RGU growth and to support Telephony service rollout and by the increase in financial expense. The fiscal 2007 free cash flow decrease compared to the same period in 2006 is attributable to the cable sector and mainly due to a higher level of capital expenditures and deferred charges to serve RGU growth and to support the Telephony service rollout and the increase in financial expense. These factors were partly offset by the growth in operating income before amortization.

On August 9, 2007, the Company's cable subsidiary, Cogeco Cable, announced the completion of a public offering of 3,000,000 subordinate voting shares for a gross proceed of \$153.5 million. The offering resulted in a net proceed to Cogeco Cable of approximately \$146.9 million, which was used to reduce long-term indebtedness.

During the fourth quarter of fiscal 2007, the level of Indebtedness decreased by \$145.8 million. The decrease in the level of Indebtedness is essentially due to the repayment of the Term Facility in the cable sector using the public offering net proceed of \$146.9 million. For the same period last year, Indebtedness increased by \$607.7 million due to the Cabovisão acquisition, the increase in cash and cash equivalents of \$71.5 million and the fees related to the new Term Facility of \$900 million in the cable sector, partly offset by an increase in non-cash operating items of \$57.3 million. In addition, a dividend of \$0.07 per share for subordinate and multiple voting shares, totalling \$1.2 million, was paid during the fourth quarter of fiscal 2007 compared to a dividend of \$0.0625 per share or \$1 million for the fourth quarter of fiscal 2006.

During fiscal 2007, the level of Indebtedness decreased by \$293.3 million. The decrease in the level of Indebtedness is due to the completion of two public offerings in the cable sector, totalling 8,000,000 subordinate voting shares for combined net proceeds of approximately \$331.1 million that were used to reimburse the Second Secured Debentures Series A and a portion of the Term Facility, the generated free cash flow of \$19.4 million and a reduction of \$7.2 million in cash and cash equivalents, partly offset by a decline of \$66.5 million in non-cash operating items. For the same period last year, Indebtedness grew by \$635.4 million due to the acquisition of Cabovisão completed in the fourth quarter, the increase in cash and cash equivalents of \$71.5 million and the fees related to the new Term Facility of \$900 million, partly offset by generated free cash flow of \$24.2 million. In addition, dividends totalling \$4.5 million were paid during fiscal 2007 compared to \$4.1 million for the same period the year before.

As at August 31, 2007, the working capital deficiency was reduced by an amount of \$188.5 million compared to August 31, 2006, mainly as a result of the net proceeds of the share issuances being used to reimburse the Second Secured Debentures Series A and to the repayment of certain suppliers subsequent to the Cabovisão acquisition in the cable sector. COGECO maintains a working capital deficiency due to a low level of accounts receivable since the majority of the cable subsidiary's customers pay before their services are rendered, contrary to accounts payable and accrued liabilities, which are paid after products or services are rendered. In addition, the cable subsidiary generally uses cash and cash equivalents to reduce Indebtedness.

As at August 31, 2007, the cable subsidiary had used \$458.5 million of its \$900 million Term Facility and the Company had drawn \$25.5 million of its Term Facility.

Transfers of funds from non-wholly owned subsidiaries to COGECO are subject to approval by the subsidiaries' Board 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, 2006, there have been major changes to the following balance sheet items: "Fixed assets", "Goodwill", "Intangible assets", "Accounts receivable", "Accounts payable and accrued liabilities", "Cash and cash equivalents", "Foreign currency translation adjustment", "Future income tax liabilities", "Future income tax assets", "Non-controlling interest" and "Indebtedness".

The \$95.9 million rise in fixed assets is mainly related to increased capital expenditures to sustain RGU growth and by the appreciation of the euro currency over the Canadian dollar in the cable sector. The decrease of \$79.5 million in goodwill stems from the finalization of the purchase price allocation of the acquisition of Cabovisão, in the cable sector, which gave rise to the valuation at an amount of \$71.7 million of intangible assets, partly offset by the appreciation of the euro currency over the Canadian dollar. The \$4.4 million increase in accounts receivable is essentially due to an increase in the general level of receivables related to the revenue growth and to the appreciation of the euro currency over the Canadian dollar. The \$63.5 million and \$6 million reductions in accounts payable and accrued liabilities and cash and cash equivalents respectively, are related to payments made with regards to the acquisition of Cabovisão. The \$1.3 million increase in foreign currency translation adjustment is the result of the appreciation of the euro currency over the Canadian dollar. The \$55.8 million increase in future income tax liabilities is partly due to the recognition of future income taxes of \$29.4 million related to intangible assets and to the difference between fair market value and net book value of tangible assets acquired in Portugal and by the growth in operating income before amortization for the Canadian operations in the cable sector, and, in the media sector, by the increase of \$9.2 million in the valuation allowance with respect to future income tax assets. The \$18 million in future income tax assets is related to non-capital loss carryforwards for the Canadian operations, in the cable sector, that will benefit Cogeco Cable in the coming year. The non-controlling interest rise of \$327.2 million is mainly due to the impact of the public equity share issuances and the results of Cogeco Cable. Finally, Indebtedness decreased by \$282.8 million as a result of the factors previously discussed in the "Cash Flow and Liquidity" section.

A description of COGECO's share data as at September 30, 2007 is presented in the table below:

	Number of shares/ options	Amount (\$000s)
Common Shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,829,792	119,066
Options to Purchase Subordinate Voting Shares		
Outstanding options	195,418	
Exercisable options	195,418	

In the normal course of business, COGECO incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. COGECO's obligations, described in the MD&A of the 2006 annual report, have not materially changed since August 31, 2006, except for the repayment of the \$125 million Second Secured Debentures Series A and the partial repayment of approximately \$175 million of the \$900 million Term Facility in the cable sector discussed in the "Cash Flow and Liquidity" section. Furthermore, during the second quarter, Cogeco Cable has guaranteed the payment by Cabovisão of certain taxes for municipal rights of way assessed by the Municipality of Seixal in Portugal for the years 2004 and 2005 totalling €5.7 million (the «Tax Amounts»), which are currently being challenged by Cabovisão. Trustworthy financial guarantees were required under applicable Portuguese law in order for Cabovisão to challenge the Tax Amounts and withhold payment thereof until a final judgment, no longer subject to appeal, is rendered by the Portuguese courts having jurisdiction in this matter. As a result, Cogeco Cable may be required to pay, upon written demand by the Municipality of Seixal, the required amounts following final judgment up to a maximum aggregate amount of €5.7 million, should Cabovisão fail to pay such required amounts.

The Company and its subsidiary, Cogeco Cable Inc., have also adopted Performance Units Plans for key employees, which are described in the Company's annual consolidated financial statements and which have been terminated. The Company has created a new senior executive designated employee incentive unit plan. According to the new plan, senior executives and other key employees periodically receive a given number of units which entitled the participant to receive subordinate voting shares of the Company after three years less one day from the date of grant. During fiscal 2007, the Company granted 25,895 units. The Company establishes the value of the compensation related to the units granted based on the market value of the Company's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years. A trust was created for the purpose of purchasing these shares on the stock exchange in order to guard against stock price fluctuation. The Company instructed the trustee to purchase 25,895 subordinate voting shares of the Company on the stock market. These shares were purchased for a cash consideration of \$1,054,000 and are held in trust for participants until they are completely vested. The trust, considered as a variable interest entity, is consolidated in the Company's financial statement with the value of the acquired shares presented as treasury shares in reduction of capital stock. The termination of the old plans had a non recurring negative impact of approximately \$0.1 million and \$4.7 million during the fourth quarter and fiscal 2007, respectively.

DIVIDEND DECLARATION

At its October 26, 2007 meeting, the Board of Directors of COGECO declared a quarterly eligible dividend of \$0.07 per share for subordinate and multiple voting shares, payable on November 23 2007, to shareholders of record on November 9, 2007.

FOREIGN EXCHANGE MANAGEMENT

Cogeco Cable has entered into cross-currency swap agreements to set the liability for interest and principal payments on its US\$150 million Senior Secured Notes. These agreements have the effect of converting the U.S. interest coupon rate of 6.83% per annum to an average Canadian dollar fixed interest rate of 7.254% per annum. The exchange rate applicable to the principal portion of the debt has been fixed at CAN\$1.5910. Amounts due under the US\$150 million Senior Secured Notes Series A decreased by CAN\$7.4 million at the end of the fourth quarter compared to August 31, 2006 due to the Canadian dollar's appreciation. Since the Senior Secured Notes Series A are fully hedged, the fluctuation is offset by a variation in deferred credit as described in Note 9 of the fourth quarter 2007 interim financial statements. The CAN\$80.2 million deferred credit represents the difference between the quarter-end exchange rate and the exchange rate on the cross-currency swap agreements, which determine the liability for interest and principal payments on the Senior Secured Notes Series A.

As noted in the MD&A of the 2006 annual report, Cogeco Cable's net investments in self-sustaining foreign subsidiaries are exposed to market risk attributable to fluctuations in foreign currency exchange rate, primarily changes in the values of the Canadian dollar versus the euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in euros. This debt is designated as a hedge of net investments in self-sustaining foreign subsidiaries and, accordingly, Cogeco Cable realized a foreign exchange gain of CAN\$1.3 million in fiscal 2007, which is deferred and recorded in the foreign currency translation adjustment. The exchange rate used to convert the euro currency into Canadian dollars for the balance sheet accounts as at August 31, 2007 was \$1.4390 per euro compared to \$1.4156 per euro as at August 31, 2006. The average exchange rate prevailing during the fourth quarter and fiscal 2007 used to convert the operating results of the Portuguese operations were \$1.4374 per euro and \$1.4803 per euro, respectively.

CABLE SECTOR

CUSTOMER STATISTICS

Canadian operations

	August 31, 2007	Net additions (losses)				% of Penetration ⁽¹⁾⁽⁴⁾	
		Quarters ended August 31,		Years ended August 31,		August 31,	
		2007	2006	2007	2006	2007	2006
RGUs ⁽²⁾	1,788,508	39,656	44,243	232,572	208,203	-	-
Basic Cable service customers	849,157	(2,627)	685	15,980	11,744	-	-
HSI service customers ⁽³⁾	415,836	12,363	12,601	72,756	65,432	52.2	44.3
Digital Television service customers	379,879	8,747	10,563	52,515	80,160	45.8	40.0
Telephony service customers	143,636	21,173	20,394	91,321	50,867	21.7	10.4

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

⁽²⁾ Represent the sum of Basic Cable, HSI, Digital Television and Telephony service customers.

⁽³⁾ Customers subscribing only to HSI or Telephony services totalled 68,367 as at August 31, 2007 compared to 61,208 as at August 31, 2006.

⁽⁴⁾ An audit of homes passed in Ontario was completed during the first quarter of fiscal 2007 and, as a result, the number of homes passed was reduced by 42,386.

In the fourth quarter of 2007, net additions were lower than for the same period last year mainly due to a reduction in Basic Cable service customers and to a slower growth of Digital Television service customers. During the fourth quarter, Telephony customers grew by 21,173 to reach 143,636 compared to a growth of 20,394 for the same period last year. This growth is mostly attributable to the launch of the service in new markets and increased penetration in areas where the service is already offered. Coverage of homes passed has now reached 78% compared to

66% last year. The net losses of Basic Cable service in the fourth quarter reached 2,627 customers, compared to a gain of 685 customers for the same period last year, mainly due to less generous promotional offers to Basic Cable customers in the fourth quarter 2007 compared to the same period the year before.

The number of net additions to HSI service stood at 12,363 customers compared to 12,601 customers for the same period last year. During the fourth quarter 2007, the HSI customer net additions is mostly due to the enhancement of the product offering, the impact of the bundled offer of Television, HSI and Telephony services (*Cogeco Complete Connection*), and promotional activities.

The net additions of Digital Television service customers stood at 8,747 customers compared to 10,563 customers for the same period last year. The decrease in net additions this quarter compared to the same quarter last year reflects a maturation of the digital TV segment following a period of robust growth, especially in the second half of fiscal 2006. Nevertheless, customers continue to demonstrate strong interest in HD technology. Furthermore, Cogeco Cable adjusted the service offering and price gap differential between Analogue Television services and Digital Television services in the second half of fiscal 2006, which has also contributed to a moderation of the strong growth experienced in fiscal 2006.

Portuguese operations

	August 31, 2007	Net additions				% of Penetration ⁽¹⁾	
		Quarters ended August 31,		Years ended August 31,		August 31,	
		2007	2006 ⁽³⁾	2007	2006 ⁽³⁾	2007	2006
RGUs ⁽²⁾	697,157	9,920	3,141	68,116	3,141	-	-
Basic Cable service customers	294,003	4,756	1,117	24,309	1,117	-	-
HSI service customers	160,023	2,936	1,165	23,745	1,165	54.4	50.5
Telephony service customers	243,131	2,228	859	20,062	859	82.7	82.7

- (1) As a percentage of Basic Cable service customers in areas served.
(2) Represent the sum of Basic Cable, HSI and Telephony service customers.
(3) Customer additions are for the month of August 2006.

For the fourth quarter, all services generated customer growth as anticipated from Cogeco Cable's guidelines, except for the Telephony service net additions, which were lower than expected, but the service penetration compared to Basic Cable customers remained the same. Basic Cable service grew by 4,756 customers, HSI service by 2,936 customers and Telephony service by 2,228 customers.

OPERATING RESULTS

(\$000s, except percentages)	Quarters ended August 31, (unaudited)			Years ended August 31, (audited)		
	2007	2006 ⁽¹⁾	% Change	2007	2006 ⁽¹⁾	% Change
Revenue	\$ 244,314	\$ 174,875	39.7	\$ 938,880	\$ 620,001	51.4
Operating costs	141,888	102,011	39.1	559,559	358,631	56.0
Management fees - COGECO Inc.	-	-	-	8,568	8,392	2.1
Operating income before amortization	102,426	72,864	40.6	370,753	252,978	46.6
Operating margin	41.9 %	41.7 %		39.5 %	40.8 %	

(1) Include operating results of Cabovisão since the date of acquisition of control on August 1, 2006.

Revenue

In the fourth quarter of fiscal 2007, consolidated revenue grew by \$69.4 million, or 39.7%, to reach \$244.3 million and by \$318.9 million, or 51.4%, to reach \$938.9 million for fiscal 2007. For the fourth quarter 2007, revenue increased at a lower pace than that of fiscal 2007 mainly due to the consolidation of the three-month period of the Portuguese operations financial results compared to a one-month period in 2006. Canadian operations revenue, driven by an increased number of customers in Basic Cable, HSI, Telephony and Digital Television services as well as rate increases, went up by \$30.4 million, or 19.3%, in the fourth quarter and by \$110.9 million, or 18.4%, for fiscal 2007. Portuguese operations revenue amounted to \$55.9 million for the fourth quarter of fiscal 2007 and to \$224.8 million for fiscal 2007 compared to a one-month period in 2006 of \$16.9 million.

Operating costs

For the fourth quarter and fiscal 2007, operating costs excluding management fees payable to COGECO Inc., increased by \$39.9 million, or 39.1%, and by \$200.9 million, or 56%, to reach \$141.9 million and \$559.6 million, respectively. For the fourth quarter 2007, operating costs increased at a lower pace than that of fiscal 2007 mainly due to the consolidation of the 2007 three-month period of the Portuguese operations financial results compared to a one-month period in 2006. For fiscal 2007, operating costs increase was mainly due to the inclusion of the operating costs of Cabovisão and to the servicing of additional RGUs, including the increased penetration of Telephony service in Canada.

Operating income before amortization

For the fourth quarter and fiscal 2007, operating income before amortization increased by \$29.6 million, or 40.6%, to reach \$102.4 million and by \$117.8 million, or 46.6% to reach \$370.8 million, respectively, as a result of RGU growth, the consolidation of the Portuguese operations and various rate increases outpacing operating cost increases. Cogeco Cable's fourth quarter 2007 operating margin increased to 41.9% from 41.7% due to rate increases implemented during the third quarter of fiscal 2007 and the improvement of the operating margin of the Portuguese operations from 29.5% in 2006 to 37.3% in the fourth quarter of fiscal 2007. For fiscal 2007, the operating margin declined to 39.5% from 40.8% as a result of the Telephony deployment in Canada and the consolidation of the twelve-month period of the Portuguese operations' lower operating margin. The operating margin for fiscal 2007 is slightly higher than management's third quarter revised guidelines.

MEDIA SECTOR

OPERATING RESULTS

(\$000s, except percentages)	Quarters ended August 31, (unaudited)			Years ended August 31, (audited)		
	2007	2006	% Change	2007	2006	% Change
Revenue	\$ 25,063	\$ 24,527	2.2	\$ 132,426	\$ 127,109	4.2
Operating costs	26,602	27,315	(2.6)	132,142	127,730	3.5
Operating income before amortization	(1,539)	(2,788)	-	284	(621)	-
Operating margin	(6.1) %	(11.4) %		0.2 %	(0.5) %	

Revenue

During the fourth quarter of fiscal 2007, revenue stood at \$25.1 million, an increase of \$0.5 million, or 2.2%, compared to the same period last year. For fiscal 2007, revenue increased by \$5.3 million, or 4.2%, to reach \$132.4 million. During these periods, radio revenue increased by 4.3% and 13.8% respectively, mainly due to improved audience ratings. Television revenue increased by 1.4% in the fourth quarter and by 1.8% for fiscal 2007, compared to last year, even if the market conditions are difficult for general interest television services.

Operating income before amortization

The operating loss before amortization was reduced by \$1.2 million and by \$0.9 million in the fourth quarter and fiscal 2007, respectively, compared to last year. For the fourth quarter and fiscal 2007, TQS's operating loss before amortization decreased as a result of higher revenue growth, and an overall reduction of operating costs. Radio's operating income before amortization remained essentially the same in the fourth quarter and increased for fiscal 2007 due to revenue growth.

FISCAL 2008 FINANCIAL GUIDELINES

The Company has revised its consolidated projections to take into consideration the issuance by Cogeco Cable of 3,000,000 subordinate voting shares on August 9, 2007 for a gross proceed of \$153,450,000. The result of this share issuance should reduce financial expense from \$80 million to \$72 million and increase free cash flow from \$60 million to \$65 million in the cable sector, and increase the Company's net income from \$28 million to \$30 million and free cash flow from \$60 million to \$65 million.

The Company is maintaining all of its other guidelines in the cable and media sectors.

<i>(\$ million, except customer data)</i>	Projections Fiscal 2008
Consolidated Financial Guidelines	
Revenue	1,190
Operating income before amortization	425
Net income	30 ⁽¹⁾
Free cash flow	65 ⁽¹⁾
Cable sector– Financial Guidelines	
Revenue	1,050
Operating income before amortization	425
Operating margin	40% to 41%
Financial expense	72 ⁽¹⁾
Amortization	215
Capital expenditures and deferred charges	260
Free cash flow	65 ⁽¹⁾
Customer Addition Guidelines	
Basic Cable service	30,000
HSI services	75,000
Digital Television service	54,000
Telephony service	100,000
RGUs	259,000
Media sector– Financial Guidelines	
Revenue	140
Operating income before amortization	1 to 3
Amortization	7
Capital expenditures and deferred charges	7

(1) Revised projections taking into account the issuance of 3,000,000 subordinate voting shares by Cogeco Cable on August 9, 2007 for a gross proceed of \$153,450,000.

UNCERTAINTIES AND MAIN RISK FACTORS

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

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

Risks pertaining to markets and competition

Cable sector

Electronic communications markets are evolving rapidly both in Canada and Portugal and are increasingly competitive. Rivalry between terrestrial wireline and wireless, as well as satellite service providers is unfolding over individual as well as bundles of services, including fixed and mobile voice communications, Internet access, data, audio and video content delivery, electronic programming guides and navigation tools, security and other related or incidental services. In this converged environment, competitors strive to meet all the electronic communications needs of residential and business customers and thus obtain maximum share of their overall electronic communications budget. Rivalry extends over several elements, including the features of individual services, the composition of service bundles, prices and perceived value, promotional or introductory offers, duration of the commitment by the customer, terminal devices and customer service.

Cable telecommunications providers have successfully entered into the residential voice communications markets traditionally dominated by the incumbent telephone companies and they continue to attract a growing base of residential telephone customers. The telephone companies are increasingly involved in competitive audio and video content delivery, both on their fixed and mobile networks, and they continue to dominate the provision of voice and data services to business customers.

The substantial cost of broadband facilities and broadband customer acquisition, combined with the growth of revenue generating units achieved by competitors generally, tend to make outright price wars on individual services and service bundles less appealing as a competitive strategy. However, as markets mature and penetration gains for high speed Internet access, digital video and telephony services abate, retail pricing strategies are likely to become more aggressive, with resulting downward pressure on operating margins both for individual services and service bundles.

Cogeco Cable provides “double-play” and “triple-play” service bundles both in Canada and in Portugal, with various combinations of Telephony, HSI and Television services being offered at attractive bundle prices. “Quadruple-play” service bundles that include mobile communications are becoming available, but so far they have had limited effect on relative market shares for double-play or triple-play service bundles. Cogeco Cable continues to focus on its existing lines of service with a view to capturing the remaining growth opportunities for HSI, Digital Television and Telephony services in its footprint, making the most efficient use of its own hybrid fibre-coaxial (HFC) plant. As markets evolve and mobility becomes a more cost-effective substitute to wireline communications, Cogeco Cable may need to add mobility components to its service bundles, through suitable mobile virtual network arrangements with existing or future mobile operators, or otherwise through new wireless alternatives. The capital and operating expenditures eventually required to offer quadruple-play service bundles may not be offset by the incremental revenue that such new bundles would generate, thus resulting in downward pressure on operating margins.

In Canada, Cogeco Cable faces competition in its service areas mainly from a few large integrated telecommunications service providers. The largest, BCE Inc., offers through its various subsidiaries and income trusts a full range of competitive voice, data and video services to residential, as well as business, customers in the Provinces of Ontario and Québec through a combination of fixed wireline (Bell Canada, Télébec), mobile wireless (Bell Mobility) and satellite (Bell ExpressVu) platforms. BCE Inc. was the subject of a takeover earlier this year by a group of institutional investors led by the Ontario Teachers’ Pension Plan, with closing of the transaction expected to take place in the earlier part of 2008. It is not known at this time to what extent the changes in the ownership and management of this major competitor will affect market dynamics in the two Provinces, notably with respect to the anticipated rollout of IPTV services over its fixed wireline platform. Telus Communications Company competes with all of Cogeco Cable’s services in the Lower St. Lawrence area of the Province of Québec through the use of its wireline network,

and throughout Cogeco Cable's Canadian footprint through the use of its mobile telecommunications network. However, Cogeco Cable's Telephony service is provided with the assistance of certain Telus carrier services through a multi-year contractual arrangement. Star Choice Television Network Incorporated, an indirect subsidiary of Shaw Communications Inc., competes for video and audio distribution services throughout Cogeco Cable's Canadian footprint. Rogers Wireless Communications Inc., a subsidiary of Rogers Communications Inc., operates a mobile telecommunications network in Ontario and Québec and is the owner of the Inukshuk broadband wireless network in partnership with Bell Mobility. Rogers Cablesystems Inc., the cable subsidiary of Rogers Communications Inc. has recently applied for licensed service area extensions covering the Burlington, Oakville and Milton areas, which are part of Cogeco Cable's footprint in Ontario. Videotron Ltd., an indirect subsidiary of Quebecor Inc., offers competitive mobile telecommunications services in Cogeco Cable's Québec footprint. Cogeco Cable also competes with other telecommunications service providers, including Vonage, Primus and Rogers Home Phone (formerly known as Sprint), and with alternative service providers that use resale or third-party access arrangements in effect. It is anticipated that the federal Department of Industry Canada will proceed soon with the advanced wireless spectrum (AWS) auction, which could lead to new entrants entering the wireless telecommunications markets in Canada on a national, regional or local basis, and incumbent wireless carriers obtaining more spectrum for the provision of advanced voice, data and video services, thus resulting in increased competition for the voice, data and video services of Cogeco Cable.

In Portugal, Cogeco Cable's indirect subsidiary Cabovisão faces competition in its service areas, for all its lines of business, mainly from incumbent telecommunications carrier Portugal Telecom, SGPS, S.A. (PT) and its present subsidiary Portugal Telecom Multimedia, SGPS, S.A. (PTM), as well as from Sonaecom, SGPS, S.A., a subsidiary of diversified Portuguese conglomerate Sonae, SGPS, S.A. (Sonae), which recently purchased the fixed telephony and HSI residential business from the operator of ONI, as well as all fixed telephony business previously owned by TELE2, another indirect access telephony operator, and unsuccessfully attempted a takeover of PT or PTM earlier this year. PT is expected to complete, before the end of the calendar year, the distribution of the shares that it owns in PTM to its own shareholders and, thus, cease to hold a controlling equity interest in PTM. PTM owns TV Cabo, the largest cable telecommunications operator in Portugal, and also offers a direct-to-home satellite distribution service to the Portuguese market. PTM's cable plant overlaps a major part of Cabovisão's footprint in Portugal. PT's national telephone network, PT Comunicações, which offers a full range of fixed wireline and mobile wireless telecommunications services throughout Portugal, has recently started the rollout of a competitive IPTV service over its telephone plant, starting with the Lisbon, Oporto and Castelo Branco areas, with a view to offering triple-play service (voice, high speed Internet access and video distribution), and PTM's cable subsidiary, TV Cabo, started a full triple-play offer covering all its footprint. Sonaecom owns and operates the Clix (Residential Fixed Telephony, HSI and IPTV), Novis (Business Telephony Solutions) and Optimus (Wireless Telephony and Wireless HSI) services, which provide voice, data, high speed Internet, video and mobile services to the residential and business markets. Cabovisão is no longer the only provider of triple-play service bundles in its footprint, as Sonaecom, PT and PTM now have competitive triple-play offers available in the Portuguese market. Cabovisão has started the rollout of a Digital Television service in order to improve signal security and quality, provide an expanded choice of programming, make better use of the distribution capacity of its network and better compete with the digital video service offerings of its competitors. This rollout will extend at least through 2008. The Portuguese regulatory authorities are expected to award several licenses in 2008 for new digital terrestrial television services providing both national and regional digital television signals for free-to-air and paid reception. This will likely lead to increased competition for video distribution throughout the areas served by Cabovisão in Portugal.

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

Media sector

COGECO's media subsidiary, CRTI, conducts all its commercial radio and television activities in the francophone market of the Province of Québec. TQS competes head-to-head for audience, advertising revenue and programming content acquisition with three other French-language conventional television networks operated respectively by Quebecor Media Inc. (TVA), SRC, a federal public sector corporation and the Société de télédiffusion du Québec, a provincial public sector corporation (Télé-Québec). TQS also competes with a variety of French-language specialty and pay television services, most of which are controlled by Astral Communications Inc. and Quebecor Media Inc. and are widely distributed by broadcasting distributors throughout the Province of Québec. In the Montreal market, where a substantial part of the overall audience is bilingual, TQS competes as well with a variety of English-language conventional, specialty and pay television services. In the regional markets of Saguenay, Sherbrooke and Trois-Rivières, TQS operates a combination of local stations affiliated respectively to the TQS network and to the SRC network. Conventional television networks and stations continue to lose gradually audience and advertising revenue share to specialty television services and content services available over the Internet.

While the market for French-language conventional television advertising is slowly declining and costs for conventional television network programming are rising, conventional television networks are still prevented from obtaining subscription fees from broadcasting distribution undertakings (BDUs) for the distribution of their signal. In a policy statement issued on May 17, 2007, the CRTC decided to continue reserving subscription revenue to specialty television programming services, which enjoy lower programming costs and rising audience shares. The issue of fees for conventional television networks will likely be revisited as part of another CRTC proceeding currently pending on the review of the regulatory frameworks for BDUs, specialty and pay television services, but the nature and timing of a change in regulatory policy concerning fees for conventional television networks are uncertain at this time. Meanwhile, the position of TQS has not improved and its operations are subject to material risks and uncertainties going forward. There is a material risk concerning the operations of the TQS "twinstick" local stations in Saguenay, Sherbrooke and Trois-Rivières, which are presently affiliated to the French-language conventional television network of SRC. On September 20, 2007, SRC notified TQS that the affiliation in effect for these stations will end on March 31, 2009. The loss of the SRC affiliation and twinstick operations will undermine the viability of the TQS local services in the three local markets concerned and cause a deterioration of competitive position of TQS both on a local and national basis.

Through separate subsidiary Cogeco Diffusion Inc., CRTI operates the RYTHME FM radio service, with stations broadcasting in the Montreal, Québec City, Sherbrooke and Trois-Rivières markets, and the 93³ station broadcasting in Québec City. CRTI's radio stations compete head-to-head with stations controlled respectively by Astral Communications Inc., Corus Entertainment Inc. and Radio Nord Communications Inc. While RYTHME FM continues to enjoy a leading position in the Montreal and Trois-Rivières markets, competitors have the leading position in the Québec City and Sherbrooke markets served by CRTI.

Technological risks

Cable sector

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

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

Management of Cogeco Cable remains of the view that broadband wireline distribution over optical fibre-coaxial cable will continue to be an efficient, reliable, economical and competitive platform for the distribution of a full range of electronic communications products and services for the foreseeable future. The competitiveness of the cable broadband telecommunications platform will, however, continue to require additional capital investment on a timely basis in an increasingly competitive and uncertain market environment.

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

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

Regulatory risks

Cable sector

In Canada, electronic communications facilities and services are subject to regulatory requirements depending mainly on the type of facilities involved, the incumbent status of service providers and their relative market power, the technology used and whether the activities are categorized as telecommunications or broadcasting. Canadian cable telecommunications facilities and services are subject to various requirements mainly under federal legislation governing broadcasting, radiocommunication, telecommunications, copyright and privacy, and under provincial legislation governing consumer protection and access to certain municipal property and municipally-owned support structures. Licences and broadcasting certificates are still required for the operation of larger (Class 1 and 2) cable systems, while smaller (Class 3) cable systems are

now mostly licence-exempt. Various licence and licence exemption conditions continue to apply in Canada. Canadian cable telecommunications operators are also subject to Canadian ownership and control requirements. Changes in the regulatory framework or licences, which are subject to periodic renewal, may affect the Company's existing business activities or future prospects.

The Canadian Radio-television and Telecommunications Commission (CRTC) has forbore from regulating the residential and business local access telephone services of the incumbent telephone companies in most of the geographic markets served by Cogeco Cable in Ontario and Québec. As a result, Bell Canada and Telus are now free to price and bundle their residential and business local access telephone services and to extend general or specific promotional offers without prior regulatory approval in the forbore local exchange areas within the Cogeco Cable's footprint.

In Telecom Public Notice CRTC 2006-14, the CRTC has initiated a telecommunications proceeding with a view to determining which telecommunications facilities and services should be considered as essential, as well as the regulatory wholesale requirements that should apply to the provision of essential facilities and services by Canadian telecommunications carriers in the future. The outcome of this proceeding, expected in the second half of 2008, may have an impact on whether the cable subsidiary is considered to have any essential facilities and whether it must make such facilities available at certain regulated terms and conditions, including under third-party Internet access tariffs currently in effect. It may also have an impact on the facilities and services that Cogeco Cable will be capable of obtaining from other Canadian telecommunications carriers under certain regulated terms and conditions in the future.

In Broadcasting Notice of Public Hearing CRTC 2007-5, the CRTC has initiated a broadcasting proceeding on the diversity of voices within the Canadian broadcasting system and other media. This notice raised various important structural issues such as the common ownership of broadcasting undertakings (which include BDUs), concentration of ownership, cross-media ownership or horizontal integration, vertical integration, the benefits policy, licence trafficking, ownership of new media and the relationship between the CRTC and the Competition Bureau with respect to ownership transfers of broadcasting undertakings. The final outcome of this proceeding is expected to be known in the first half of 2008.

In Broadcasting Notice of Public Hearing CRTC 2007-10, the CRTC has also initiated a broadcasting proceeding to review the regulatory frameworks for BDUs (cable, satellite and microwave) and for discretionary programming services (specialty and pay television and audio services). This notice generally proposes to streamline the regulatory requirements currently applicable to BDUs and to allow for market forces to play a greater role in the distribution arrangements between BDUs and discretionary programming services. The proceeding may, however, give rise to further discussion of carriage fees and signal retransmission consent for the signals of over-the-air broadcasters. The final outcome of this important policy review proceeding is expected to be known in the second half of 2008.

The telecommunications markets in Portugal have been fully open to competition since January 1, 2000, and there are no foreign ownership restrictions applying to electronic communications service providers or the ownership of broadband telecommunications facilities in Portugal. Much of Autoridade Nacional de Comunicações (ANACOM)'s regulatory oversight remains focussed on the analysis of the competitive state of relevant telecommunications markets and the adoption of selected measures, where significant market power by a competitor is found to exist in a relevant market. ANACOM has analyzed 16 of the 18 relevant retail and wholesale markets identified by the European Commission and found that Portugal Telecom (PT) has significant market power in most of these markets. As a result, various specific regulatory requirements apply to the provision of certain services by PT companies. In addition, pursuant to Directive 2002/77/EC of the European Commission (Competition Directive), the cable television and telecommunications network operations of incumbent telephone companies in EU member states must be kept

separate and be conducted through separate entities. TV Cabo, Cabovisão's direct cable competitor is, therefore, operated through PT Multimedia, an entity separate from PT Comunicações, which operates PT's telecommunications network, and services provided by each of these entities are billed separately.

The European Commission launched, on June 29, 2006, a broad policy review initiative on electronic communications with a view to boosting competition among telecommunications operators of EU member states and building a single market for services that use radio spectrum. The legislative proposals stemming from this policy review initiative are expected to be tabled in November 2007. Their precise nature, the timing of their approval by the European Parliament and their transposition into Portuguese domestic law are not known at this time, but they may eventually have an impact in the medium- to long-term on Cabovisão's electronic communications activities and the future state of competition for the provision of electronic communications in Portugal.

Media sector

The television and radio stations also require broadcasting licences issued by the CRTC under the authority of the Broadcasting Act (Canada) and broadcasting certificates issued by the Minister of Industry under the authority of the Radiocommunication Act (Canada). The maximum term of licence is seven years, but licences are usually renewed except in cases of serious and deliberate breach of legal and regulatory obligations by the licensee. The broadcasting licences for the television network and stations of TQS will expire on August 31, 2008. The CRTC has requested that TQS file licence renewal applications November 23, 2007. CRTI and CTV, the two indirect shareholders of TQS, will have to agree on a new business plan to be reflected in the licence renewal applications. The licence conditions that would apply during the renewal terms are not known at this time.

Risks pertaining to operating costs

Cable sector

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

The market for audio and video programming services in Canada is already characterized by high levels of supplier integration and structural rigidities imposed by the CRTC's regulatory framework for broadcasting distribution, which is presently under review. While Cogeco Cable has been able to conclude satisfactory distribution agreements with Canadian and foreign programming service suppliers to date, there is no assurance that network fees will not increase by larger increments in future years. There is also no assurance that programming service suppliers will not change other material terms of distribution agreements or extend preferences for the distribution of their content to competing distributors, or push for the distribution of their content over the Internet in the future. In Portugal, the offering of new digital audio and video services by Cabovisão requires the conclusion of suitable arrangements with program suppliers. The negotiation of these arrangements is under way, but is not concluded as yet.

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

Media sector

TQS relies on independent producers for the production of several key entertainment properties and it licenses the concept for several programs, including *Loft Story*, from a third party. There is no assurance that increases in the cost of programming broadcast by TQS can be offset by incremental revenue derived from advertising, promotion and product placement in the future.

Risks pertaining to information systems

Flexible, reliable and cost-effective information systems are an essential requirement for the handling of sophisticated service options, customer account management, internal controls, provisioning, billing and the rollout of new services. Cogeco Cable uses different customer relations management tools and databases for its operation respectively in Ontario, Québec and Portugal. The agreement with the main third-party supplier of information systems in Ontario will expire in 2008, and the terms that would apply for the continued use of the relevant information systems in Ontario are under negotiation.

Risks pertaining to disasters and other contingencies

Cogeco Cable has a disaster recovery plan for dealing with the occurrence of natural disasters, quarantine, power failures, terrorist acts, intrusions, computer hacking or data corruption, but the operations and facilities of Cabovisao are not yet integrated into this plan. Cabovisao's insurance coverage has been integrated into Cogeco Cable's insurance coverage. The emergency plans and procedures that are in place cannot provide the assurance that the effect of any disaster can and will be mitigated as planned. Neither Cogeco nor Cogeco Cable is insured against the loss of data and Cogeco Cable relies on data protection and recovery systems that it has put in place with third-party service providers.

Financial risks

Cable sector

Cable telecommunications is a very capital-intensive business that requires substantial and recurring investment in property, plant, equipment and customer acquisition. Cogeco Cable depends on capital markets for the availability of additional capital that it must deploy to support its internal and external growth. There is no assurance that future capital requirements will be met when needed, or that the cost to secure such needed incremental capital will not increase the Cogeco Cable's overall cost of capital.

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

The cable subsidiary's leverage and corporate risk profile is liable to vary from time to time as a result of new developments in its business activities and the investments required to support internal growth as well as external growth through acquisitions. The development of new services or additional lines of business, and the acquisition of new business properties, may not necessarily generate the anticipated results or benefits. There is no assurance that Cogeco Cable will be able to maintain or increase distributions to shareholders by way of dividends or otherwise.

The acquisition of Cabovisão has been financed through corporate credit facilities of Cogeco Cable. The major part of the purchase price for the shares of Cabovisão (approximately €465.7 million) was borrowed directly in euros and a second tranche of \$150 million was borrowed in Canadian dollars and subsequently converted into euros (€104 million). The remainder of the purchase price is assumed liabilities. There are no financial hedging arrangements in effect at this time for currency fluctuation risk on interest payments resulting from these borrowings, but there is a natural hedging effect between the borrowings in euros and the inter-corporate debt interest payments and cash distributions in euros originating from the European subsidiaries. Also, for the purposes of this acquisition, Cogeco Cable has set up an acquisition structure involving one of its operating Canadian subsidiaries and intermediate holding and financing entities located in Luxembourg with a view to maximizing returns. Cogeco Cable is still considering various options to extend the term with euro-denominated alternate sources of financing.

Media sector

TQS is suffering from recurring operating losses, which cause a need for funding to support its operations. In addition to further capital injections required to support its operations, TQS faces the need for substantial additional capital investment over the next four years to complete the transition to HD broadcasting before the deadline set by the CRTC for the shutdown of analogue television transmission on August 31, 2011. CRTI and CTV, the two indirect shareholders of TQS, will have to agree on the further capital investments that are required to support the operations of TQS going forward, and on a new business plan. The TQS's borrowing capacity is based on the level of its accounts receivable up to a maximum amount, pursuant to a demand loan expiring on August 26, 2008. In the circumstances, CRTI and CTV will likely be called upon to make requisite funding available to TQS from time to time. The shareholders agreement in effect between the parties provides that the shareholders must both agree on capital investments or restructurings; it also provides for put and call options between the parties starting on January 1st, 2009, and the eventual putting up for sale of the company, should neither of the parties agree to purchase the equity interest of the other party. CRTI and CTV have retained CIBC World Markets to assist them in assessing the strategic options available to them in connection with TQS.

Human resources

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

Controlling shareholder and holding structure

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

ACCOUNTING POLICIES AND ESTIMATES

Accounting changes

In July 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 1506, *Accounting Changes*, which modifies certain aspects of the previous standard. A reporting entity may not change its accounting method unless required by a primary source of GAAP or to provide a more reliable and relevant presentation of the financial statements. In addition, changes in accounting methods must be applied retroactively and additional information must be disclosed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2007.

Harmonization of Canadian and International Standards

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan, which proposes to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards. At the end of a transitional period of approximately five years, Canadian GAAP will cease to exist as a separate distinct basis of financial reporting for public companies. The Company will convert to these new standards according to the timetable set with these new rules. COGECO will closely monitor changes arising from this convergence.

NON-GAAP FINANCIAL MEASURES

This section describes non-GAAP financial measures used by COGECO throughout this MD&A. It also provides reconciliations between these non-GAAP measures and the most comparable GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP and may not be comparable with similar measures presented by other companies. These measures include “cash flow from operations”, “free cash flow” and “net income excluding gain on dilution and income tax adjustments.

Cash flow from operations

Cash flow from operations is used by COGECO’s management and investors to evaluate cash flow generated by operating activities, excluding the impact of changes in non-cash operating items. This allows the Company to isolate the cash flow from operating activities from the impact of cash management decisions. Cash flow from operations is subsequently used in calculating the non-GAAP measure “free cash flow”. Cash flow from operations is calculated as follows:

(\$ 000)	Quarters ended August 31,		Years ended August 31, (audited)	
	2007	2006	2007	2006
Cash flow from operating activities	\$ 114,740	\$ 109,017	\$ 210,093	\$ 195,953
Changes in non-cash operating items	(39,705)	(57,288)	66,525	(3,645)
Cash flow from operations	\$ 75,035	\$ 51,729	\$ 276,618	\$ 192,308

Free cash flow

Free cash flow is used by COGECO's management and investors to measure COGECO's ability to repay debt, distribute capital to its shareholders and finance its growth. Free cash flow is calculated as follows:

(\$ 000)	Quarters ended August 31, (unaudited)		Years ended August 31, (audited)	
	2007	2006	2007	2006
Cash flow from operations	\$ 75,035	\$ 51,729	\$ 276,618	\$ 192,308
Acquisition of fixed assets	(59,718)	(46,112)	(224,045)	(144,469)
Increase in deferred charges	(10,784)	(8,929)	(30,042)	(20,657)
Assets acquired under capital leases – as per Note 12 b)	(291)	(268)	(3,084)	(3,005)
Free cash flow	\$ 4,242	\$ (3,580)	\$ 19,447	\$ 24,177

Net income excluding gain on dilution and income tax adjustments

Net income excluding gain on dilution and income tax adjustments is used by COGECO's management and investors in order to evaluate what would have been the net income excluding the gain on dilution and the income tax adjustments. This allows the Company to isolate the one time adjustments in order to evaluate the net income from ongoing activities.

(\$ 000)	Quarters ended August 31, (unaudited)		Years ended August 31, (audited)	
	2007	2006	2007	2006
Net income	\$ 30,384	\$ 10,300	\$ 74,740	\$ 23,101
Adjustments				
Gain on dilution	(27,011)	-	(57,930)	-
Income tax adjustments net of non- controlling interest	(322)	(7,866)	506	(7,866)
Net income excluding above adjustments	\$ 3,051	\$ 2,434	\$ 17,316	\$ 15,235

ADDITIONAL INFORMATION

This MD&A was prepared on October 29, 2007. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR web site at www.sedar.com.

ABOUT COGECO

COGECO is a diversified communications company. Through its Cogeco Cable subsidiary, COGECO provides 2,485,665 revenue-generating units (RGUs) to 2,343,466 homes passed in its Canadian and Portuguese service territories. Through its two-way broadband cable networks, Cogeco Cable provides its residential and commercial customers with Analogue and Digital Television, High Speed Internet as well as Telephony services. Through its Cogeco Radio-Television subsidiary, COGECO holds a 60% interest and operates the TQS network, five TQS television stations, and three French CBC-affiliated television stations in partnership with CTV Television. Cogeco Radio-Television also wholly owns and operates the RYTHME FM radio stations in Montréal, Québec City, Trois-Rivières and Sherbrooke as well as the 93³ station in Québec City. 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).

Source: **COGECO Inc.**
Pierre Gagné
Vice President, Finance and Chief Financial Officer
Tel.: (514) 874-2600

Information: **Media**
Marie Carrier
Director, Corporate Communications
Tel.: (514) 874-2600

Analyst Conference Call: **Monday, October 29, 2007 at 11:00 A.M. (EDT)**
Media representatives may attend as listeners only.

Please use the following dial-in number to have access to the conference call by dialling 10 minutes before the start of the conference:

Canada/USA Access Number: 1 866 904-6909

International Access Number: + 1 416 915-8331

Confirmation Code: 4118404

By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until November 5, by dialling:

Canada and US access number: 1 888 203-1112

International access number: + 1 647 436-0148

Confirmation code: 4118404

**Supplementary Quarterly Financial Information
(unaudited)**

Quarters ended ⁽²⁾	August 31,		May 31,		February 28,		November 30,	
	2007 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾	2006	2007 ⁽¹⁾	2006	2006 ⁽¹⁾	2005
<i>(\$000, except percentages and per share data)</i>								
Revenue	\$ 269,326	\$ 199,351	\$ 277,364	\$ 189,718	\$ 261,120	\$ 177,359	\$ 263,292	\$ 180,478
Operating income before amortization	98,180	68,645	95,495	66,111	83,669	57,765	88,367	60,593
<i>Operating margin</i>	<i>36.5%</i>	<i>34.4%</i>	<i>34.4%</i>	<i>34.8%</i>	<i>32.0%</i>	<i>32.6%</i>	<i>33.6%</i>	<i>33.6%</i>
Amortization	56,018	36,446	48,835	30,658	45,112	30,217	45,839	29,883
Financial expense	19,190	16,864	21,851	14,120	24,181	14,231	21,759	13,961
Income taxes (recovery)	(368)	(13,950)	9,679	8,461	2,580	5,706	6,463	6,611
Non-controlling interest	19,763	19,022	12,007	7,293	8,240	4,842	7,557	5,455
Gain (loss) on dilution	27,011	-	(64)	-	30,990	-	(7)	-
Net income	30,384	10,300	3,059	5,529	34,546	2,679	6,751	4,593
Cash flow from operations	75,035	51,729	76,282	52,093	59,266	41,644	66,035	46,842
Net income per share	\$ 1.82	\$ 0.62	\$ 0.18	\$ 0.33	\$ 2.08	\$ 0.16	\$ 0.41	\$ 0.28

- (1) Include operating results of the cable subsidiary, Cabovisão, since the date of acquisition of control on August 1, 2006.
(2) The addition of quarterly information may not correspond to the annual total given rounding.

Cable sector operating results are generally not subject to material seasonal fluctuations. However, the loss of Basic Cable service customers is usually greater, and the addition of HSI service customers is generally lower in the fourth quarter, mainly due to students leaving campuses at the end of the school year. However, the media sector's operating results may be subject to significant seasonal variations. The revenue depends on audience ratings and the market for conventional radio and television advertising expenditures in the Province of Québec. Advertising sales, mainly national advertising, are normally weaker in the second and fourth quarters and, as a result, the operating margin is generally lower in those quarters.

COGECO INC.
Customer Statistics

- 30 -

	August 31, 2007	August 31, 2006
Homes Passed		
Ontario ⁽¹⁾	997 498	1 002 187
Québec	486 592	474 717
Canada	1 484 090	1 476 904
Portugal	859 376	826 369
Total	2 343 466	2 303 273
Revenue Generating Units		
Ontario	1 256 244	1 104 157
Québec	532 264	451 779
Canada	1 788 508	1 555 936
Portugal	697 157	629 041
Total	2 485 665	2 184 977
Basic Cable Service Customers		
Ontario	594 889	587 289
Québec	254 268	245 888
Canada	849 157	833 177
Portugal	294 003	269 694
Total	1 143 160	1 102 871
Discretionary Service Customers		
Ontario	468 764	463 783
Québec	204 585	192 895
Canada	673 349	656 678
Portugal	-	-
Total	673 349	656 678
Pay TV Service Customers		
Ontario	88 835	84 425
Québec	42 180	38 455
Canada	131 015	122 880
Portugal	54 723	54 089
Total	185 738	176 969
High Speed Internet Service Customers		
Ontario	316 363	269 328
Québec	99 473	73 752
Canada	415 836	343 080
Portugal	160 023	136 278
Total	575 859	479 358
Digital Television Service Customers		
Ontario	246 267	213 556
Québec	133 612	113 808
Canada	379 879	327 364
Portugal	-	-
Total	379 879	327 364
Telephony Service Customers		
Ontario	98 725	33 984
Québec	44 911	18 331
Canada	143 636	52 315
Portugal	243 131	223 069
Total	386 767	275 384

(1) An audit of homes passed in Ontario was completed during the first quarter of fiscal 2007 and, as a result, the number of homes passed was reduced by 42,386

COGECO INC.
CONSOLIDATED STATEMENTS OF INCOME

<i>(In thousands of dollars, except per share data)</i>	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	\$ 269,326	\$ 199,351	\$ 1,071,102	\$ 746,906
Operating costs	171,146	130,706	705,391	493,792
Operating income before amortization	98,180	68,645	365,711	253,114
Amortization (note 4)	56,018	36,446	195,804	127,204
Operating income	42,162	32,199	169,907	125,910
Financial expense (note 9)	19,190	16,864	86,981	59,176
Income before income taxes and the following items	22,972	15,335	82,926	66,734
Income taxes (note 5)	(368)	(13,950)	18,354	6,828
Gain on dilution resulting from shares issues by a subsidiary (note 6)	(27,011)	–	(57,930)	–
Non-controlling interest	19,763	19,022	47,567	36,612
Share in the loss (earnings) of a general partnership	204	(37)	195	193
Net income	\$ 30,384	\$ 10,300	\$ 74,740	\$ 23,101
Earnings per share (note 7)				
Basic	\$ 1.82	\$ 0.62	\$ 4.50	\$ 1.40
Diluted	1.81	0.62	4.47	1.39

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(In thousands of dollars)</i>	Twelve months ended August 31,	
	2007	2006
	(audited)	(audited)
Balance at beginning	\$ 204,734	\$ 185,762
Net income	74,740	23,101
Dividends on multiple voting shares	(503)	(462)
Dividends on subordinate voting shares	(4,025)	(3,667)
Balance at end	\$ 274,946	\$ 204,734

COGECO INC.
CONSOLIDATED BALANCE SHEETS

<i>(In thousands of dollars)</i>	August 31, 2007	August 31, 2006
	(audited)	(audited)
Assets		
Current		
Cash and cash equivalents	\$ 65,564	\$ 71,516
Restricted cash	-	569
Accounts receivable	76,345	71,989
Income taxes receivable	3,138	-
Prepaid expenses	9,117	7,204
Broadcasting rights	14,647	15,632
Future income tax assets	17,986	-
	186,797	166,910
Income taxes receivable	1,345	-
Broadcasting rights	17,456	18,083
Investments	739	539
Fixed assets	1,144,923	1,048,998
Deferred charges	55,450	49,433
Intangible assets (note 8)	1,086,750	1,017,892
Goodwill (note 8)	342,584	422,108
	\$ 2,836,044	\$ 2,723,963
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	\$ 7,458	\$ 7,891
Accounts payable and accrued liabilities	249,343	312,837
Broadcasting rights payable	8,531	7,721
Income tax liabilities	1,350	666
Deferred and prepaid income	29,879	26,737
Current portion of long-term debt (note 9)	17,578	126,904
	314,139	482,756
Long-term debt (note 9)	1,036,256	1,209,254
Share in the partners' deficiency of a general partnership	1,036	841
Deferred and prepaid income	11,501	10,525
Broadcasting rights payable	4,408	5,777
Pension plan liabilities and accrued employee benefits	8,822	11,098
Future income tax liabilities	267,646	211,848
Non-controlling interest	799,776	472,605
	2,443,584	2,404,704
Shareholders' equity		
Capital stock (note 10)	119,078	117,552
Treasury shares (note 10)	(1,054)	-
Contributed surplus – stock-based compensation	2,600	1,425
Retained earnings	274,946	204,734
Foreign currency translation adjustment (note 11)	(3,110)	(4,452)
	392,460	319,259
	\$ 2,836,044	\$ 2,723,963

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

<i>(In thousands of dollars)</i>	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Cash flow from operating activities				
Net income	\$ 30,384	\$ 10,300	\$ 74,740	\$ 23,101
Adjustments for:				
Amortization (note 4)	56,018	36,446	195,804	127,204
Amortization of deferred financing costs	513	416	2,226	1,140
Future income taxes (note 5)	2,361	(14,900)	14,903	1,709
Non-controlling interest	19,763	19,022	47,567	36,612
Gain on dilution resulting from shares issued by a subsidiary (note 6)	(27,011)	–	(57,930)	–
Stock-based compensation	(7,066)	(534)	(988)	356
Loss on disposal of fixed assets	289	963	126	1,135
Other	(216)	16	170	1,051
	75,035	51,729	276,618	192,308
Changes in non-cash operating items (note 12a))	39,705	57,288	(66,525)	3,645
	114,740	109,017	210,093	195,953
Cash flow from investing activities				
Acquisition of fixed assets (note 12b))	(59,718)	(46,112)	(224,045)	(144,469)
Increase in deferred charges	(10,784)	(8,929)	(30,042)	(20,657)
Business acquisition, net of cash and cash equivalents acquired (note 2)	(629)	(577,431)	1,265	(577,431)
Decrease (increase) in restricted cash	503	(91)	591	(91)
Other	(72)	16	401	54
	(70,700)	(632,547)	(251,830)	(742,594)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	(8,639)	(6,165)	(433)	7,286
Increase in long-term debt	9,278	633,402	6,778	633,402
Repayment of long-term debt	(146,483)	(19,536)	(299,609)	(5,304)
Increase in deferred financing costs	–	(10,110)	–	(10,110)
Issue of subordinate voting shares	95	111	1,526	1,385
Acquisition of treasury shares (note 10)	–	–	(1,054)	–
Dividends on multiple voting shares	(129)	(115)	(503)	(462)
Dividends on subordinate voting shares	(1,038)	(918)	(4,025)	(3,667)
Issue of shares by subsidiaries to non-controlling interest, net of issue costs	148,378	62	338,444	228
Dividends paid by a subsidiary to non-controlling interest	(2,372)	(972)	(6,582)	(3,888)
	(910)	595,759	34,542	618,870
Net change in cash and cash equivalents	43,130	72,229	(7,195)	72,229
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(243)	(713)	1,243	(713)
Cash and cash equivalents at beginning	22,677	–	71,516	–
Cash and cash equivalents at end	\$ 65,564	\$ 71,516	\$ 65,564	\$ 71,516

See supplemental cash flow information in note 12.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly the financial position of COGECO Inc. as at August 31, 2007 and August 31, 2006 as well as its results of operations and its cash flow for the three and twelve month periods ended August 31, 2007 and 2006.

While management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with COGECO Inc.'s annual consolidated financial statements for the year ended August 31, 2006. These audited consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except as mentioned below.

Intangible assets with definite lives, such as customer relationships, are recorded at cost and amortized on a straight-line basis over the average life of a customer's subscription. In the case of the acquisition of Cabovisão — Televisão por Cabo, S.A., the average life of a customer's subscription is eight years.

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

2. Business Acquisition

Acquisition of Cabovisão – Televisão por Cabo, S.A.

On June 2, 2006, the Company's subsidiary, Cogeco Cable Inc., entered into an agreement with Cable Satisfaction International Inc. ("CSII"), Catalyst Fund Limited Partnership I and Cabovisão – Televisão por Cabo, S.A. (Cabovisão), to purchase, for a total consideration of €461.8 million (\$667.5 million), all the shares of the second largest cable telecommunications company in Portugal, an indirect wholly-owned subsidiary of CSII. The price includes the purchase of senior debt and reimbursement of certain other Cabovisão liabilities. The acquisition was completed on August 1, 2006 and the final purchase price has been determined following completion of a post-closing working capital adjustment that occurred on March 9, 2007. According to the agreement, the final purchase price was reduced by an amount of €2,194,000 (\$3,371,000).

The acquisition was accounted for using the purchase method. The results of Cabovisão have been consolidated as of the acquisition date.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

2. Business Acquisition (continued)

Management has completed its valuations of tangible and intangible assets acquired and liabilities assumed and the final allocation is as follows:

	2007
	(audited)
Consideration paid	
Share purchase price	\$ 304,188
Working capital adjustment	(3,371)
Secured lenders debt and certain specified Cabovisão liabilities	274,761
Acquisition costs	6,299
	\$ 581,877
Net assets acquired	
Cash and cash equivalents	\$ 5,711
Restricted cash	489
Accounts receivable	16,570
Prepaid expense	1,324
Fixed assets	323,796
Customer relationships	71,684
Goodwill	344,004
Accounts payable and accrued liabilities assumed	(60,433)
Other specified Cabovisão liabilities assumed	(91,914)
Future income tax liabilities	(29,354)
	\$ 581,877

The final allocation resulted in an increase in fixed assets of \$36,144,000, an increase in customer relationships of \$71,684,000 and an increase in future income tax liabilities of \$29,354,000, as well as a decrease in accounts payable and accrued liabilities assumed of \$4,849,000. The net impact of these adjustments, combined with the reduction of the purchase price, reduced goodwill by \$87,020,000 (see note 8b)).

Also in accordance with the Portuguese Companies Income Tax Code, accumulated tax losses cannot be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless a request is filed before such change in the ownership takes place, subject to approval by the Portuguese tax authorities. To this effect, a request for preservation of tax losses was filed by Cabovisão on July 28, 2006, and Cabovisão has not yet received a reply. Consequently, these losses have not been included in the purchase price allocation, but will be recognized as a reduction of goodwill upon realisation.

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2007***(amounts in tables are in thousands of dollars, except per share data)***3. Segmented Information**

The Company's activities are divided into two business segments: Cable and Media. The Cable segment is comprised of Cable Television, High Speed Internet and Telephony services, and the Media segment is comprised of Radio and Television operations.

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

	Cable		Media		Head Office and elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
Three months ended August 31, (unaudited)								
Revenue	\$ 244,314	\$ 174,875	\$ 25,063	\$ 24,527	\$ (51)	\$ (51)	\$ 269,326	\$ 199,351
Operating costs	141,888	102,011	26,602	27,315	2,656	1,380	171,146	130,706
Operating income (loss) before amortization	102,426	72,864	(1,539)	(2,788)	(2,707)	(1,431)	98,180	68,645
Amortization	54,164	34,801	1,809	1,600	45	45	56,018	36,446
Operating income (loss)	48,262	38,063	(3,348)	(4,388)	(2,752)	(1,476)	42,162	32,199
Financial expense	18,524	16,374	274	156	392	334	19,190	16,864
Income taxes	(6,630)	(12,298)	6,992	(1,224)	(730)	(428)	(368)	(13,950)
Net assets employed ⁽¹⁾⁽²⁾	\$ 2,398,297	\$ 2,210,823	\$ 60,076	\$ 70,550	\$ 8,445	\$ 7,477	\$ 2,466,818	\$ 2,288,850
Total assets ⁽²⁾	2,714,339	2,602,603	109,548	112,609	12,157	8,751	2,836,044	2,723,963
Fixed assets ⁽²⁾	1,119,498	1,021,538	24,937	26,794	488	666	1,144,923	1,048,998
Goodwill ⁽²⁾	342,584	422,108	-	-	-	-	342,584	422,108
Acquisition of fixed assets	58,180	44,350	1,829	2,030	-	-	60,009	46,380

⁽¹⁾ Total assets less cash and cash equivalents, accounts payable and accrued liabilities, broadcasting rights payable and deferred and prepaid income.

⁽²⁾ As at August 31, 2007 and 2006.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

3. Segmented Information (continued)

Twelve months ended August 31, (audited)	Cable		Media		Head Office and elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue	\$ 938,880	\$ 620,001	\$ 132,426	\$ 127,109	\$ (204)	\$ (204)	\$ 1,071,102	\$ 746,906
Operating costs	568,127	367,023	132,142	127,730	5,122	(961)	705,391	493,792
Operating income (loss) before amortization	370,753	252,978	284	(621)	(5,326)	757	365,711	253,114
Amortization	189,323	120,782	6,303	6,251	178	171	195,804	127,204
Operating income (loss)	181,430	132,196	(6,019)	(6,872)	(5,504)	586	169,907	125,910
Financial expense	84,569	57,366	1,026	678	1,386	1,132	86,981	59,176
Income taxes	12,170	9,274	7,234	(2,962)	(1,050)	516	18,354	6,828
Net assets employed ⁽¹⁾⁽²⁾	\$ 2,398,297	\$ 2,210,823	\$ 60,076	\$ 70,550	\$ 8,445	\$ 7,477	\$ 2,466,818	\$ 2,288,850
Total assets ⁽²⁾	2,714,339	2,602,603	109,548	112,609	12,157	8,751	2,836,044	2,723,963
Fixed assets ⁽²⁾	1,119,498	1,021,538	24,937	26,794	488	666	1,144,923	1,048,998
Goodwill ⁽²⁾	342,584	422,108	-	-	-	-	342,584	422,108
Acquisition of fixed assets	223,966	143,839	3,163	3,528	-	107	227,129	147,474

⁽¹⁾ Total assets less cash and cash equivalents, accounts payable and accrued liabilities, broadcasting rights payable and deferred and prepaid income.

⁽²⁾ As a August 31, 2007 and 2006.

The following tables sets out certain geographic market information based on client's location:

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
Canada	\$ 213,462	\$ 182,485	\$ 846,292	\$ 730,040
Europe	55,864	16,866	224,810	16,866
	\$ 269,326	\$ 199,351	\$ 1,071,102	\$ 746,906

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

3. Segmented Information (continued)

	As at August 31,		As at August 31,	
	2007		2006	
	(audited)		(audited)	
Fixed assets				
Canada	\$	837,407	\$	768,484
Europe		307,516		280,514
	\$	1,144,923	\$	1,048,998
Goodwill				
Canada	\$	—	\$	—
Europe		342,584		422,108
	\$	342,584	\$	422,108

4. Amortization

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Fixed assets	\$ 47,719	\$ 31,139	\$ 171,478	\$ 105,213
Deferred charges	5,738	5,307	21,765	21,991
Intangible assets	2,561	—	2,561	—
	\$ 56,018	\$ 36,446	\$ 195,804	\$ 127,204

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

5. Income Taxes

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Current	\$ (2,729)	\$ 950	\$ 3,451	\$ 5,119
Future	2,361	(14,900)	14,903	1,709
	\$ (368)	\$ (13,950)	\$ 18,354	\$ 6,828

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

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Income before income taxes	\$ 22,768	\$ 15,372	\$ 82,731	\$ 66,541
Combined income tax rate	34.61%	35.51%	34.48%	35.51%
Income taxes at combined income tax rate	\$ 7,881	\$ 5,804	\$ 28,526	\$ 23,631
Loss or income subject to lower or higher tax rates	(519)	(567)	(447)	(226)
Decrease in future income taxes as a result of decreases in substantively enacted tax rates	(5,863)	(19,831)	(5,863)	(19,922)
Large corporation tax	–	(1,837)	–	614
Income taxes arising from non-deductible expenses	1,016	1,593	1,016	1,593
Effect of foreign income tax rate differences	(2,066)	314	(5,103)	314
Benefit related to prior years' minimum income taxes paid and non-capital loss carryforwards	(8,403)	–	(9,878)	–
Variation of the valuation allowance	6,983	(34)	9,163	(34)
Other	603	608	940	858
Income taxes at effective income tax rate	\$ (368)	\$ (13,950)	\$ 18,354	\$ 6,828

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

6. Gain on dilution resulting from shares issued by a subsidiary

During fiscal year 2007, the Company's subsidiary, Cogeco Cable Inc., completed two public offerings totaling 8,000,000 subordinate voting shares. The offerings resulted in gross proceeds of \$345,950,000 and net proceeds of \$331,110,000. The Company's subsidiary has also issued 7,344 subordinate voting shares pursuant to its Employee Stock Purchase Plan and 348,131 subordinate voting shares pursuant to its Employee Stock Option Plan for cash considerations of \$198,000 and \$6,816,000, respectively. As a result, the Company's interest in Cogeco Cable Inc. decrease from 39.2% to 32.5% and gains on dilution of \$27,011,000 and \$57,930,000 were recorded for the three and twelve month periods ended August 31, 2007.

7. Earnings per Share

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

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Net income	\$ 30,384	\$ 10,300	\$ 74,740	\$ 23,101
Weighted average number of multiple voting and subordinate voting shares outstanding	16,671,043	16,544,443	16,605,828	16,507,666
Effect of dilutive stock options ⁽¹⁾	88,392	84,820	97,168	121,692
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,759,435	16,629,263	16,702,996	16,629,358
Earnings per share				
Basic	\$ 1.82	\$ 0.62	\$ 4.50	\$ 1.40
Diluted	1.81	0.62	4.47	1.39

⁽¹⁾ No stock options (36,443 in 2006) were excluded from the calculation of diluted earnings per share for the three month periods ended August 31, 2007, and 18,222 stock options (38,293 in 2006) were excluded from the calculation of diluted earnings per share for the twelve month periods ended August 31, 2007, since the exercise price of the options was greater than the average share price of the subordinate voting shares.

8. Goodwill and Other Intangible Assets

	August 31, 2007	August 31, 2006
	(audited)	(audited)
Customer relationships	\$ 68,858	\$ -
Broadcasting licenses	28,120	28,120
Customer base	989,772	989,772
	1,086,750	1,017,892
Goodwill	342,584	422,108
	\$ 1,429,334	\$ 1,440,000

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2007***(amounts in tables are in thousands of dollars, except per share data)***8. Goodwill and Other Intangible Assets (continued)****a) Intangible assets**

During the year 2007, intangible assets variations were as follows:

	Customer relationships	Broadcasting licenses	Customer base	Total
	(audited)	(audited)	(audited)	(audited)
Balance as at August 31, 2006	\$ -	\$ 28,120	\$ 989,772	\$ 1,017,892
Business acquisition (note 2)	71,684	-	-	71,684
Amortization	(2,561)	-	-	(2,561)
Foreign currency translation adjustment	(265)	-	-	(265)
Balance as at August 31, 2007	\$ 68,858	\$ 28,120	\$ 989,772	\$ 1,086,750

At August 31, 2007 and 2006, the Company's subsidiaries, Cogeco Cable Inc. and Cogeco Radio-Télévision Inc., tested the value of customer base and broadcasting licenses for impairment and concluded that no impairment existed.

b) Goodwill

During the years 2007 and 2006, goodwill variation was as follows:

	2007	2006
	(audited)	(audited)
Balance as at August 31, 2006	\$ 422,108	\$ -
Business acquisition	-	431,024
Adjustment to the allocation of the purchase price (note 2)	(87,020)	-
Foreign currency translation adjustment	7,496	(8,916)
Balance as at August 31, 2007	\$ 342,584	\$ 422,108

On March 9, 2007, the Company's subsidiary, Cogeco Cable Inc., and Cable Satisfaction International Inc. came to an agreement for a final adjustment to the working capital that was outstanding since the date of acquisition. According to the agreement, the final purchase price was reduced by an amount of €2,194,000 (\$3,371,000). Also, during 2007, the purchase price allocation related to the 2006 acquisition of Cabovisão was adjusted to reflect final valuations of tangible and intangible assets acquired and liabilities assumed on acquisition. The impact of these adjustments reduced goodwill by \$87,020,000 (see note 2).

At August 31, 2007 the Company's subsidiary, Cogeco Cable Inc., tested the value of goodwill for impairment and concluded that no impairment existed.

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2007***(amounts in tables are in thousands of dollars, except per share data)***9. Long-Term Debt**

	Maturity	Interest rate	August 31, 2007	August 31, 2006
			(audited)	(audited)
Parent company				
Term Facility	2010 ⁽¹⁾	6.44% ⁽²⁾	\$ 25,538	\$ 19,000
Obligations under capital leases	2010	6.49 – 6.61	108	138
Subsidiaries				
Term Facility				
Term loan - €104,551,500 (\$150,000,000 in 2006) ⁽³⁾	2011	5.44 ⁽²⁾	150,450	150,000
Term loan – €17,358,700	2011	5.25 ⁽²⁾	24,979	24,573
Revolving loan – €196,725,000 (€317,000,000 in 2006)	2011	5.02 ⁽²⁾	283,087	448,745
Senior Secured Debentures Series 1	2009	6.75	150,000	150,000
Senior – Secured Notes				
Series A – US\$150 million	2008	6.83 ⁽⁴⁾	158,430	165,795
Series B	2011	7.73	175,000	175,000
Second Secured Debentures Series A	2007 ⁽⁵⁾	8.44	–	125,000
Deferred credit ⁽⁶⁾	2008	–	80,220	72,855
Obligations under capital leases	2011	6.42 – 8.30	5,760	5,009
Other	–	–	262	43
			1,053,834	1,336,158
Less current portion			17,578	126,904
			\$ 1,036,256	\$ 1,209,254

⁽¹⁾ COGECO Inc's Term Facility has been extended for an additional year in December 2006.

⁽²⁾ Average interest rate on debt as at August 31, 2007, including stamping fees.

⁽³⁾ On August 14, 2007, the Term Facility was amended to permit Euribor loans under the third tranche Term commitment in an amount not exceeding \$150,000,000, subject to reduction already determined.

⁽⁴⁾ Cross-currency swap agreements have resulted in an effective interest rate of 7.254% on the Canadian dollar equivalent of the U.S. denominated debt of the Company's subsidiary, Cogeco Cable Inc.

⁽⁵⁾ On February 2, 2007, the Company's subsidiary, Cogeco Cable Inc., gave a notice of redemption to purchase on March 5, 2007, all of its 8.44% Second Secured Debentures Series A ("the Notes") in the aggregate principal amount of \$125,000,000. Concurrently, the Company's subsidiary also made an offer to purchase for cancellation on February 12, 2007, all of the validly issued and held Notes upon receipt by the Trustee of a written notice of acceptance by the holders of Notes. As a result, a total of \$89,257,000 of Notes were redeemed on February 12, 2007, for a total cash consideration of \$91,038,000. The remaining Notes of \$35,743,000 were redeemed on March 5, 2007, for a total cash consideration of \$36,550,000. The excess of the redemption price over the aggregate principal amount was recorded as financial expense.

⁽⁶⁾ The deferred credit represents the amount that would have been payable as at August 31, 2007 and August 31, 2006 under cross-currency swaps entered into by the Company's subsidiary, Cogeco Cable Inc., to hedge Senior Secured Notes Series A denominated in U.S. dollars.

Interest on long-term debt for the three and twelve month periods ended August 31, 2007 amounted to \$18,477,000 and \$81,266,000 (\$15,892,000 and \$56,020,000 in 2006).

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

10. Capital Stock

Authorized, an unlimited number

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

Multiple voting shares, 20 votes per share.

Subordinate voting share, 1 vote per share.

	August 31, 2007		August 31, 2006
	(audited)		(audited)
Issued			
1,842,860 multiple voting shares (1,849,900 in 2006) ⁽¹⁾	\$ 12	\$	12
14,829,792 subordinate voting shares (14,702,556 in 2006)	119,066		117,540
	\$ 119,078	\$	117,552

⁽¹⁾ During the third quarter of 2007, 7,040 multiple voting shares were converted to subordinate voting shares.

During the period, subordinate voting share transactions were as follows:

	Twelve months ended		Twelve months ended	
	August 31, 2007		August 31, 2006	
	(audited)		(audited)	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning	14,702,556	\$ 117,540	14,600,104	\$ 116,155
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	120,196	1,526	102,452	1,385
Conversion of multiple voting shares into subordinate voting shares	7,040	-	-	-
Balance at end	14,829,792	\$ 119,066	14,702,556	\$ 117,540

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

10. Capital Stock (continued)

Stock-based plans

The Company offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives which are described in the Company's annual consolidated financial statements. During fiscal year 2007 and 2006, no stock options were granted to employees by COGECO Inc. However, the Company's subsidiary, Cogeco Cable Inc., granted 201,587 stock options (136,059 in 2006) with an exercise price of \$26.63 to \$44.54 (\$24.15 to \$29.05 in 2006), of which 57,247 stock options (31,743 in 2006) were granted to COGECO Inc.'s employees. The Company's subsidiary also granted 376,000 conditional stock options with an exercise price of \$26.63 of which 262,400 stock options were granted to COGECO Inc.'s employees. These conditional options vest over a period of three years beginning one year after the day such options were granted and are exercisable over ten years. The vesting of these options is conditional to the achievement of certain yearly financial objectives by the Portuguese subsidiary, Cabovisão — Televisão por Cabo, S.A., over a period of three years. The Company records compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of \$538,000 and \$1,977,000 (\$202,000 and \$775,000 in 2006) was recorded for the three and twelve month periods ended August 31, 2007. If compensation expense had been recognized using the fair value-based method at the grant date for options granted between September 1, 2001 and August 31, 2003, the Company's net income and earnings per share for the three and twelve month periods ended August 31, 2006 would have been reduced to the following pro forma amounts:

	Three months ended	Twelve months ended
	August 31, 2006	August 31, 2006
	(unaudited)	(audited)
Net income		
As reported	\$ 10,300	\$ 23,101
Pro forma	10,292	23,069
Basic earnings per share		
As reported	\$ 0.62	\$ 1.40
Pro forma	0.62	1.40
Diluted earnings per share		
As reported	\$ 0.62	\$ 1.39
Pro forma	0.62	1.39

The fair value of stock options granted by the Company's subsidiary, Cogeco Cable Inc., for fiscal year 2007 was \$7.39 (\$9.32 in 2006) per option. The fair value was estimated at the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2007		2006	
Expected dividend yield	1.27	%	1.27	%
Expected volatility	32	%	39	%
Risk-free interest rate	4.05	%	3.70	%
Expected life in years	4.0		4.0	

As at August 31, 2007, the Company had outstanding stock options providing for the subscription of 195,418 subordinate voting shares. These stock options can be exercised at various prices ranging from \$14.00 to \$37.50 and at various dates up to October 19, 2011.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

10. Capital Stock (continued)

TQS Inc., an indirect subsidiary of the Company, has also a stock option plan for certain executives and key employees which is described in the Company's annual consolidated financial statements. During the twelve months, period ended August 31, 2007, 156,156 stock options (206,341 in 2006) were granted by TQS Inc. No compensation expense (none and \$154,000 in 2006) was recorded for the three and twelve month periods ended August 31, 2007 related to this plan.

The Company and its subsidiary, Cogeco Cable Inc., had also Performance Unit Plans for key employees which were terminated in June 2007. The value of a performance unit granted was equal to the closing price of the subordinate shares of the Company and its subsidiary on the Toronto Stock Exchange on the trading day preceding the date of grant of the unit. The units credited to the participant's account became vested to the participant on the third anniversary of the date of grant of the said performance units. During fiscal year 2007, no performance unit (29,476 in 2006) were granted by the Company to its employees. No performance unit were granted to employees by the Company's subsidiary, Cogeco Cable Inc., during fiscal 2007 and 2006. An amount of \$7,805,000 was paid in the fourth quarter related to the termination of these plans. A compensation expense of \$70,000 and \$4,659,000 (a reduction of expense of \$308,000 and an expense of \$18,000 in 2006) has been recorded for the three and twelve months periods ended August 31, 2007 related to these plans.

Effective October 13, 2006, the Company established a senior executives and designated employee incentive unit plan (the "Incentive Share Unit Plan") which, in effect, replaces the Performance Unit Plan. According to the plan, senior executives and other designated employees periodically receive a given number of units ("Incentive Share Units") which entitled the participant to receive subordinate voting shares of the Company after three years less one day from the date of grant. During fiscal year 2007, the Company granted 25,895 Incentive Share Units. The Company establishes the value of the compensation related to the units granted based on the market value of the Company's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, which is three years. A trust was created for the purpose of purchasing these shares on the stock exchange in order to guard against stock price fluctuation. The Company instructed the trustee to purchase 25,895 subordinate voting shares of the Company on the stock market. These shares were purchased for a cash consideration of \$1,054,000 and are held in trust for participants until they are completely vested. The trust, considered as a variable interest entity, is consolidated in the Company's financial statements with the value of the acquired shares presented as treasury shares in reduction of capital stock. A compensation expense of \$53,000 and \$181,000 was recorded for the three and twelve months periods ended August 31, 2007 related to this plan.

In April 2007, the Company and its subsidiary, Cogeco Cable Inc., established a deferred share unit plan ("DSU Plan") to assist in the attraction and retention of qualified individuals to serve on the Board of the Company. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("DSUs") with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the Toronto Stock Exchange for the twenty consecutive trading days immediately preceding the day preceding the date of grant. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable upon an individual ceasing to be a member of the Board or in the event of the death of a member.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

11. Foreign Currency Translation Adjustment

The change in the foreign currency translation adjustment included in shareholders' equity is the result of the fluctuation in the exchange rates on translation of net investments in self-sustaining foreign subsidiaries and foreign exchange gains or losses related to long-term debt denominated in foreign currency used to hedge net investments. The net change in foreign currency translation adjustment for 2007 and 2006 is as follows:

	Twelve months ended August 31, 2007		Twelve months ended August 31, 2006	
	(audited)		(audited)	
Effect of exchange rate variation on translation of net investments in self-sustaining foreign subsidiaries	\$	(3,512)	\$	(12,412)
Effect of exchange rate variation on translation of long-term debt designated as hedge of net investments in self-sustaining subsidiaries, net of income taxes of \$18,000 (\$1,703,000 in 2006)		402		7,960
	\$	(3,110)	\$	(4,452)

12. Statements of Cash Flow

a) Changes in non-cash operating items

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Accounts receivable	\$ 9,825	\$ 9,283	\$ (5,246)	\$ (348)
Income taxes receivable	(1,665)	245	(4,554)	—
Prepaid expenses	120	227	(1,896)	(1,201)
Broadcasting rights	1,486	1,807	1,612	(3,471)
Accounts payable and accrued liabilities	31,642	48,369	(60,710)	4,536
Broadcasting rights payable	(2,892)	(3,116)	(559)	2,049
Income tax liabilities	45	672	682	373
Deferred and prepaid income	1,144	(199)	4,146	1,707
	\$ 39,705	\$ 57,288	\$ (66,525)	\$ 3,645

b) Other information

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Fixed asset acquisitions through capital leases	\$ 291	\$ 268	\$ 3,084	\$ 3,005
Financial expense paid	14,204	12,242	85,135	56,429
Income taxes paid (received)	(1,068)	39	6,898	4,752

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

13. Employee Future Benefits

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

	Three months ended August 31,		Twelve months ended August 31,	
	2007	2006	2007	2006
	(unaudited)	(unaudited)	(audited)	(audited)
Contributory defined benefit pension plans	\$ 1,045	\$ 783	\$ 3,447	\$ 3,334
Defined contribution pension plan and collective registered retirement savings plans	606	502	2,512	1,914
	\$ 1,651	\$ 1,285	\$ 5,959	\$ 5,248

14. Contingencies and Guarantees

Second Put and Call Options of TQS Inc.

On February 15, 2002, the shareholders of 3947424 Canada Inc. ("TQS Holdco"), Cogeco Radio-Télévision Inc. ("CRTI") and Bell Globemedia Inc. ("BGM"), entered into a shareholders agreement following the acquisition of TQS Inc. (the "Shareholders Agreement"). On October 31, 2002, BGM transferred its shares in TQS Holdco to CTV Television Inc. ("CTV"), a subsidiary of BGM. The Shareholders Agreement provides the right for CTV to notify CRTI, during a 180 day period starting from February 15, 2007, of its offer to sell all its shares in TQS Holdco to CRTI for an all-cash consideration calculated as the fair market value of TQS Holdco multiplied by the ratio of shares owned by CTV to total shares issued and outstanding in the capital of TQS Holdco, and multiplied by 1.15. CRTI may elect to acquire CTV's shares within 90 days following receipt of the put notice by delivering a put exercise notice to CTV. If CRTI elects not to exercise or fails to exercise its put option, CTV may within 90 days following such election or failure to exercise by CRTI, deliver a call notice to CRTI to purchase all the shares of CRTI in TQS Holdco for an all-cash consideration calculated as the fair market value of TQS Holdco multiplied by the ratio of shares owned by CRTI to total shares issued and outstanding in the capital of TQS Holdco, and multiplied by 1.30. Unless the parties decide to modify the Shareholders Agreement, in the event that CTV notifies CRTI of its offer to sell all its shares in TQS Holdco to CRTI, CRTI does not buy them and CTV does not buy CRTI's shares, CRTI and CTV have agreed to put up all TQS Holdco shares for sale to a third party purchaser, subject to requisite governmental authorizations, with a view to obtaining the highest possible price and maximizing shareholder value.

On August 31, 2006, BGM announced that it had closed off on its new ownership structure whereby BCE sold 48% of its voting interest in BGM to The Woodbridge Company Limited and affiliates, the Ontario Teachers' Pension Plan and Torstar Corporation. This transaction constitutes a change of control under the Shareholders Agreement and, accordingly, triggers certain purchase rights under the Agreement in favour of CRTI to purchase all, but not less than all, of the shares owned by CTV.

On November 30, 2006, COGECO Inc. has confirmed that CRTI will not exercise its right to purchase the 40% interest that CTV holds in TQS Holdco, following the change of control of BGM on August 31, 2006 that triggered the right for CRTI to acquire all the shares of CTV in TQS Holdco.

Furthermore, CRTI, CTV and TQS Holdco have amended the Shareholder's Agreement to postpone the beginning of the Second Put Option Period provided in the Agreement from February 15, 2007 to January 1, 2009.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2007

(amounts in tables are in thousands of dollars, except per share data)

14. Contingencies and Guarantees (continued)

Taxes for Municipal Rights of Way

During the second quarter, the Company's subsidiary, Cogeco Cable Inc., has guaranteed the payment by Cabovisão of certain taxes for municipal rights of way assessed by the Municipality of Seixal in Portugal for the years 2004 and 2005 totalling €5.7 million (the "Tax Amounts"), which are currently being challenged by Cabovisão. Trustworthy financial guarantees were required under applicable Portuguese law in order for Cabovisão to challenge the Tax Amounts and withhold payment thereof until a final judgment no longer subject to appeal is rendered by the Portuguese courts having jurisdiction in this matter. As a result, the Company's subsidiary may be required to pay, upon written demand by the Municipality of Seixal, the required amounts following final judgment up to a maximum aggregate amount of €5.7 million (\$8.3 million), should Cabovisão fail to pay such required amounts.

15. Subsequent event

On September 20, 2007, the Société Radio-Canada ("SRC") notified the Company's subsidiary, TQS Inc., that the affiliation in effect for French-language local stations in Saguenay, Sherbrooke and Trois-Rivières will end on March 31, 2009. The Company is currently evaluating the impact of this notification on the consolidated financial statements.