Press release
For immediate release

THE CABLE SECTOR DRIVES COGECO'S 2008 FIRST QUARTER PERFORMANCE

Montréal, January 9, 2008 – Today, COGECO Inc. (TSX: CGO) announced its financial results for the first quarter 2008 ended November 30, 2007.

First quarter 2008 consolidated results show sustained growth:

- Revenue increased by 11.2% to $292.8 million;
- Operating income before amortization grew by 17.7% to $104 million;
- Free cash flow(1) reached $25.3 million.

Cable sector
- Revenue-generating units (RGUs)(2 reached 2,568,689 with 83,024 net additions;
- On September 5th, a new management structure was implemented that will enable Canadian operations to develop better synergies and therefore have a positive impact on the way Cogeco Cable delivers its services.

Media sector
Radio
- Fall BBM's reports that the Rythme FM network continues to lead in the Montreal and Trois-Rivières markets while the 93[3] station in Québec City and Rythme FM in Sherbrooke continue to expand their audience.

Television
- TQS's revenue decreased during the first quarter due to difficult conditions for the conventional television market. However, TQS maintained a tight cost control.
- TQS inc. ("TQS") announced on December 18, 2007, that it had obtained an order by Québec Superior Court under the Companies' Creditors Arrangement Act ("CCAA"), issued for an initial period of 30 days, with a view to protect itself, its subsidiaries and its parent 3947424 Canada Inc. (the "TQS Group") from claims by creditors and to allowing it to reorganize its operations.

"COGECO's first quarter financial result is very positive. In the cable sector, Cogeco Cable has continued on its growth trajectory and is in an excellent position to achieve superior growth in 2008. Our cable subsidiary continues to enhance the features of its services, to attract new customers and to sell additional services to existing customers, thanks to its versatile delivery system," said Louis Audet, President and CEO of COGECO. "With regards to the court order

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1 Free cash flow does 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.

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

involving TQS, after careful thought, the time has come to end its participation in the general interest television sector. COGECO's portion of the impairment of assets amounts to approximately $18.5 million. In radio, we are well positioned to keep our leading position in key markets and gain market share in our other markets. We are looking forward to achieving a strong fiscal 2008," added Mr. Audet.

FINANCIAL HIGHLIGHTS

($000s, except percentages and per share data)	Quarters ended November 30, (unaudited)		
	2007	2006	% Change
Revenue	$ 292,770	$ 263,292	11.2
Operating income before amortization	104,010	88,367	17.7
Net Income (loss)	(9,976)	6,751	-
Cash flow from operations [1]	83,858	66,035	27.0
Less:			
Capital expenditures and increase in deferred charges	58,549	74,615	(21.5)
Free cash flow [1]	25,309	(8,580)	-
Per share data			
Basic net income (loss)	$ (0.60)	$ 0.41	-

[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 2007 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 2007 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, supported by tight cost control and business processes, are specific to each sector. For the cable sector, sustained corporate growth and continuous improvement of networks and equipment are the main strategies used. The media sector focusses on continuous improvement of its programming to increase its market share, and therefore, its profitability The Company measures its performance against these objectives with growth of operating income before amortization, free cash flow[1] and RGU[2] 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

- For the first quarter 2008, the Company's operating costs increased by 7.9% compared to a revenue growth of 11.2% during the period;
- The design of internal controls over financial reporting as per National Instrument 52-109 is still underway. As discussed in the 2007 annual MD&A, the Company had identified certain material weaknesses in the design of internal controls over financial reporting and there have been improvement in the design of internal controls on some significant processes during the quarter. The documentation and remediation of internal controls weaknesses are progressing normally.

Cable sector

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

Canadian operations

- Digital Television services:
  - September 4, launch of The Setanta International Sports Pak in Ontario, a new premium digital service;
  - October 2, launch of RDS HD in Québec, a speciality channel transmitting in High Definition ("HD") various sports events, including all Montreal Canadians hockey games;
  - October 11, launch of Leafs TV HD, a Canadian digital specialty sports channel in HD transmitting all Toronto Maple Leafs hockey team games;
  - October 31, launch of Mpix On Demand in Ontario;
  - December 5, launch of the Motorola DCT3080, a new digital video recorder (DVR) model in Quebec.
- Telephony service:
  - September 25, new International calling service with a supplier of choice in Québec and Ontario;
- HSI services:
  - November 7, launch of Wi-Fi into Kingston and Windsor.

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[1] See the "non-GAAP financial measures" section for explanations.
[2] See the "Customer statistics" section of the cable sector section for detailed explanations.

Portuguese operations

- Cabovisão - Televisão por Cabo, S.A. (Cabovisão) continued its Digital Television service deployment;
- New image and communication concept: *Cabovisão, infinite possibilities*.

Continuous improvement of networks and equipment

- For the first quarter of 2008, Cogeco Cable has invested approximately $21.7 million in its infrastructure including headends and network upgrade / rebuild.

Media sector

- During the first quarter, TQS obtained an order by Québec Superior Court under the Companies' Creditors Arrangement Act with a view to protecting TQS and its subsidiaries from claims by creditors and to allowing it to reorganize its operations.

- With the announcement of the Fall BBM survey, RYTHME FM was confirmed in top position in the Montreal and Trois-Rivières markets. The 93^3 station in Québec City and Rythme FM in Sherbrooke continue to expand their audience.

RGU growth

During the first quarter 2008, the consolidated number of RGUs, in the cable sector, increased by 3.3% to reach over 2.5 million units. Cogeco Cable is expecting an annual RGU growth of approximately 10% and is maintaining its guidelines.

Revenue and operating income before amortization growth

First quarter 2008 consolidated revenue increased by $29.5 million, or 11.2%, to reach $292.8 million while operating income before amortization grew by $15.6 million, or 17.7%, to reach $104 million. These increases were mainly due to stronger RGU growth combined to rate increases in the cable sector. Subsequent to the filing of TQS under CCAA, management has revised downwards its guidelines for revenue and now expects to achieve revenue of approximately $1,120 million and has revised upwards its guidelines for operating income before amortization to approximately $431 million. Please consult the "Fiscal 2008 financial guidelines" section for further details.

Free cash flow

In the first quarter of fiscal 2008, COGECO generated free cash flow of $25.3 million, compared to a negative free cash flow of $8.6 million for the same period last year. This increase resulted from the cable sector and was attributable to several factors: an increase in operating income before amortization, a decrease in capital expenditures and deferred charges and a reduction in financial expense. Cogeco Cable reduced its capital expenditures compared to last year by $16.5 million from $67.2 million to $50.7 million, mainly due to a $12 million expenditure in the first quarter of fiscal 2007 for the purchase of home terminal devices for the Canadian operations to build an inventory to sustain last year RGU growth. Subsequent to the decision of ceasing its activities in the television industry, the Company has revised upwards its initial guidelines for free cash flow from $65 million to approximately $73 million. Please consult the "Fiscal 2008 financial guidelines" section for further details.

OPERATING RESULTS – CONSOLIDATED OVERVIEW

($000s, except percentages)	Quarters ended November 30, (unaudited)		
	2007	2006	% Change
Revenue	$ 292,770	$ 263,292	11.2
Operating costs	188,760	174,925	7.9
Operating income before amortization	104,010	88,367	17.7
Operating margin	35.5 %	33.6 %	

Revenue

First quarter 2008 revenue rose by $29.5 million, or 11.2%, to reach $292.8 million. Cable revenue, driven by a strong RGU growth combined with rate increases, went up by $29.8 million, or 13.4% in the first quarter of 2008, while media revenue decreased slightly by $0.4 million, or 0.9%.

Operating income before amortization

Operating income before amortization grew by $15.6 million, or 17.7%, to reach $104 million in the first quarter of 2008 compared to the corresponding period of last year. The cable sector contributed to the growth by $14.7 million due to RGU growth and various rate increases outpacing operating cost increases and the media sector contributed $0.5 million as a result of costs reductions in television.

FIXED CHARGES

($000s, except percentages)	Quarters ended November 30, (unaudited)		
	2007	2006	% Change
Amortization	$ 54,155	$ 45,839	18.1
Financial expense	17,606	21,759	(19.1)

First quarter 2008 amortization expense amounted to $54.2 million compared to $45.8 million for the same period the year before. The rise in amortization expense was due to the cable sector and attributable to the following factors: the completion in the fourth quarter of fiscal 2007 of the purchase price allocation of the Cabovisão acquisition, which included the valuation of tangible and intangible assets for an additional amortization expense of approximately $4.4 million and from additional capital expenditures arising from the required customer premise equipment to sustain RGU growth.

First quarter 2008 financial expense decreased over the same period last year by $4.2 million, or 19.1%, to reach $17.6 million. This decrease is due to the Company's cable subsidiary which reduced its level of Indebtedness (defined as bank indebtedness and long-term debt) from the net proceeds of subordinate voting shares issued during fiscal 2007.

IMPAIRMENT OF ASSETS OF A SUBSIDIARY

In October 2007, the Board of Directors of TQS, an indirect subsidiary of the Company, engaged CIBC World Markets to advise on and assess strategic options for the TQS network in the face of financial difficulties. TQS' position in the Québec Francophone over-the-air television market deteriorated markedly in spite of the measures and investments initiated by the Company over the last several months. The gradual loss of advertising revenue to specialty TV networks and content accessible over the Internet, combined with increased production costs, the Canadian Radio-television and Telecommunications Commission's (CRTC) refusal to grant general interest television networks the same ability to charge subscriber fees for signal distribution as the speciality television networks, the programming strategy of Société Radio-Canada (SRC), which acts like a commercial player rather than a publicly-owned television broadcaster and SRC's notice of disaffiliation in Saguenay, Sherbrooke and Trois-Rivières after a 50-year partnership all contributed to this decision. After considering CIBC World Markets' report, the Board of Directors of TQS concluded that it was in the best interest of TQS, its employees and creditors to request court protection. On December 18, 2007, the Québec Superior Court issued an order under the Companies' Creditors Arrangement Act (Canada) protecting TQS Inc., its subsidiaries and its parent 3947424 Canada Inc. ("the TQS Group") from claims by their creditors for an initial suspension period ending on January 17, 2008. Under the order, RSM Richter Inc. has been appointed as monitor, with a mandate to support the applicants, under Court supervision, in preparing a creditors arrangement plan.

As a result, the Company recorded an asset impairment loss of $30.3 million representing the net assets of the TQS Group as at November 30, 2007. The impact of this impairment loss on the Company's statement of income is as follows:

	($ 000s)
Impairment of assets of a subsidiary	30,298
Non-controlling interest	11,798
Impairment loss net of non-controlling interest	18,500

INCOME TAXES

First quarter 2008 income tax amounted to $9.3 million compared to $6.5 million for the same period last year. The increase was mainly due to higher operating income before amortization combined with the fixed charges decline.

On October 16, 2007, the Canadian federal government announced in its Economic Statement reduction in corporate income tax rates. According to the new legislation, corporate income tax rates will be further reduced from 20.5% to 19.5% effective January 1, 2008, from 20% to 19% effective January 1, 2009, from 19% to 18% effective January 1, 2010, from 18.5% to 16.5% effective January 1, 2011, and to 15% effective January 1, 2012. These corporate income tax rates were considered substantively enacted on December 14, 2007. The reduction of these corporate income tax rates will reduce future income tax expense by approximately $23 million in the second quarter of fiscal 2008.

NON-CONTROLLING INTEREST

The non-controlling interest represents an interest of approximately 67.6% in Cogeco Cable's results and a 40% interest in TQS. During the first quarter of 2008, the non-controlling interest amounted to $2.5 million mainly due to the cable sector strong results, partly offset by an adjustment of $11.8 million resulting from the impairment of assets in the television sector. The non-controlling interest for the comparable period of last year amounted to $7.6 million.

NET INCOME (LOSS)

First quarter 2008 net loss amounted to $10 million, or $0.60 per share. The net loss was essentially the result of the impairment of assets of a subsidiary in the media sector, partly offset by the growth in operating income before amortization exceeding those of the fixed charges in the cable sector. Excluding the effect of the impairment of assets of a subsidiary, net income would have amounted to $8.5 million, or $0.51 per share, compared to a net income of $6.8 million, or $0.41 per share, for the same period last year.

CASH FLOW AND LIQUIDITY

($000s)	Quarters ended November 30, (unaudited) 2007	2006
Operating Activities		
Cash flow from operations	$ 83,858	$ 66,035
Changes in non-cash operating items	(42,997)	(85,758)
	$ 40,861	$ (19,723)
Investing Activities [1]	$ (58,414)	$ (74,297)
Financing Activities [1]	$ (29,714)	$ 39,796
Net change in cash and cash equivalents	$ (47,267)	$ (54,224)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(153)	1,616
Cash and cash equivalents at beginning	65,564	71,516
Cash and cash equivalents at end	$ 18,144	$ 18,908

(1) Excludes assets acquired under capital leases.

First quarter 2008 cash flow from operations reached $83.9 million, 27% higher than for the comparable period last year, primarily due to the increase in operating income before amortization and to a reduction in financial expense in the cable sector. Changes in non-cash operating items generated lower cash outflows compared to the same period last year, mainly as a result of certain non-recurring payments executed by the Portuguese cable subsidiary in accordance with the terms of the acquisition in the first quarter of fiscal 2007.

In the first quarter of fiscal 2008, investing activities stood at $58.4 million mainly due to capital expenditures of $51 million and from an increase of $7.4 million in deferred charges in the cable sector. The capital expenditures from the cable sector decreased compared to the same period last year mainly due to lower RGU growth and to the timing of customer premise equipment acquired in the first quarter of fiscal 2007 to build an inventory for the Canadian operations. The Portuguese operations' capital expenditures increased compared to the same period last year as a result of the Digital Television deployment and the network extensions to serve additional homes passed.

First quarter deferred charges remained essentially the same and are mainly attributable to reconnect costs in the cable sector.

First quarter 2008 free cash flow reached to $25.3 million compared to a deficit of $8.6 million for the same period in the preceding year. Free cash flow increased over the same period last year mainly in the cable sector and was attributable to several factors: a growth in operating income before amortization, a lower level of capital expenditures required to serve RGU growth and to support Telephony growth, a build-up of home terminal devices for an amount of $12 million during the first quarter of fiscal 2007 to serve RGU rapid growth and a reduction in financial expense.

First quarter 2008 debt repayment net of increase in bank indebtedness amounted to $27.9 million. This net repayment came from the generated free cash flow of $25.3 million and the reduction of $47.3 million in cash and cash equivalents partly used to offset the $43 million reduction in changes in non-cash operating items. These factors have been partly offset by a dividend payment of $1.2 million described below. For the same period last year, the increase in long-term debt and bank indebtedness amounted to $41.5 million due to a decrease of $85.8 million in non-cash operating items explained by the repayment of certain suppliers subsequent to the Cabovisão acquisition in the cable sector and by the free cash flow deficit of $8.6 million, partly offset by a $54.2 million decrease in cash and cash equivalents. In addition, a dividend of $0.07 per share for subordinate and multiple voting shares, totalling $1.2 million, was paid during the first quarter of fiscal 2008 compared to a dividend of $0.0625 per share or $1 million for the first quarter of fiscal 2007.

As at November 30, 2007, the Company had a working capital deficiency of $390 million compared to $127.3 million as at August 31, 2007. The greater deficiency was mainly attributable to the US$150 million Senior Secured Notes Series A and the related derivative financial instruments due in October 2008 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 November 30, 2007, the cable subsidiary had used $432.9 million of its $900 million Term Facility and the Company had drawn $23.5 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, 2007, there have been major changes to "Fixed assets", "Cash and cash equivalents", "Accounts receivable", "Broadcasting rights", "Accounts payable and accrued liabilities", "Broadcasting rights payable", "Derivative financial instruments, "Non-controlling interest" and "Indebtedness".

The decrease of $1.1 million in fixed assets was the result of the following factors: an impairment of $10.7 million in television assets, an increase in capital expenditures to sustain RGU growth and the appreciation of the euro currency over the Canadian dollar in the cable sector. The $47.4 million and $36.6 million reductions in cash and cash equivalents and accounts payable and accrued liabilities respectively, were mainly due to the cable sector and related to suppliers' payments. The $8.5 million increase in accounts receivable is mostly due to the higher period of activity in the media sector. The decrease of $5.5 million in broadcasting rights was the result of the impairment in television assets. The broadcasting rights payable have increased by $8.3 million due to the media sector. The non-controlling interest rise of $4.8 million was the net effect of the improved results in the cable sector, partly offset by an adjustment of $ 11.8 million related to the impairment of television's assets. Finally, derivative financial instruments have increased by $91.3 million and Indebtedness has decreased by $113.1 million as a result of accounting changes and factors previously discussed in the "Cash Flow and Liquidity" section. Please consult "Accounting policies and estimates" section for further details.

A description of COGECO's share data as at December 31, 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	14,830,086	119,075
Options to Purchase Subordinate Voting Shares		
Outstanding options	191,258	
Exercisable options	191,258	

In the normal course of business, COGECO has incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. COGECO's obligations, discussed in the 2007 annual MD&A, have not materially changed since August 31, 2007 except that on December 14, 2007, the Company concluded an amended and restated credit agreement with a group of four Canadian banks led by the Canadian Imperial Bank of Commerce ("CIBC"), which will now act as agent for the banking syndicate. The annually renewable three-year amended credit agreement establishes a revolving credit of $50 million to which may be added a further credit of $25 million under certain conditions. The amended credit agreement maintains certain financial commitments with the same security by the Company, its subsidiary Cogeco Radio-Television Inc. and indirect subsidiary, Cogeco Diffusion Inc. The Company posted a guarantee for a maximum amount of $12 million in favour of CIBC, which is also TQS' banker, in the event of any default by TQS under the terms of its own credit agreement. TQS' credit agreement provides security over its assets, including its accounts receivable. If the guarantee were to be called in, the Company would be subrogated to the rights of CIBC and benefit from the same security. Furthermore, on January 8, 2008, Cogeco Cable and Solidarity Fund QFL entered into an agreement to issue senior unsecured debenture with par value of $100 million by way of private placement, subject to usual market conditions. The debenture which must be issued by no later than May 9, 2008, will bear interest at a fixed rate determined at the then prevailing rate of the ten-year Government of Canada bond plus a spread of 220 basis points, and will mature ten years after issuance. The debenture will be callable under certain conditions.

DIVIDEND DECLARATION

At its January 9, 2008 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 February 6, 2008, to shareholders of record on January 23, 2008.

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$8.4 million at the end of the first quarter compared to August 31, 2007 due to the Canadian dollar's appreciation. The fair value of cross-currency swaps increased by $7.8 million of which $8.4 million offset the foreign exchange gain on the $US debt. The difference of $0.6 million was recorded as a reduction of comprehensive income.

As noted in the MD&A of the 2007 Annual Report, Cogeco Cable's investment in the Portuguese subsidiary, Cabovisão, is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the value 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$4 million in the first quarter 2008, which is presented in other comprehensive income. The exchange rate used to convert the euro currency into Canadian dollars for the balance sheet accounts as at November 30, 2007 was $1.4630 per euro compared to $1.4390 per euro as at August 31, 2007. The average exchange rate prevailing during the first quarter 2008 used to convert the operating results of the Portuguese operations was $1.4119 per euro compared to $1.4363 per euro for the same period last year.

CABLE SECTOR

CUSTOMER STATISTICS

		Net additions (losses) Quarters ended November 30,		% of Penetration[1][4] November 30,	
	November 30, 2007	2007	2006	2007	2006
RGUs[2]	2,568,689	83,024	114,279		
Basic Cable service customers	1,156,157	12,997	23,493		
HSI service customers[3]	604,959	29,100	37,012	54.8	48.3
Digital Television service customers	396,132	16,253	21,224	47.3	42.0
Telephony service customers	411,441	24,674	32,550	42.5	34.6

(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 83,267 as at November 30, 2007 compared to 61,336 as at November 30, 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 Canada, first quarter 2008 RGUs' net additions were lower than for the same period last year and reflect early sign of maturation in most services. In Portugal, Cabovisão faced fierce competition and as a result all services generated lower customer growth. RGU's grew at a slower pace since competition offered deep discounts to attract customers during the first half of the quarter. Cabovisão did not match the competition high discounting offering. However, since then, pricing has become more rational. The performance of Cabovisão since its acquisition by Cogeco Cable has been well above management's original expectations and growth prospects for the future remain excellent.

The number of net additions in Basic Cable in the Canadian market stood at 8,064 customers compared to a growth of 16,240 customers for the same period last year due to the expiration of certain promotional offers. In Portugal, Basic Cable service grew by 4,933 customers compared to 7,253 customers.

In Canada, the number of net additions to HSI service stood at 25,294 customers compared to 28,935 customers for the same period last year. During the first quarter 2008, 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. HSI service customers in Portugal increased by 3,806 customers compared to 8,077 customers in 2007.

Canadian net additions of Digital Television service stood at 16,253 customers compared to 21,224 customers for the same period last year. The decrease in net additions this quarter compared to the same quarter last year reflects greater maturity of the digital TV segment following a period of robust growth, especially in fiscal 2006. Since then, the Company also adjusted the service offering and price gap differential between Analogue Television services and Digital Television, which has also contributed to a moderation of the strong growth experienced in the past years. Nevertheless, customers continue to demonstrate strong interest in HD technology.

Telephony customers grew in both operating units. In Canada, net additions stood at 23,215 to reach 166,851 compared to a growth of 26,616 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 72% last year. Telephony service in Portugal grew by 1,459 customers compared to 5,934 customers for the same period of the preceding year.

OPERATING RESULTS

($000s, except percentages)	Quarters ended November 30, (unaudited) 2007	2006	% Change
Revenue	$ 251,833	$ 222,002	13.4
Operating costs	148,461	133,900	10.9
Management fees - COGECO Inc.	5,035	4,440	13.4
Operating income before amortization	98,337	83,662	17.5
Operating margin	39.0 %	37.7 %	

Revenue

First quarter 2008 consolidated revenue grew by $29.8 million, or 13.4%, to reach $251.8 million. Canadian operations revenue, driven by an increased number of RGU's combined to rate increases, went up by $28.3 million, or 16.9%. Portuguese operations revenue amounted to $55.6 million, an increase of $1.5 million, or 2.8% compared to the same period last year due to RGU growth and rate increases which was partly offset by the strength of the Canadian dollar against the euro.The average exchange rate prevailing during the first quarter 2008 used to convert the operating results of the Portuguese operations was $1.4119 per euro compared to $1.4363 per euro for the same period last year.

Operating costs

First quarter 2008 operating costs increased by $14.6 million, or 10.9%, to reach $148.5 million. The increase in operating costs was mainly attributable to servicing additional RGUs in Canada, including Telephony service increased penetration, and in Portugal, to the timing of certain marketing initiatives, including a major campaign to improve brand awareness, costs to better service additional RGU's and costs related to the design of internal controls and review of business processes to comply with National Instrument 52-109.

Operating income before amortization

First quarter 2008 operating income before amortization increased by $14.7 million, or 17.5%, to reach $98.3 million, due to RGU growth and various rate increases outpacing operating cost increases. As a result, first quarter 2008 operating margin reached 39% compared to 37.7% for the same period last year.

MEDIA SECTOR

OPERATING RESULTS

	Quarters ended November 30, (unaudited)		
($000s, except percentages)	2007	2006	% Change
Revenue	$ 40,988	$ 41,341	(0.9)
Operating costs	37,436	38,287	(2.2)
Operating income before amortization	3,552	3,054	16.3
Operating margin	8.7 %	7.4 %	

Revenue

First quarter 2008 revenue stood at $41 million, a decrease of $0.4 million, or 0.9%, compared to the same period last year. During this period, radio revenue increased by 6.4%, to reach $8.3 million, mainly due to improved audience ratings while television revenue decreased by 2.5%, or $0.9 million, to $32.7 million, due to difficult market conditions for conventional television.

Operating costs

First quarter 2008 operating costs decreased by $0.9 million, or 2.2%, to $37.4 million, compared to the same period last year. During this period, radio's operating costs increased by $0.7 million, to reach $6.9 million, due to higher programming costs compared to the same period last year while television's operating costs decreased by $2.2 million, to $29.9 million due to significant costs reductions.

Operating income before amortization

Operating income before amortization improved by $0.5 million in the first quarter 2008 compared to last year. For the first quarter, TQS's operating income before amortization increased by $1.4 million, to reach $2.8 million, as a result of significant cost reductions, partly offset by a decline in revenue. Radio's operating income before amortization decreased by $0.2 million, to $1.4 million, mainly due to an increase in programming costs outpacing the increase in revenue during the quarter.

FISCAL 2008 FINANCIAL GUIDELINES

The Company is maintaining its guidelines in the cable sector, except for the reduction of income tax rates announced by the Canadian federal government on October 16, 2007 that will have a favourable impact of approximately $7 million on net income in the second quarter of fiscal 2008. The Company has also revised its most recent guidelines of the media sector to take into consideration the impact of the impairment loss of assets of $18.5 million in the first quarter of 2008 and that the television business unit is no longer part of COGECO's consolidated activities since December 18, 2007.

($ million, except customer data)	Revised Projections Fiscal 2008 January 9, 2008	Projections Fiscal 2008
Consolidated Financial Guidelines		
Revenue	1,120	1,190
Operating income before amortization	431	425
Net income	22	30
Free cash flow	73	65
Cable sector–		
Financial Guidelines		
Revenue	1,050	1,050
Operating income before amortization	425	425
Operating margin	40% to 41%	40% to 41%
Financial expense	72	72
Amortization	215	215
Capital expenditures and deferred charges	260	260
Free cash flow	65	65
Customer Addition Guidelines		
Basic Cable service	30,000	30,000
HSI services	75,000	75,000
Digital Television service	54,000	54,000
Telephony service	100,000	100,000
RGUs	259,000	259,000
Media sector–		
Financial Guidelines		
Revenue	70	140
Operating income before amortization	6	1 to 3
Amortization	3	7
Capital expenditures and deferred charges	1	7

UNCERTAINTIES AND MAIN RISK FACTORS

There have been no significant changes in the risk factors and uncertainties facing COGECO since August 31, 2007, except as described below.

On December 18, 2007, the Québec Superior Court issued an order under the Companies' Creditors Arrangement Act (Canada) protecting the TQS Group from claims by their creditors for an initial suspension period ending on January 17, 2008. While this initial suspension period may be further extended by the Court upon application, there is no assurance that an extension will actually be applied for or granted by the Court. There is also no assurance that a plan of arrangement or a transaction can be actually developed and approved within the initial suspension period or any extension thereof. Finally, there is no assurance that CIBC, the TQS Group's secured lender, will not eventually demand payment of TQS' operating loan, exercise its security over the TQS Group, which includes its accounts receivable, or demand payment under the guarantee provided by the Company to CIBC for an amount of 60% of the outstanding loan up to $12 million. Neither the Company nor any of its subsidiaries (excluding the TQS Group) have any other outstanding commitment to finance or support the continuation of the business activities of the TQS Group.

The CRTC collects two different types of fees from broadcast licensees. These are known as Part I and Part II fees. In 2003 and 2004, lawsuits were commenced in the Federal Court, alleging that the Part II licence fees are taxes rather than fees and that the regulations authorizing them are unlawful. On December 14, 2006, the Federal Court ruled that the CRTC did not have the jurisdiction to charge Part II fees. The Court ruled that licensees were not entitled to a refund of past fees paid. Both the Crown and the applicants have appealed this case to the Federal Court of Appeal. The applicants are seeking an order requiring a refund of past fees paid. The Crown is seeking to reverse the finding that Part II fees are unlawful. On October 1st, 2007, the CRTC sent a letter to all broadcast licensees. The letter stated that the CRTC will not collect Part II license fees due on November 30, 2007 and subsequent years unless the Federal Court of appeal or the Supreme Court of Canada (should the case be appealed to that level) reverses the Federal Court's decision. The Appeal hearing was held on December 4th and 5th in Ottawa. During the hearing, questions were raised by the hearing panel concerning the appropriateness of considering Part II Licence Fees as a tax rather than a fee under the relevant portion of the Broadcasting Act. The decision of the Federal Court of Appeal is not expected before several months. The Company believes that there is a reasonable likelihood that the Federal Court's decision will be reversed. The Company has accrued $9.7 million with respect to these fees for fiscal year 2007 and the first quarter of fiscal 2008. In the unlikely event that the Federal Court of Appeal or the Supreme Court of Canada, should this case be appealed to that level, maintains the decision from the Federal Court, this would have a beneficial impact on the future financial results of the Company.

ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in COGECO's accounting policies and estimates and future accounting pronouncements since August 31, 2007, except as described below. A description of the Company's policies and estimates can be found in the 2007 annual MD&A.

Financial instruments

Effective September 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges.

Statement of Comprehensive Income

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

Recognition and Measurement of Financial Instruments

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

All of the Company's financial assets are classified as held for trading or loans and receivables. The Company has classified its cash and cash equivalents as held for trading. Accounts receivable have been classified as loans and receivables. All of the Company financial liabilities were classified as other liabilities, except for the Company's subsidiary's cross-currency swaps which were classified as held for trading. Held for trading assets and liabilities are carried at fair value on the balance sheet, with changes in fair value recorded in the consolidated statements of income, except for the changes in fair value of the cross-currency swaps which are designated as cash flow hedges of the Senior Secured Notes Series A and are recorded in other comprehensive income. Loans and receivables and all financial liabilities are carried at amortized cost using the effective interest method. Upon adoption, the Company determined that none of its financial assets are classified as available for sale or held to maturity. Except for the treatment of transaction costs and derivative financial instruments mentioned below, the provisions of the new accounting standards had no impact on the consolidated financial statement on September 1, 2007 and November 30, 2007.

Transaction costs

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

Cash flow hedge

All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Company's subsidiary's cross-currency swaps must be measured at fair value in the consolidated financial statements. Since these cross-currency swaps are used to hedge cash flows on Senior Secured Notes Series A denominated in U.S. dollars, the changes in fair value are recorded in other comprehensive income. The impact of measuring the cross-currency swaps at fair value on the interim consolidated financial statements on September 1, 2007, increased derivative financial instruments liabilities by $83.5 million, decreased deferred credit presented in long-term debt by $80.2 million, decreased future income tax liabilities by $1.1 million, decreased non-controlling interest by $1.5 million and decreased opening accumulated other comprehensive income by $0.7 million. The impact of measuring the cross-currency swaps at fair value on the interim consolidated financial statements for the three month period ended November 30, 2007 increased derivative financial instruments liabilities by $7.8 million, increased future income tax liabilities by $0.2 million, increased non-controlling interest by $0.3 million and increased accumulated other comprehensive income by $0.1 million.

Net investment hedge

Financial statements of self-sustaining foreign subsidiaries are translated using the rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded as foreign currency translation adjustment in accumulated other comprehensive income and are included in income only when a reduction in the investment in these foreign subsidiaries is realized. Unrealized foreign exchange gains and losses on long-term debt denominated in foreign currency, that is designated as a hedge of net investments in self-sustaining foreign subsidiaries, are recorded as foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes. As a result, an amount of $1.0 million was reclassified as at August 31, 2007 from the foreign currency translation adjustment to the accumulated other comprehensive income and the Company's comparative financial statements were restated in accordance with transition rules.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts, are measured at fair value, with changes in fair value recorded in the consolidated statements of income. On September 1, 2007 and at November 30, 2007, there are no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheet. In accordance with the new standards, the Company selected September 1, 2002, as its transition date for adopting the standard related to embedded derivatives.

Upcoming standards

In 2006, the CICA issued Handbook Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These Sections are to be applied to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of these new standards.

Accounting changes

In July 2006, the CICA issued Section 1506, Accounting Changes, which modifies certain aspects of the previous standard. A reporting entity may not change its accounting method unless required by 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. During the first quarter, the Company adopted this new standard and concluded that it had no significant impact on these consolidated financial statements.

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 impairment of assets of a subsidiary”.

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 November 30, (unaudited)	
	2007	**2006**
Cash flow from operating activities	$ 40,861	$ (19,723)
Changes in non-cash operating items	42,997	85,758
Cash flow from operations	$ 83,858	$ 66,035

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 November 30, (unaudited)	
	2007	**2006**
Cash flow from operations	$ 83,858	$ 66,035
Acquisition of fixed assets	(50,959)	(67,198)
Increase in deferred charges	(7,517)	(7,212)
Assets acquired under capital leases – as per Note 11 b)	(73)	(205)
Free cash flow	$ 25,309	$ (8,580)

Net income excluding impairment of assets of a subsidiary

Net income excluding impairment of assets of a subsidiary is used by COGECO's management and investors in order to evaluate what would have been the net income excluding the impairment of assets of a subsidiary. This allows the Company to isolate the one time adjustments in order to evaluate the net income from ongoing activities.

($ 000)	Quarters ended November 30, (unaudited)	
	2007	2006
Net income (loss)	$ (9,976)	$ 6,751
Impairment of assets net of non-controlling interest	18,500	-
Net income excluding impairment of assets of a subsidiary	$ 8,524	$ 6,751

ADDITIONAL INFORMATION

This MD&A was prepared on January 9, 2008. 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 approximately 2,569,000 revenue-generating units (RGUs) to 2,365,000 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 owns and operates the RYTHME FM radio stations in Montréal, Québec City, Trois-Rivières and Sherbrooke as well as the 93[3] 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
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Information: **Media**
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Director, Corporate Communications
Tel.: (514) 874-2600

Analyst Conference Call: **Thursday, January 10, 2008 at 11:00 A.M.** (EST)
Media representatives may attend as listeners only.

Please use the following dial-in number to have access to the conference call by dialing 5 minutes before the start of the conference:

Canada/USA Access Number: 1 866 321-8231
International Access Number: + 1 416 642-5213
Confirmation Code: 3458791
By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until January 16, by dialling:
Canada and USA access number: 1 888 203-1112
International access number: + 1 647 436-0148
Confirmation code: 3458791

Supplementary Quarterly Financial Information
(unaudited)

Quarters ended	November 30,		August 31,		May 31,		February 28,	
	2007[1]	2006[1]	2007[1]	2006[1]	2007[1]	2006	2007[1]	2006
($000, except percentages and per share data)								
Revenue	$ 292,770	$ 263,292	$ 269,326	$ 199,351	$ 277,364	$ 189,718	$ 261,120	$ 177,359
Operating income before amortization	104,010	88,367	98,180	68,645	95,495	66,111	83,669	57,765
Operating margin	*35.5%*	*33.6%*	*36.5%*	*34.4%*	*34.4%*	*34.8%*	*32.0%*	*32.6%*
Amortization	54,155	45,839	56,018	36,446	48,835	30,658	45,112	30,217
Financial expense	17,606	21,759	19,190	16,864	21,851	14,120	24,181	14,231
Impairment loss	30,298	-	-	-	-	-	-	-
Income taxes (recovery)	9,277	6,463	(368)	(13,950)	9,679	8,461	2,580	5,706
Non-controlling interest	2,543	7,557	19,763	19,022	12,007	7,293	8,240	4,842
Gain (loss) on dilution	(107)	(7)	27,011	-	(64)	-	30,990	-
Net income (loss)	(9,976)	6,751	30,384	10,300	3,059	5,529	34,546	2,679
Cash flow from operations	83,858	66,035	75,035	51,729	76,282	52,093	59,266	41,644
Net income (loss) per share	$ (0.60)	$ 0.41	$ 1.82	$ 0.62	$ 0.18	$ 0.33	$ 2.08	$ 0.16

[1] Include operating results of the cable subsidiary, Cabovisão, since the date of acquisition of control on August 1, 2006.

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

	November 30, 2007	August 31, 2007
Homes Passed		
Ontario [1]	**1,002,971**	997,498
Québec	**491,788**	486,592
Canada	**1,494,759**	1,484,090
Portugal	**869,940**	859,376
Total	**2,364,699**	2,343,466
Revenue Generating Units		
Ontario	**1,306,163**	1,256,244
Québec	**555,171**	532,264
Canada	**1,861,334**	1,788,508
Portugal	**707,355**	697,157
Total	**2,568,689**	2,485,665
Basic Cable Service Customers		
Ontario	**599,733**	594,889
Québec	**257,488**	254,268
Canada	**857,221**	849,157
Portugal	**298,936**	294,003
Total	**1,156,157**	1,143,160
Discretionnary Service Customers		
Ontario	**484,611**	468,764
Québec	**208,976**	204,585
Canada	**693,587**	673,349
Portugal	**-**	-
Total	**693,587**	673,349
Pay TV Service Customers		
Ontario	**92,036**	88,835
Québec	**44,355**	42,180
Canada	**136,391**	131,015
Portugal	**55,867**	54,723
Total	**192,258**	185,738
High Speed Internet Service Customers		
Ontario	**335,152**	316,363
Québec	**105,978**	99,473
Canada	**441,130**	415,836
Portugal	**163,829**	160,023
Total	**604,959**	575,859
Digital Television Service Customers		
Ontario	**255,919**	246,267
Québec	**140,213**	133,612
Canada	**396,132**	379,879
Portugal	-	-
Total	**396,132**	379,879
Telephony Service Customers		
Ontario	**115,359**	98,725
Québec	**51,492**	44,911
Canada	**166,851**	143,636
Portugal	**244,590**	243,131
Total	**411,441**	386,767

(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

(In thousands of dollars, except per share data)		Three months ended November 30, 2007		2006
		(unaudited)		(unaudited)
Revenue	**$**	**292,770**	$	263,292
Operating costs		**188,760**		174,925
Operating income before amortization		**104,010**		88,367
Amortization (note 3)		**54,155**		45,839
Operating income		**49,855**		42,528
Financial expense (note 4)		**17,606**		21,759
Impairment of assets of a subsidiary (note 14 c))		**30,298**		–
Income before income taxes and following items		**1,951**		20,769
Income taxes (note 5)		**9,277**		6,463
Loss on dilution resulting from shares issued by a subsidiary		**107**		7
Non-controlling interest		**2,543**		7,557
Share in the earnings of a general partnership		**–**		9
Net income (loss)	**$**	**(9,976)**	$	6,751
Earnings (loss) per share (note 6)				
Basic	**$**	**(0.60)**	$	0.41
Diluted		**(0.60)**		0.41

COGECO INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three months ended November 30,		
(In thousands of dollars)		**2007**		2006
		(unaudited)		(unaudited)
Net income (loss)	**$**	**(9,976)**	$	6,751
Other comprehensive income				
Unrealized gains and losses on derivative financial instruments designated as cash flow hedges, net of income taxes of $1,143,000 and non-controlling interest of $4,500,000		**(2,153)**		–
Reclassification of realized gains and losses to net income on derivative financial instruments designated as cash flow hedges, net of income taxes of $1,345,000 and non-controlling interest of 4,792,000		**2,293**		–
Unrealized gain on translation of net investments in self-sustaining foreign subsidiaries, net of non-controlling interest of $6,994,000 ($25,632,000 in 2006)		**3,346**		16,538
Unrealized loss on translation of long-term debt designated as hedge of net investments in self-sustaining foreign subsidiaries, net of non-controlling interest of $4,313,000 (net of income taxes of $1,703,000 and non-controlling interest of $18,453,000 in 2006)		**(2,063)**		(11,905)
		1,423		4,633
Comprehensive income (loss)	**$**	**(8,553)**	$	11,384

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(In thousands of dollars)	Three months ended November 30, 2007	2006
	(unaudited)	(unaudited)
Balance at beginning, as reported	**$ 274,946**	$ 204,734
Changes in accounting policy (note 1)	**424**	–
Balance at beginning, as restated	**275,370**	204,734
Net income (loss)	**(9,976)**	6,751
Dividends on multiple voting shares	**(129)**	(116)
Dividends on subordinate voting shares	**(1,038)**	(919)
Balance at end	**$ 264,227**	$ 210,450

COGECO INC.
CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)	**November 30, 2007**	August 31, 2007
	(unaudited)	(audited)
Assets		
Current		
Cash and cash equivalents	**$ 18,144**	$ 65,564
Accounts receivable	**84,832**	76,345
Income tax receivable	**2,320**	3,138
Prepaid expenses	**6,895**	9,117
Broadcasting rights	**19,147**	14,647
Future income tax assets	**14,157**	17,986
	145,495	186,797
Income tax receivable	**1,368**	1,345
Broadcasting rights	**7,484**	17,456
Investments	**739**	739
Fixed assets	**1,143,863**	1,144,923
Deferred charges	**55,788**	55,450
Intangible assets (note 7)	**1,082,367**	1,086,750
Goodwill (note 7)	**348,298**	342,584
	$ 2,785,402	$ 2,836,044
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**$ 14,210**	$ 7,458
Accounts payable and accrued liabilities	**212,709**	249,343
Broadcasting rights payable	**16,196**	8,531
Income tax liabilities	**3,552**	1,350
Deferred and prepaid income	**30,402**	29,879
Derivative financial instruments	**91,294**	–
Current portion of long-term debt (note 8)	**167,119**	17,578
	535,482	314,139
Long-term debt (note 8)	**766,893**	1,036,256
Share in the partner’s deficiency of a general partnership	**1,036**	1,036
Deferred and prepaid income	**11,939**	11,501
Broadcasting rights payable	**5,006**	4,408
Pension plans liabilities	**8,984**	8,822
Future income tax liabilities	**269,143**	267,646
Non-controlling interest	**804,566**	799,776
	2,403,049	2,443,584
Shareholders' equity		
Capital stock (note 9)	**119,078**	119,078
Treasury shares (note 9)	**(1,522)**	(1,054)
Contributed surplus - stock-based compensation	**880**	499
Retained earnings	**264,227**	274,946
Accumulated other comprehensive income (loss) (note 10)	**(310)**	(1,009)
	382,353	392,460
	$ 2,785,402	$ 2,836,044

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended November 30,	
(In thousands of dollars)	**2007**	2006
	(unaudited)	(unaudited)
Cash flow from operating activities		
Net income (loss)	**$ (9,976)**	$ 6,751
Adjustments for:		
Amortization (note 3)	**54,155**	45,839
Amortization of deferred financing costs	**722**	646
Impairment of assets of a subsidiary (note 14 c))	**30,298**	–
Future income taxes (note 5)	**5,178**	3,879
Non-controlling interest	**2,543**	7,557
Loss on dilution resulting from shares issued by a subsidiary	**107**	7
Stock-based compensation	**388**	967
Loss (gain) on disposal of fixed assets	**281**	(11)
Other	**162**	400
	83,858	66,035
Changes in non-cash operating items (note 11a))	**(42,997)**	(85,758)
	40,861	(19,723)
Cash flow from investing activities		
Acquisition of fixed assets (note 11b))	**(50,959)**	(67,198)
Increase in deferred charges	**(7,517)**	(7,212)
Decrease in restricted cash	**–**	91
Other	**62**	22
	(58,414)	(74,297)
Cash flow from financing activities		
Increase in bank indebtedness	**6,752**	39,725
Increase in long-term debt	**50**	10,000
Repayment of long-term debt	**(34,665)**	(8,270)
Issue of subordinate voting shares	**–**	120
Acquisition of treasury shares (note 9)	**(468)**	–
Dividends on multiple voting shares	**(129)**	(116)
Dividends on subordinate voting shares	**(1,038)**	(919)
Issue of subordinate voting shares by a subsidiary to non-controlling interest, net of issue costs	**3,056**	228
Dividends paid by a subsidiary to non-controlling interest	**(3,272)**	(972)
	(29,714)	39,796
Net change in cash and cash equivalents	**(47,267)**	(54,224)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(153)**	1,616
Cash and cash equivalents at beginning	**65,564**	71,516
Cash and cash equivalents at end	**$ 18,144**	$ 18,908

See supplemental cash flow information in note 11.

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 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 ("GAAP"), contain all adjustments necessary to present fairly the financial position of COGECO Inc. as at November 30, 2007 and August 31, 2007 as well as its results of operations and its cash flow for the three month periods ended November 30, 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, 2007. These unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except for the adoption of new accounting policy on financial instruments described below.

Financial instruments

Effective September 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation* and Section 3865, *Hedges*.

Statement of Comprehensive Income

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

Recognition and Measurement of Financial Instruments

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

All of the Company's financial assets are classified as held for trading or loans and receivables. The Company has classified its cash and cash equivalents as held for trading. Accounts receivable have been classified as loans and receivables. All of the Company financial liabilities were classified as other liabilities, except for the Company's subsidiary's cross-currency swaps which were classified as held for trading. Held for trading assets and liabilities are carried at fair value on the balance sheet, with changes in fair value recorded in the consolidated statements of income, except for the changes in fair value of the cross-currency swaps which are designated as cash flow hedges of the Senior Secured Notes Series A and are recorded in other comprehensive income. Loans and receivables and all financial liabilities are carried at amortized cost using the effective interest method. Upon adoption, the Company determined that none of its financial assets are classified as available for sale or held to maturity. Except for the treatment of transaction costs and derivative financial instruments mentioned below, the provisions of the new accounting standards had no impact on the consolidated financial statement on September 1, 2007 and November 30, 2007.

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

1. Basis of Presentation (continued)

Transaction costs

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

Cash flow hedge

All derivatives are measured at fair value with changes in fair value recorded in the consolidated statements of income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in the consolidated statements of income. Any hedge ineffectiveness is recognized in the consolidated statements of income immediately. Accordingly, the Company's subsidiary's cross-currency swaps must be measured at fair value in the consolidated financial statements. Since these cross-currency swaps are used to hedge cash flows on Senior Secured Notes Series A denominated in U.S. dollars, the changes in fair value are recorded in other comprehensive income. The impact of measuring the cross-currency swaps at fair value on the interim consolidated financial statements on September 1, 2007, increased derivative financial instruments liabilities by $83.5 million, decreased deferred credit presented in long-term debt by $80.2 million, decreased future income tax liabilities by $1.1 million, decreased non-controlling interest by $1.5 million and decreased opening accumulated other comprehensive income by $0.7 million. The impact of measuring the cross-currency swaps at fair value on the interim consolidated financial statements for the three month period ended November 30, 2007 increased derivative financial instruments liabilities by $7.8 million, increased future income tax liabilities by $0.2 million, increased non-controlling interest by $0.3 million and increased accumulated other comprehensive income by $0.1 million.

Net investment hedge

Financial statements of self-sustaining foreign subsidiaries are translated using the rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the period for revenue and expenses. Adjustments arising from this translation are deferred and recorded as foreign currency translation adjustment in accumulated other comprehensive income and are included in income only when a reduction in the investment in these foreign subsidiaries is realized. Unrealized foreign exchange gains and losses on long-term debt denominated in foreign currency, that is designated as a hedge of net investments in a self-sustaining foreign subsidiaries are recorded as foreign currency translation adjustment in accumulated other comprehensive income, net of income taxes. As a result, an amount of $1.0 million was reclassified as at August 31, 2007 from the foreign currency translation adjustment to the accumulated other comprehensive income and the Company's comparative financial statements were restated in accordance with transition rules.

Embedded derivatives

All embedded derivatives that are not closely related to the host contracts, are measured at fair value, with changes in fair value recorded in the consolidated statements of income. On September 1, 2007 and at November 30, 2007, there are no significant embedded derivatives or non-financial derivatives that require separate fair value recognition on the consolidated balance sheet. In accordance with the new standards, the Company selected September 1, 2002, as its transition date for adopting the standard related to embedded derivatives.

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

1. Basis of Presentation (continued)

Upcoming standards

In 2006, the CICA issued Handbook Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. These Sections are to be applied to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of these new standards.

Accounting changes

In July 2006, the CICA issued Section 1506, *Accounting Changes*, which modifies certain aspects of the previous standard. A reporting entity may not change its accounting method unless required by 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. During the first quarter, the Company adopted this new standard and concluded that it had no significant impact on these consolidated financial statements.

2. 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	
Three months ended November 30, (unaudited)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue	**$ 251,833**	$ 222,002	**$ 40,988**	$ 41,341	**$ (51)**	$ (51)	**$ 292,770**	$ 263,292
Operating costs	**153,496**	138,340	**37,436**	38,287	**(2,172)**	(1,702)	**188,760**	174,925
Operating income before amortization	**98,337**	83,662	**3,552**	3,054	**2,121**	1,651	**104,010**	88,367
Amortization	**52,687**	44,309	**1,423**	1,485	**45**	45	**54,155**	45,839
Operating income	**45,650**	39,353	**2,129**	1,569	**2,076**	1,606	**49,855**	42,528
Financial expense	**16,912**	21,221	**244**	187	**450**	351	**17,606**	21,759
Impairment of assets of a subsidiary	**–**	–	**30,298**	–	**–**	–	**30,298**	–
Income taxes	**8,375**	5,597	**183**	152	**719**	714	**9,277**	6,463
Net assets employed [1] [2]	**$ 2,445,924**	$ 2,398,297	**$ 38,122**	$ 60,076	**$ 6,960**	$ 8,445	**$ 2,491,006**	$ 2 466 818
Total assets [2]	**2,677,884**	2,714,339	**96,976**	109,548	**10,542**	12,157	**2,785,402**	2 836 044
Fixed assets [2]	**1,130,081**	1,119,498	**13,339**	24,937	**443**	488	**1,143,863**	1 144 923
Goodwill [2]	**348,298**	342,584	**–**	–	**–**	–	**348,298**	342 584
Acquisition of fixed assets	**50,727**	67,171	**305**	232	**–**	–	**51,032**	67,403

(1) Total assets less cash and cash equivalents, accounts payable and accrued liabilities, broadcasting rights payable and deferred and prepaid income.
(2) As at November 30, 2007 and August 31, 2007.

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

2. Segmented Information (continued)

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

	Three months ended November 30,	
	2007	2006
	(unaudited)	(unaudited)
Revenue		
Canada	**$ 237,178**	$ 209,221
Europe	**55,592**	54,071
	$ 292,770	$ 263,292

	As at November 30,	As at August 31,
	2007	2007
	(unaudited)	(audited)
Fixed assets		
Canada	**$ 833,448**	$ 837,407
Europe	**310,415**	307,516
	$ 1,143,863	$ 1,144,923
Goodwill		
Canada	**$ –**	$ –
Europe	**348,298**	342,584
	$ 348,298	$ 342,584

3. Amortization

	Three months ended November 30,	
	2007	2006
	(unaudited)	(unaudited)
Fixed assets	**$ 46,138**	$ 40,495
Deferred charges	**5,574**	5,344
Intangible assets	**2,443**	–
	$ 54,155	$ 45,839

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

4. Financial expense

	Three months ended November 30,	
	2007	2006
	(unaudited)	(unaudited)
Interest on long-term debt	**$ 16,842**	$ 20,451
Amortization of deferred financing costs	**407**	646
Other	**357**	662
	$ 17,606	$ 21,759

5. Income Taxes

	Three months ended November 30,	
	2007	2006
	(unaudited)	(unaudited)
Current	**$ 4,099**	$ 2,584
Future	**5,178**	3,879
	$ 9,277	$ 6,463

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

	Three months ended November 30,	
	2007	2006
	(unaudited)	(unaudited)
Income before income taxes	**$ 1,951**	$ 20,769
Combined income tax rate	**33.93 %**	34.74 %
Income taxes at combined income tax rate	**$ 662**	$ 7,216
Loss or income subject to lower or higher tax rates	**(385)**	(33)
Income taxes arising from non-deductible expenses	**123**	–
Effect of foreign income tax rate differences	**(1,164)**	(824)
Variation of the valuation allowance	**10,280**	–
Other	**(239)**	104
Income taxes at effective income tax rate	**$ 9,277**	$ 6,463

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

6. Earnings per Share

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

	Three months ended November 30, 2007	2006
	(unaudited)	(unaudited)
Net income (loss)	**$ (9,976)**	$ 6,751
Weighted average number of multiple voting and subordinate voting shares outstanding	**16,672,652**	16,556,333
Effect of dilutive stock options [1]	**–**	96,624
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**16,672,652**	16,652,957
Earnings (loss) per share		
Basic	**$ (0.60)**	$ 0.41
Diluted	**(0.60)**	0.41

[1] The weighted average dilutive potential number of subordinate voting shares, which were antidilutive for the three month period ended November 30, 2007, amounted to 82,154. For the three month period ended November 30, 2006, 36,443 stock options were excluded from the calculation of diluted earnings per share since the exercise price of the options was greater than the average share price of the subordinate voting shares.

7. Goodwill and Other Intangible Assets

	November 30, 2007	August 31, 2007
	(unaudited)	(audited)
Customer relationships	**$ 67,475**	$ 68,858
Broadcasting licenses	**25,120**	28,120
Customer base	**989,772**	989,772
	1,082,367	1,086,750
Goodwill	**348,298**	342,584
	$ 1,430,665	$ 1,429,334

7. Goodwill and Other Intangible Assets (continued)

a) Intangible assets

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

	Customer relationships	Broadcasting licenses	Customer base	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance as at August 31, 2007	$ 68,858	$ 28,120	$ 989,772	$ 1,086,750
Amortization	(2,443)	–	–	(2,443)
Impairment of assets of a subsidiary	–	(3,000)	–	(3,000)
Foreign currency translation adjustment	1,060	–	–	1,060
Balance as at November 30, 2007	$ 67,475	$ 25,120	$ 989,772	$ 1,082,367

b) Goodwill

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

	(unaudited)
Balance as at August 31, 2007	$ 342,584
Foreign currency translation adjustment	5,714
Balance as at November 30, 2007	$ 348,298

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

8. Long-Term Debt

	Maturity	Interest rate	**November 30, 2007**	August 31, 2007
			(unaudited)	(audited)
Parent company				
Term Facility	2010	6.66 % [(1)]	**$ 23,302**	$ 25,538
Obligations under capital leases	2010	6.49 – 6.61	**101**	108
Subsidiaries				
Term Facility				
Term loan - €104,551,500	2011	5.38 [(1)]	**151,862**	150,450
Term loan – €17,358,700	2011	5.25 [(1)]	**25,190**	24,979
Revolving loan – €174,000,000 (€196,725,000 as at August 31, 2007)	2011	5.38 [(1)]	**254,562**	283,087
Senior Secured Debentures Series 1	2009	6.75	**149,636**	150,000
Senior – Secured Notes				
Series A – US$150 million	2008	6.83 [(2)]	**149,638**	158,430
Series B	2011	7.73	**174,203**	175,000
Deferred credit [(3)]	2008	–	**–**	80,220
Obligations under capital leases	2011	6.42 – 8.30	**5,210**	5,760
Other	–	–	**308**	262
			934,012	1,053,834
Less current portion			**167,119**	17,578
			$ 766,893	$ 1,036,256

(1) Average interest rate on debt as at November 30, 2007, including stamping fees.

(2) 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.

(3) The deferred credit represents the amount that was deferred for hedge accounting purpose as at August 31, 2007 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. In accordance with the standards on financial instruments, the Company's subsidiary's cross-currency swaps are now presented as derivative financial instrument liabilities (see note 1).

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

9. 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.

		November 30, 2007		August 31, 2007
		(unaudited)		(audited)
Issued				
1,842,860 multiple voting shares	**$**	**12**	$	12
14,829,792 subordinate voting shares		**119,066**		119,066
	$	**119,078**	$	119,078

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

	Three months ended November 30, 2007			Twelve months ended August 31, 2007		
	(unaudited)			(audited)		
	Number of shares		**Amount**	Number of shares		Amount
Balance at beginning	**14,829,792**	**$**	**119,066**	14,702,556	$	117,540
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	**–**		**–**	120,196		1,526
Conversion of multiple voting shares into subordinate voting shares	**–**		**–**	7,040		–
Balance at end	**14,829,792**	**$**	**119,066**	14,829,792	$	119,066

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

9. 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 the first quarter, no stock options were granted to employees by COGECO Inc. However, the Company's subsidiary, Cogeco Cable Inc., granted 97,214 stock options (197,407 in 2006) with an exercise price of $49.82 ($26.63 in 2006), of which 22,683 stock options (56,335 in 2006) were granted to COGECO Inc.'s employees. In 2006, 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 are granted and are exercisable over ten years. The vesting of these options is conditional to the achievement of certain yearly financial objectives by the Portuguese subsidiary, Cabovisão — 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 $320,000 ($261,000 in 2006) was recorded for the three month period ended November 30, 2007.

The fair value of stock options granted by the Company's subsidiary, Cogeco Cable Inc., for the three month period ended November 30, 2007 was $12.88 ($7.37 in 2006) per option. The fair value was estimated on the grant date for purposes of determining stock-based compensation expense using the binomial option pricing model based on the following assumptions:

	2007		2006	
Expected dividend yield	**0.90**	**%**	1.27	%
Expected volatility	**27**	**%**	32	%
Risk-free interest rate	**4.25**	**%**	4.05	%
Expected life in years	**4.0**		4.0	

As at November 30, 2007, the Company had outstanding stock options providing for the subscription of 191,258 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.

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 three months period ended November 30, 2007, no stock options (156,156 in 2006) was granted by TQS Inc. No compensation expense was recorded for the three month period ended November 30, 2007 and 2006 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. A compensation expense of $706,000 was recorded for the three months period ended November 30, 2006 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 is described in the Company's annual consolidated financial statements. During the first three months, the Company granted 12,852 Incentive Share Units (none in 2006). These shares were purchased for a cash consideration of $468,000 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 $68,000 (none in 2006) was recorded for the three months period ended November 30, 2007 related to this plan.

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

10. Accumulated Other Comprehensive Income (Loss)

	Translation of net investments in self-sustaining foreign subsidiaries	Cash flow hedges	Total
	(unaudited)	(unaudited)	(unaudited)
Balance as at August 31, 2007	$ (1,009)	$ –	$ (1,009)
Cumulative effect of changes in accounting policy (note 1)	–	(724)	(724)
Other comprehensive income	1,283	140	1,423
Balance as at November 30, 2007	$ 274	$ (584)	$ (310)

11. Statements of Cash Flow

a) Changes in non-cash operating items

	Three months ended November 30, 2007	2006
	(unaudited)	(unaudited)
Accounts receivable	$ (12,153)	$ (18,649)
Income tax receivable	827	(1,672)
Prepaid expenses	2,036	(3,516)
Broadcasting rights	(6,477)	(396)
Accounts payable and accrued liabilities	(38,689)	(74,866)
Broadcasting rights payable	8,263	5,553
Income tax liabilities	2,231	3,867
Deferred and prepaid income	965	3,921
	$ (42,997)	$ (85,758)

b) Other information

	Three months ended November 30, 2007	2006
	(unaudited)	(unaudited)
Fixed asset acquisitions through capital leases	$ 73	$ 205
Financial expenses paid	21,387	24,618
Income taxes paid (recovered)	(24)	1,279

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

12. 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 November 30,			
		2007		2006
		(unaudited)		(unaudited)
Contributory defined benefit pension plans	**$**	**807**	$	819
Defined contribution pension plan and collective registered retirement savings plans		**900**		621
	$	**1,707**	$	1,440

13. Contingent liability

The Canadian Radio-television Telecommunications Commission ("CRTC") collects two different types of fees from broadcast licensees. These are known as Part I and Part II fees. In 2003 and 2004, lawsuits were commenced in the Federal Court, alleging that the Part II licence fees are taxes rather than fees and that the regulations authorizing them are unlawful. On December 14, 2006, the Federal Court ruled that the CRTC did not have the jurisdiction to charge Part II fees. The Court ruled that licensees were not entitled to a refund of past fees paid. Both the Crown and the applicants have appealed this case to the Federal Court of Appeal. The applicants are seeking an order requiring a refund of past fees paid. The Crown is seeking to reverse the finding that Part II fees are unlawful. On October 1st, 2007, the CRTC sent a letter to all broadcast licensees, including the Company's subsidiaries Cogeco Cable Inc and Cogeco Radio-Television Inc. The letter stated that the CRTC will not collect Part II license fees due on November 30, 2007 and subsequent years unless the Federal Court of appeal or the Supreme Court of Canada (should the case be appealed to that level) reverses the Federal Court's decision. The Appeal hearing was held on December 4th and 5th, 2007 in Ottawa. During the hearing, questions were raised by the hearing panel concerning the appropriateness of considering Part II Licence Fees as a tax rather than a fee under the relevant portion of the Broadcasting Act. The decision is not expected before several months. The Company believes that there is a reasonable likelihood that the Federal Court's decision will be reversed. The Company's subsidiaries had accrued $9.7 million with respect to these fees for fiscal year 2007 and the first quarter of fiscal 2008. In the unlikely event that the Federal Court of Appeal or the Supreme Court of Canada, should this case be appealed to that level, maintains the decision from the Federal Court, this would have a beneficial impact on the future financial results of the Company.

14. Subsequent events

a) Corporate income tax rates

On October 16, 2007, the Canadian federal government announced in its Economic Statement reduction in corporate income tax rates. According to the new legislation, corporate income tax rates will be further reduced from 20.5% to 19.5% effective January 1, 2008, from 20% to 19% effective January 1, 2009, from 19% to 18% effective January 1, 2010, from 18.5% to 16.5% effective January 1, 2011, and to 15% effective January 1, 2012. These corporate income tax rates were considered substantively enacted on December 14, 2007. The reduction of these corporate income tax rates will reduce future income tax expenses by approximately $23 million and increased non-controlling interest by approximately $16 million in the second quarter of fiscal 2008.

b) Amended and restated credit agreement

On December 14, 2007, the Company concluded an amended and restated credit agreement with a group of four Canadian banks led by the Canadian Imperial Bank of Commerce (“CIBC”), which will now act as agent for the banking syndicate. The annually renewable three-year amended credit agreement establishes a revolving credit of $50 million to which may be added a further credit of $25 million under certain conditions. The amended credit agreement maintains certain financial commitments with the same security by the Company, its subsidiary Cogeco Radio-Television Inc. and indirect subsidiary, Cogeco Diffusion Inc. The Company posted a guarantee for a maximum amount of $12 million in favour of CIBC, which is also TQS’ banker, in the event of any default by TQS under the terms of its own credit agreement. TQS’ credit agreement provides security over its assets, including its accounts receivable. If the guarantee were to be called in, the Company would be subrogated to the rights of CIBC and benefit from the same security.

c) Order under the Companies’ Creditors Arrangement Act (Canada) protecting TQS Inc., its subsidiaries and its parent 3947424 Canada Inc. (“the TQS Group”)

In October 2007, the Board of Directors of TQS, an indirect subsidiary of the Company, engaged CIBC World Markets to advise on and assess strategic options for the TQS network in the face of financial difficulties. TQS’ position in the Québec Francophone over-the-air television market deteriorated markedly in spite of the measures and investments initiated by the Company over the last several months. The gradual loss of advertising revenue to specialty TV networks and content accessible over the Internet, combined with increased production costs, the Canadian Radio-television and Telecommunications Commission’s (“CRTC”) refusal to grant general interest television networks the same ability to charge subscriber fees for signal distribution as the speciality television networks, the programming strategy of Société Radio-Canada (“SRC”), which acts like a commercial player rather than a publicly-owned television broadcaster and SRC’s notice of disaffiliation in Saguenay, Sherbrooke and Trois-Rivières after a 50-year partnership all contributed to this decision. After considering CIBC World Markets’ report, the Board of Directors of TQS concluded that it was in the best interest of TQS, its employees and creditors to request court protection. On December 18, 2007, the Quebec Superior Court issued an order under the Companies’ Creditors Arrangement Act (Canada) protecting TQS Inc., its subsidiaries and its parent 3947424 Canada Inc. (“the TQS Group”) from claims by their creditors for an initial suspension period ending on January 17, 2008. Under the order, RSM Richter Inc. has been appointed as monitor, with a mandate to support the applicants, under Court supervision, in preparing a creditors arrangement plan.

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

14. Subsequent events (continued)

As a result, the Company recorded an asset impairment loss of $30.3 million representing the net assets of the TQS Group as at November 30, 2007. The impact of this impairment loss on the Company's consolidated statements of income is as follows:

		(unaudited)
Impairment of assets of a subsidiary	$	30,298
Non-controlling interest		(11,798)
	$	18,500

Also, effective December 18, 2007, the Company will cease to consolidate the financial statements of the TQS Group. The Company's consolidated balance sheet as at November 30, 2007, includes the following assets and liabilities pertaining to the TQS Group:

		(unaudited)
Accounts receivable	$	30,000
Prepaid expenses		243
Broadcasting rights		26,631
Fixed assets		10,000
Bank indebtedness		(14,004)
Accounts payable and accrued liabilities		(29,525)
Income tax liabilities		(90)
Deferred and prepaid income		(32)
Broadcasting rights payable		(21,202)
Long-term debt		(248)
Share in the partner's deficiency of a general partnership		(518)
Pension plan liabilities		(1,423)

COGECO INC.

Notes to Consolidated Financial Statements
November 30, 2007
(amounts in tables are in thousands of dollars, except per share data)

14. Subsequent events (continued)

The results of the TQS Group included in the consolidated statements of income for the three-month period ended November 30, 2007 were as follows:

		(unaudited)
Revenue	$	32,758
Operating costs		29,957
Operating income before amortization		2,801
Amortization		1,116
Operating income		1,685
Financial expense		238
Income before income taxes and non-controlling interest		1,447
Income taxes		–
Non-controlling interest		579
Net income	$	868

d) Senior unsecured debenture

On January 8, 2008, the Company's subsidiary, Cogeco Cable Inc., and the Solidarity Fund QFL entered into an agreement to issue senior unsecured debenture with par value of $100 million by way of private placement, subject to usual market conditions. The debenture which must be issued by no later than May 9, 2008, will bear interest at a fixed rate determined at the then prevailing rate of the ten-year Government of Canada bond plus a spread of 220 basis points. The debenture will be callable under certain conditions.

15. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2007.