



Press release
For immediate release

SECOND QUARTER ON THE RISE FOR COGECO

Montreal, April 10, 2008 – Today, COGECO Inc. (TSX: CGO) announced its financial results for the second quarter and first six months of fiscal 2008, ended February 29, 2008.

Second quarter 2008 and first six months consolidated results show continuous growth:

- Revenue increased by 14.1% to \$271.9 million in the second quarter and by 13.6% to \$532.1 million for the first six months;
- Operating income from continuing operations before amortization grew by 25% to \$109.3 million in the second quarter and by 20.4% to \$210.6 million for the first six months;
- Free cash flow⁽¹⁾ reached \$19.4 million in the second quarter and \$42.3 million for the first six months.

Cable sector

- Revenue-generating units (“RGUs”)⁽²⁾ reached 2,624,885 with 56,196 and 139,220 net additions in the second quarter and first six months;
- On March 11, Cogeco Cable acquired all the assets of MaXess Networx®, ENWIN Energy Ltd.’s telecommunications division (City of Windsor’s energy company) to strengthen Cogeco Business Solutions Data offering in Windsor, Ontario.

Other

- Radio revenue has improved in the second quarter. RYTHME FM network and the 93³ station in Quebec City continue to propose radio programming appealing to their audiences.
- 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, which period was afterwards renewed up to March 10. 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. On March 10, the Quebec Superior Court agreed with TQS Inc. Board of Director decision to accept the offer of Remstar Corporation Inc. to acquire all shares held by Cogeco Radio-Télévision Inc. and CTV Television Inc., the two shareholders of TQS Inc.

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.

“On a consolidated basis, COGECO’s second quarter financial result is positive. In the cable sector, Cogeco Cable continued to grow. In Canada, in a rational competitive environment, Cogeco Cable is performing above expectations. Our Portuguese cable subsidiary evolved in a very competitive environment that is changing more recently into a disciplined market.” said Louis Audet, President and CEO of COGECO. “In radio, we are well positioned to keep our leading position in key markets and gain market share in our other markets. We are confident to exceed our fiscal 2008 guidelines and, as a result, revising them upwards. With regards to TQS, the two shareholders, COGECO and CTV Television, agreed to sell all of their shares to Remstar Corporation Inc. This will allow a new ownership group to pursue the activities of TQS,” added Mr. Audet.

FINANCIAL HIGHLIGHTS

	Quarters ended (unaudited)			Six months ended (unaudited)		
	February 29, 2008	February 28, 2007	% Change	February 29, 2008	February 28, 2007	% Change
<i>(\$000, except percentages and per share data)</i>						
Revenue	\$ 271,894	\$ 238,378	14.1	\$ 532,149	\$ 468,611	13.6
Operating income from continuing operations before amortization	109,346	87,478	25.0	210,555	174,849	20.4
Income from continuing operations	16,315	36,655	(55.5)	23,971	43,501	(44.9)
Loss from discontinued operations	(425)	(2,109)	79.8	(18,057)	(2,204)	-
Net income	15,890	34,546	(54.0)	5,914	41,297	(85.7)
Cash flow from operations ⁽¹⁾	85,374	63,353	34.8	166,751	128,550	29.7
Less:						
Capital expenditures and increase in deferred charges	66,000	52,892	24.8	124,403	127,308	(2.3)
Free cash flow ⁽¹⁾	19,374	10,461	85.2	42,348	1,242	-
Earnings (loss) per share						
Basic						
Income from continuing operations	\$ 0.98	\$ 2.21	-	\$ 1.44	\$ 2.63	-
Loss from discontinued operations	(0.03)	(0.13)	-	(1.08)	(0.13)	-
Net income	0.95	2.08	-	0.35	2.49	-
Diluted						
Income from continuing operations	0.97	2.20	-	1.43	2.61	-
Loss from discontinued operations	(0.03)	(0.13)	-	(1.08)	(0.13)	-
Net income	0.95	2.07	-	0.35	2.48	-

⁽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 "Uncertainties and main risk factors" section 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 growth and continuous improvement of networks and equipment are the main strategies used. The radio activities focus on continuous improvement of programming to increase market share, and, therefore, profitability. The Company measures its performance against these objectives with growth of operating income before amortization, free cash flow¹ and RGU² growth for the cable sector. Below are the recent achievements in furthering of COGECO's objectives.

Tight control over costs and business processes

- For the second quarter of 2008, the Company's operating costs increased over last year by 7.7% compared to a revenue growth of 14.1%;
- 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 has 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.

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

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

Cable sector

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

Canadian operations

- Acquisition:
 - March 11, acquisition of all the assets of MaXess Networx®, ENWIN Energy Ltd.'s telecommunications division (City of Windsor's energy company) to strengthen Cogeco Business Solutions' Data offering in Windsor, Ontario.
- Digital Television services:
 - During the second quarter:
 - Launch of Super Channel and Playhouse Disney in Ontario;
 - Launch of Disney ABC International television on Cogeco On Demand;
 - Launch of *Les idées de ma maison* in Québec, a brand new digital channel;
 - March 4, 2008, launch of Family On Demand in Ontario, a new On Demand service.
- Telephony service:
 - During the second quarter:
 - Launch of Telephony in Port Hope, Cobourg, Smiths Falls, Perth and Parry Sound in Ontario;
 - March 11, launch of Telephony in Huntsville, Bracebridge and Gravenhurst, Ontario;
 - March 19, launch of Telephony in Bic, Ste-Luce, Ste-Blandine, St-Fabien, St-Gédéon and St-Martin-de-Beauce, Québec.
- Customer service:
 - Opening of three (3) new Cogeco stores located in Oakville and Hamilton, Ontario and in St-Hyacinthe, Québec.

European operations

- Cabovisão - Televisão por Cabo, S.A. (Cabovisão) continued its Digital Television service deployment.
- Opening of four (4) new Cabovisão stores located in Alcobaça, Portalegre, Sacavém and São João da Madeira.

Continuous improvement of networks and equipment

- During the first six months of fiscal 2008, Cogeco Cable has invested approximately \$47.7 million in its infrastructure including headends and upgrade/rebuild.

Effective management of capital

- March 5, Cogeco Cable issued a \$100 million senior unsecured debenture bearing an interest rate of 5.936%, maturing in 2018, by way of a private placement.

Other

- RYTHME FM network and the 93³ station in Quebec City continue to expand their audience and gain market share in their territories.

Discontinued Operations

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 Quebec 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, which period was afterwards renewed up to March 10, 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. On March 10, the Quebec Superior Court agreed with TQS Inc. Board of Director decision to accept the offer of Remstar Corporation Inc. to acquire all shares held by Cogeco Radio-Télévision Inc. and CTV Television Inc., the two shareholders of TQS Inc.

Effective December 18, 2007, the Company has ceased to consolidate the financial statements of the TQS Group. Accordingly, the investment in the TQS Group as at August 31, 2007, as well as its results of operations and its cash flow for the period of September 1, 2007 to December 18, 2007 and for the three and six month periods ended February 28, 2007, have been reclassified as a discontinued operation. The Company has no investment in the TQS Group as at February 29, 2008. The assets and liabilities related to the discontinued operations as at August 31, 2007, were as follows:

	(unaudited)
Accounts receivable	\$ 23,611
Prepaid expenses	442
Broadcasting rights	14,647
Current assets	\$ 38,700
Broadcasting rights	\$ 17,456
Fixed assets	21,653
Broadcasting licenses	3,000
Non-current assets	\$ 42,109
Bank indebtedness	\$ 8,173
Accounts payable and accrued liabilities	28,893
Broadcasting rights payable	8,531
Income tax liabilities	141
Deferred and prepaid income	42
Current portion of long-term debt	251
Current liabilities	\$ 46,031
Share in the partner's deficiency of a general partnership	\$ 518
Broadcasting rights payable	4,408
Pension plan liabilities	1,444
Non-controlling interest	11,219
Long-term liabilities	\$ 17,589

The results of the discontinued operations were as follows:

	Three months ended		Six months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 5,741	\$ 23,068	\$ 38,499	\$ 56,572
Operating costs	5,865	26,877	35,822	59,385
Operating income (loss) before amortization	(124)	(3,809)	2,677	(2,813)
Amortization	248	1,094	1,364	2,178
Operating income (loss)	(372)	(4,903)	1,313	(4,991)
Financial expense	53	266	291	411
Impairment of assets	–	–	30,298	–
Loss before income taxes and the following items	(425)	(5,169)	(29,276)	(5,402)
Income taxes	–	(1,653)	–	(1,725)
Non-controlling interest	–	(1,407)	(11,219)	(1,469)
Shares in the earnings of a general partnership	–	–	–	(4)
Loss from discontinued operations	\$ (425)	\$ (2,109)	\$ (18,057)	\$ (2,204)

The cash flow of the discontinued operations was as follows:

	Three months ended		Six months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities	\$ 1,770	\$ 2,110	\$ (3,973)	\$ (7,867)
Cash flow from investing activities	(48)	(494)	(133)	(688)
Cash flow from financing activities	(1,722)	(1,616)	4,106	8,555
Cash flow from discontinued operations	\$ –	\$ –	\$ –	\$ –

Continuing Operations

RGU growth in the cable sector

During the first six months ended February 29, 2008, the consolidated number of RGUs increased by 5.6% to reach over 2.6 million units. In its initial projections, Cogeco Cable had expected fiscal year ending August 31, 2008 RGU growth to reach approximately 10% and has since revised downwards its guidelines to an increase of approximately 9%. Please consult the “Fiscal 2008 financial guidelines” section for further details.

Revenue and operating income before amortization growth

For the second quarter of fiscal 2008, revenue increased by \$33.5 million, or 14.1%, to reach \$271.9 million while operating income before amortization grew by \$21.9 million, or 25%, to reach \$109.3 million. For the first six months of 2008, revenue increased by \$63.5 million, or 13.6%, to reach \$532.1 million, while operating income before amortization grew by \$35.7 million, or 20.4%, to reach \$210.6 million. For fiscal 2008, the Company had expected revenue to reach \$1,120 million and now anticipates revenue to reach \$1,090 million, while operating income is expected to increase from \$431 million to \$445 million. Management has revised its guidelines in the cable sector to reflect better than projected average monthly service revenue per Basic cable service customer (ARPU) and price increases to occur in Canada and, in Portugal, to reflect a more competitive market and the better performance of the euro over the Canadian dollar compared to its original projection. Management also revised its guidelines to reflect the discontinuity of the TQS operations. Please consult the “Fiscal 2008 financial guidelines” section for further details.

Free cash flow

In the second quarter of fiscal 2008, COGECO generated free cash flow of \$19.4 million, compared to \$10.5 million for the same period last year. For the six-month period ended February 29, 2008, the Company generated free cash flow of \$42.3 million compared to \$1.2 million for the same period the year before. These increases result mainly from the cable sector and are attributable to an increase in operating income before amortization and a reduction in financial expense. Capital expenditures and deferred charges increased by \$13.1 million in the second quarter compared to the corresponding period of last year. For the six-month period of 2008, capital expenditures and deferred charges decreased by \$2.9 million compared to the same period of the previous year. Considering the improved performance of the cable subsidiary during the first six months of 2008, management has revised upwards its guidelines of free cash flow from \$73 million to \$75 million. Please consult the “Fiscal 2008 financial guidelines” section for further details.

OPERATING RESULTS – CONSOLIDATED OVERVIEW

(\$000, except percentages)	Quarters ended			Six months ended		
	February 29,	February 28,	% Change	February 29,	February 28,	% Change
	2008	2007		2008	2007	
Revenue	\$ 271,894	\$ 238,378	14.1	\$ 532,149	\$ 468,611	13.6
Operating costs	162,548	150,900	7.7	321,594	293,762	9.5
Operating income before amortization	109,346	87,478	25.0	210,555	174,849	20.4
Operating margin	40.2 %	36.7 %		39.6 %	37.3 %	

Revenue

Fiscal 2008 second quarter revenue improved, essentially by its Cable segment, by \$33.5 million, or 14.1%, to reach \$271.9 million, and, for the first six-month period, by \$63.5 million, or 13.6%, to reach \$532.1 million. Cable revenue, driven by an increased number of RGU, combined with rate increases, went up by \$33.2 million, or 14.3%, and by \$63 million, or 13.9%, respectively, in the second quarter and first six months of fiscal 2008.

Operating income before amortization

Operating income before amortization grew, essentially by its Cable segment, by \$21.9 million, or 25%, to reach \$109.3 million in the second quarter of fiscal 2008 and by \$35.7 million, or 20.4%, to reach \$210.6 million in the first six months of fiscal 2008 compared to the corresponding periods of last year. The cable sector contributed to the growth by \$21.7 million and \$36.4 million during the second quarter and first six months of fiscal 2008, respectively.

FIXED CHARGES

	Quarters ended			Six months ended		
	February 29, 2008	February 28, 2007	% Change	February 29, 2008	February 28, 2007	% Change
<i>(\$000, except percentages)</i>						
Amortization	\$ 56,346	\$ 44,018	28.0	\$ 109,385	\$ 88,773	23.2
Financial expense	17,373	23,915	(27.4)	34,741	45,529	(23.7)

Fiscal 2008 second quarter and first six-month period amortization amounted to \$56.3 million and \$109.4 million compared to \$44 million and \$88.8 million for the same periods the year before. Amortization expense increased for both periods mainly due to the following factors in the cable sector: the completion, in the fourth quarter of fiscal 2007, of the purchase price allocation of the Cabovisão acquisition, which includes the revaluation of tangible and intangible assets for an additional amortization expense of approximately \$5.8 million and \$10.2 million in the second quarter and first six months, respectively, and additional capital expenditures arising from the required customer premise equipment to sustain RGU growth and to support the deployment of the Digital Television service in Portugal.

Fiscal 2008 second quarter and first six-month period financial expense decreased by \$6.5 million and \$10.8 million, respectively, compared to the same periods in fiscal 2007. The Company's cable subsidiary 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. During the second quarter of fiscal 2007, Cogeco Cable also recorded a one-time charge of \$2.6 million related to the early repayment of its Second Secured Debentures, Series A.

INCOME TAXES

Fiscal 2008 second quarter income taxes recovery amounted to \$14.4 million compared to an expense of \$4.2 million in fiscal 2007. For the first six months of fiscal 2008, income taxes recovery amounted to \$5.1 million compared to an expense of \$10.8 million in 2007. The decrease is essentially due to the reduction in corporate income tax rates announced on October 16, 2007 by the Canadian federal government in its Economic Statement. According to the new tax initiatives, corporate income tax rates have been 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 reduced future income tax expense by \$24.1 million in the second quarter and first six months of fiscal 2008. The second quarter and first six months of fiscal 2008 income tax reduction were partly offset by an increase in income taxes resulting from an increase in operating income before amortization and lower financial expense that have outpaced the increase in amortization expense in the cable sector. Excluding the effect of the tax rate reductions, income tax expense would have amounted to \$9.7 million for the 2008 second quarter and \$19 million for the 2008 first six-month period compared to \$4.2 million and \$10.8 million, respectively, for the same periods the year before.

GAIN ON DILUTION RESULTING FROM SHARES ISSUED BY A SUBSIDIARY

During the second quarter of 2007, the Company's subsidiary, Cogeco Cable Inc., completed a public offering totalling 5,000,000 subordinate voting shares. The offering resulted in gross proceeds of \$192.5 million and net proceeds of \$184.2 million. The Company's subsidiary has also issued, during the second quarter of fiscal 2007, 7,344 subordinate voting shares pursuant to its Employee Stock Purchase Plan and 218,761 subordinate voting shares pursuant to its Employee Stock Option Plan for cash considerations of \$0.2 million and \$4 million, respectively. As a result, the Company's interest in Cogeco Cable Inc. decreased from 39.2% to 34.7% and a gain on dilution of \$31 million was recorded for the three and six-month periods ended February 28, 2007.

NON-CONTROLLING INTEREST

The non-controlling interest represents a participation of approximately 67.6% in Cogeco Cable's results. During the second quarter and first six months of 2008, the non-controlling interest amounted to \$33.8 million and \$47.5 million, respectively, due to the cable sector's strong results. The non-controlling interest for the comparable periods of last year amounted to \$9.6 million and \$17.3 million, respectively.

NET INCOME

Fiscal 2008 second quarter net income amounted to \$15.9 million, or \$0.95 per share, compared to \$34.5 million, or \$2.08 per share, for the same period last year. The net income decrease in the second quarter of fiscal 2008 was due to the following factors: a gain on dilution amounting to \$31 million was recorded in the second quarter of fiscal 2007, partially offset by the growth in operating income before amortization exceeding those of the fixed charges and the effect of income tax rate reductions of \$7.8 million, net of non-controlling interest, from the cable sector.

Fiscal 2008 first six-month period net income amounted to \$5.9 million, or \$0.35 per share, compared to \$41.3 million, or \$2.49 per share, for the same period in 2007. The net income decrease in the first six months of fiscal 2008 was due to the following factors: a gain on dilution amounting to \$31 million was recorded in the second quarter of fiscal 2007, a loss from discontinued operations of \$18.1 million recorded in the first six months of fiscal 2008, partially offset by the growth in operating income before amortization exceeding those of the fixed charges and the effect of income tax rate reductions of \$7.8 million, net of non-controlling interest, from the cable sector.

Excluding the effect of the fiscal 2007 gain on dilution and the effect of the fiscal 2008 income tax rate reductions net of non-controlling interest and the loss from discontinued operations, net income for the second quarter of fiscal 2008 would have amounted to \$8.4 million, or \$0.50 per share, compared to \$5.7 million, or \$0.34 per share, for the same period in 2007, an improvement of 47.9% and 47.1%, respectively. For the 2008 six-month period, net income, excluding the adjustments discussed above, would have amounted to \$16.1 million, or \$0.97 per share, compared to \$12.5 million, or \$0.76 per share, in 2007, an increase of 29% and 27.6%, respectively. Please consult the “Non-GAAP financial measures” section for further details.

CASH FLOW AND LIQUIDITY

(\$000)	Quarters ended		Six months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Operating Activities				
Cash flow from operations	\$ 85,374	\$ 63,353	\$ 166,751	\$ 128,550
Changes in non-cash operating items	7,568	(1,869)	(27,205)	(76,812)
	<u>\$ 92,942</u>	<u>\$ 61,484</u>	<u>\$ 139,546</u>	<u>\$ 51,738</u>
Investing Activities ⁽¹⁾	<u>\$ (64,743)</u>	<u>\$ (52,231)</u>	<u>\$ (123,072)</u>	<u>\$ (126,334)</u>
Financing Activities ⁽¹⁾	<u>\$ (22,329)</u>	<u>\$ 11,773</u>	<u>\$ (58,586)</u>	<u>\$ 41,398</u>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	<u>\$ 355</u>	<u>\$ 1,644</u>	<u>\$ 202</u>	<u>\$ 3,260</u>
Net change in cash and cash equivalents	\$ 6,225	\$ 22,670	\$ (41,910)	\$ (29,938)
Cash and cash equivalents at beginning	18,144	18,908	66,279	71,516
Cash and cash equivalents at end	<u>\$ 24,369</u>	<u>\$ 41,578</u>	<u>\$ 24,369</u>	<u>\$ 41,578</u>

(1) Excludes assets acquired under capital leases.

Fiscal 2008 second quarter cash flow from operations reached \$85.4 million, 34.8% 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 higher cash inflows compared to the same period last year, attributable to the cable sector and mainly as a result of an increase in income tax liabilities.

Fiscal 2008 first six-month period cash flow from operations reached \$166.8 million, an increase of 29.7% compared to the same period the year before, primarily due to the growth 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 than for the same period last year, attributable to the cable sector and mainly as a result of a smaller decrease in accounts payable and accrued liabilities, an increase in income tax liabilities and a smaller increase in accounts receivable. The larger reduction in accounts payable and accrued liabilities in the first six months of fiscal 2007 was due to non-recurring payments made by the Portuguese cable subsidiary in accordance with the terms of the acquisition.

In the second quarter of fiscal 2008, investing activities stood at \$64.7 million mainly due to capital expenditures of \$58.5 million and from an increase of \$6.1 million in deferred charges in the cable sector. The capital expenditures from the cable sector increased compared to the same period last year due to the following factors:

The increase in customer premise equipment resulted from the timing to acquire such equipment in the first quarter of fiscal 2007, to build an inventory for the Canadian operations and to the deployment of Digital Television service in Portugal, partly offset by lower RGU growth.

- The increase in scalable infrastructure is mainly due to the expansion and the improvement of headends, system powering and equipment reliability to sustain increased customer demand for HSI and Telephony services.
- The increase in support capital is due to the improvement in information systems to support the business requirements and to the acquisition of vehicles.
- The reduction in capital expenditures associated with the network upgrade and rebuild is due to the timing of expenses as an accelerated program was deployed in fiscal 2007 to accelerate the bandwidth expansion and the network reliability for the Canadian operations.

In the first six months of fiscal 2008, investing activities stood at \$123.1 million mainly due to capital expenditures of \$109.3 million and from an increase of \$13.6 million in deferred charges in the cable sector. The capital expenditures from the cable sector decreased compared to the same period last year due to the following factors:

- The reduction in customer premise equipment resulted from lower RGU growth, partly offset by the deployment of Digital Television in Portugal.
- The reduction in capital expenditures associated with the network upgrade and rebuild is due to the timing of expenses as an accelerated program was deployed in fiscal 2007 to accelerate the bandwidth expansion and the network reliability for the Canadian operations.
- The increase in scalable infrastructure is mainly due to the expansion and the improvement of headends, system powering and equipment reliability to sustain increased customer demand for HSI and Telephony services.
- The increase in support capital is due to the improvement in information systems to support the business operations and to the acquisition of vehicles.

Fiscal 2008 second quarter and first six-month period deferred charges, which are mainly attributable to reconnect costs in the cable sector, were lower than for the same periods the year before mainly due to lower RGU growth.

In the second quarter and first six months of fiscal 2008, the Company generated free cash flow in the amount of \$19.4 million and \$42.3 million, respectively, compared to \$10.5 million and \$1.2 million for the same periods of the preceding year. The free cash flow increases over last year's same periods are attributable to the cable sector and are mainly due to an increase in operating income before amortization and to a reduction in financial expense. Capital expenditures and deferred charges increased by \$13.1 million in the second quarter and decreased by \$2.9 million for the first six-month period compared to the corresponding periods of last year due to the factors explained above.

Fiscal 2008 second quarter debt repayment amounted to \$18.2 million. This repayment came from the generated free cash flow of \$19.4 million, partly offset by a \$1.2 million dividend payment described below. For the same period last year, indebtedness decreased by \$174.4 million. This reduction was mainly attributable to the cable sector and due to the following factors: the partial early repayment by Cogeco Cable, in the amount of \$89.3 million, of its 8.44% Second Secured Debentures, Series A, in the aggregate principal amount of \$125 million due July 31, 2007 (the "Debentures"), to the repayment of a portion of the Term Facility, amounting to \$51.4 million, and to the repayment of the bank indebtedness in the amount of \$29.3 million. These repayments were made using the net proceeds of \$184.2 million from the completion of a public offering of 5,000,000 subordinate voting shares on February 2, 2007. The Company also repaid \$2.5 million of its own Term Facility. In addition, dividends of \$0.07 per share for subordinate and multiple voting shares, totalling \$1.2 million, were paid during the second quarter of fiscal 2008 and fiscal 2007.

During the first half of fiscal 2008, the level of indebtedness decreased by \$52.6 million mainly due to the following factors: the generated free cash flow of \$42.3 million, the reduction of \$41.9 million in cash and cash equivalents partly used to offset the \$27.2 million reduction in non-cash operating items. These factors have been partly offset by a dividend payment of \$2.3 million described below. For the same period last year, indebtedness decreased by \$143.1 million mainly due to the repayment by Cogeco Cable of its Debentures for \$89.3 million and to the repayment of its \$49.1 million of Term Facility and to the \$2.5 million repayment of the Company's Term Facility. In addition, quarterly dividends of \$0.07 per share for subordinate and multiple voting shares, totalling \$2.3 million, were paid during the first six months of fiscal 2008 compared to quarterly dividends of \$0.0625 and \$0.07 per share for subordinate and multiple voting shares, paid respectively for the first and the second quarter of fiscal 2007, totalling \$2.2 million.

As at February 29, 2008, the Company had a working capital deficiency of \$401.7 million compared to \$127.3 million as at August 31, 2007. The greater deficiency is mainly attributable to Cogeco Cable's US\$150 million Senior Secured Notes, Series A and its related derivative financial instruments for an amount of \$240.2 million due within the next twelve months by October 31, 2008. 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, thus enabling the cable subsidiary to use cash and cash equivalents to reduce indebtedness.

As at February 29, 2008, the cable subsidiary had used \$409.3 million of its \$900 million Term Facility and the Company had drawn \$21 million of its \$50 million 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, except for the changes in the presentation of assets and liabilities related to discontinued operations, there have been major changes to the balance of Fixed assets, Cash and cash equivalents, Accounts payable and accrued liabilities, Income tax liabilities, Accounts receivable, Future income tax assets, Future income tax liabilities, Goodwill, Accumulated other comprehensive income (loss), Non-controlling interest, Derivative financial instruments, and Indebtedness.

The \$29.2 million fixed assets rise is mainly related to increased capital expenditures to sustain RGU growth and by the appreciation of the euro over the Canadian dollar in the cable sector. The \$41.9 million and \$28.4 million reductions in cash and cash equivalents and accounts payable and accrued liabilities, respectively, are related to suppliers' payments in the cable sector. The \$8.6 million increase in income tax liabilities is due to the utilization of most of Cogeco Cable's tax losses carry forwards before fiscal 2008. The \$4.9 million accounts receivable increase is essentially due to revenue growth and its related level of receivables in the cable sector. The \$5.9 million and \$22.7 million future income tax assets and future income tax liabilities reductions, respectively, are attributable to Cogeco Cable and mainly due to the corporate income tax rates reduction announced by the Canadian federal government and considered substantively enacted on December 14, 2007. The \$13.2 million goodwill increase is due to the appreciation of the euro over the Canadian dollar in the cable sector. The \$2.5 million increase in accumulated other comprehensive income (loss) is mainly the result of the appreciation of the euro over the Canadian dollar, partly offset by the changes in accounting policies related to financial instruments in the cable sector. The \$50.9 million increase in non-controlling interest is mainly due to the improved

results in the cable sector. Finally, the derivative financial instruments have increased by \$92.8 million and indebtedness has decreased by \$129.7 million as a result of accounting changes and factors previously discussed in the “Cash Flow and Liquidity” section. Please consult the “Accounting policies and estimates” section for further details.

A description of COGECO’s share data as at March 31, 2008 is presented in the table below:

	Number of shares/ options	Amount (\$000)
Common Shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,832,586	119,127
Options to Purchase Subordinate Voting Shares		
Outstanding options	188,758	
Exercisable options	188,758	

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. In March 2008, the Company was unconditionally released from all of its obligations under the guarantee. Furthermore, on January 8, 2008, Cogeco Cable and the Solidarity Fund QFL entered into an agreement to issue a \$100 million senior unsecured debenture by way of a private placement, subject to usual market conditions. The debenture was issued on March 5, 2008, bears interest at a fixed rate of 5.936% and will mature on March 5, 2018. The debenture is redeemable at Cogeco Cable’s option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

DIVIDEND DECLARATION

At its April 10, 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 May 8, 2008, to shareholders of record on April 24, 2008.

FOREIGN EXCHANGE MANAGEMENT

The Company’s subsidiary, 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\$10.8 million at the end of the second quarter compared to August 31, 2007 due to the Canadian dollar’s appreciation. The

fair value of cross-currency swaps increased by \$9.3 million, of which \$10.8 million offset the foreign exchange gain on the US\$ debt. The difference of \$1.4 million was recorded as an increase of other 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\$9.1 million in the first six months of 2008, which is presented in other comprehensive income. The exchange rate used to convert the euro into Canadian dollars for the balance sheet accounts as at February 29, 2008 was \$1.4944 per euro compared to \$1.4390 per euro as at August 31, 2007. The average exchange rates prevailing during the second quarter and first six months of 2008 used to convert the operating results of the European operations were \$1.4741 and \$1.4430 per euro, respectively, compared to \$1.5146 and \$1.4818 per euro, respectively, for the same periods last year.

CABLE SECTOR

CUSTOMER STATISTICS

	Net additions					% of Penetration ⁽¹⁾	
	February 29, 2008	Quarters ended		Six months ended		February 29, 2008	February 28, 2007
		February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007		
RGUs ⁽²⁾	2,624,885	56,196	84,399	139,220	198,678		
Basic Cable service customers	1,160,750	4,593	11,883	17,590	35,376		
HSI service customers ⁽³⁾	622,113	17,154	27,736	46,254	64,748	56.1	50.4
Digital Television service customers	414,011	17,879	13,961	34,132	35,185	49.1	43.3
Telephony service customers	428,011	16,570	30,819	41,244	63,369	43.1	36.8

(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 86,204 as at February 29, 2008 compared to 68,966 as at February 28, 2007.

In Canada, second quarter 2008 RGUs' net additions were lower than for the same period last year and reflect an early sign of maturation in most services. In Portugal, Cabovisão faced intense competition and, as a result, all services generated lower customer growth. RGUs grew at a slower pace since competition offered deep discounts to attract customers during most of the first six-month period. Cabovisão did not match the competition's highly discounted offering. However, since then, the pricing environment has become more rational. Cabovisão's performance since its acquisition by Cogeco Cable has exceeded management's original business plan and growth prospects for the future remain excellent in management's view.

The number of net additions for Basic Cable in the Canadian market stood at 1,869 customers compared to a growth of 5,277 customers for the same period last year due to the expiry of certain promotional offers. In Portugal, Basic Cable service grew by 2,724 customers compared to 6,606 customers.

In Canada, the number of net additions to HSI service stood at 15,058 customers compared to 20,428 customers for the same period last year. During the second quarter of 2008, HSI customer

net additions were 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 2,096 customers compared to 7,308 customers in 2007.

Canadian net additions of Digital Television service stood at 17,879 customers compared to 13,961 customers for the same period last year. The increase in net additions this quarter compared to the same quarter last year is due to targeted marketing initiatives in 2008 to improve the penetration rate. It also reflects the continuous strong interest for High Definition technology.

Telephony customers grew in both operating units. In Canada, net additions stood at 16,201 to reach 183,052 compared to a growth of 24,467 for the same period last year. The lower growth is mostly attributable to the increased penetration in areas where the service is already offered and to fewer new areas where the service was launched. Telephony service coverage, as a percentage of homes passed, has now reached 80% compared to 74% last year. Telephony service in Portugal grew by 369 customers compared to 6,352 customers for the same period of the preceding year.

OPERATING RESULTS

(\$000, except percentages)	Quarters ended			Six months ended		
	February 29,	February 28,	%	February 29,	February 28,	%
	2008	2007		Change	2008	
Revenue	\$ 265,102	\$ 231,952	14.3	\$ 516,935	\$ 453,954	13.9
Operating costs	152,942	141,033	8.4	301,403	274,933	9.6
Management fees - COGECO Inc.	3,679	4,128	(10.9)	8,714	8,568	1.7
Operating income before amortization	108,481	86,791	25.0	206,818	170,453	21.3
Operating margin	40.9 %	37.4 %		40.0 %	37.5 %	

Revenue

Fiscal 2008 second quarter consolidated revenue improved by \$33.2 million, or 14.3%, to reach \$265.1 million, and for the first six-month period, by \$63 million, or 13.9%, to reach \$516.9 million. Driven by an increased number of RGUs combined with rate increases, 2008 second quarter Canadian operations revenue went up by \$30.2 million, or 17.3%, and 2008 first six-month period by \$58.6 million, or 17.1%.

Fiscal 2008 second quarter European operations revenue increased by \$2.9 million, or 5.1%, to reach \$59.9 million and 2008 six-month period by \$4.4 million, or 4%, to reach \$115.5 million compared to the same periods last year. European operations have generated RGU growth and implemented rate increases. However, the strength of the Canadian dollar against the euro compared with last year has curtailed revenue growth when translated to Canadian dollars.

Operating costs

For the second quarter and the first six months of fiscal 2008, operating costs, excluding management fees payable to COGECO Inc., increased by \$11.9 million and \$26.5 million to reach \$152.9 million and \$301.4 million, respectively, an increase of 8.4% and 9.6% compared to last year. The increase in operating costs for the second quarter of 2008 was mainly attributable to servicing additional RGUs in Canada and Portugal. The increase in operating costs for the first six-month period was also attributable to servicing additional RGUs in Canada and Portugal, including the increased penetration of the Telephony service in Canada, the timing of certain marketing initiatives in Portugal, including a major campaign to increase brand awareness, and to costs related to the design of internal controls and review of business processes to comply with National Instrument 52-109.

Operating income before amortization

Fiscal 2008 second quarter and first six-month period operating income before amortization increased by \$21.7 million, or 25%, to reach \$108.5 million and by \$36.4 million, or 21.3%, to reach \$206.8 million, respectively, as a result of RGU growth and various rate increases outpacing operating cost increases. Cogeco Cable's second quarter of 2008 operating margin increased to 40.9% from 37.4% due to rate increases implemented during the first quarter of fiscal 2008 and the third quarter of fiscal 2007. The operating margin in Canada improved from 38.3% to 42.2% and in Europe from 34.7% to 36.6%.

For the first six months of fiscal 2008, the operating margin improved to 40% from 37.5% due to the reasons described above with the Canadian operating margin improving and the European operating margin remaining essentially the same compared to the same period the year before.

FISCAL 2008 FINANCIAL GUIDELINES

Cable sector

Given the improved performance of the cable sector during the first six months of fiscal 2008, management has revised most of its guidelines for the 2008 fiscal year.

For its Canadian operations, management has revised upwards its guidelines to reflect better than projected ARPU and rate increases to occur. RGU growth should be lower than initially projected due to the lower than anticipated Telephony service customers' growth and the expiration of Basic Cable service promotions. For its European operations, management has revised downwards its guidelines for RGU growth and revenue to reflect the fierce competition that Cabovisão faced during the first six months of fiscal 2008, which is partially offset by rate increases, tight cost controls and the strengthening of the euro over the Canadian dollar.

Subsequent to these adjustments, projected revenue, operating income before amortization and net income were revised upwards. The increase in projected revenue from \$1,050 million to \$1,060 million should come from the Canadian operations. The operating income before amortization should increase to \$440 million from \$425 million and operating margin should increase from about 41% to 42%. Net income should stand at about \$123 million.

Management is also raising its guidance for capital expenditures and deferred charges from \$260 million to \$275 million to increase the capacity of its infrastructure to sustain growth and to build additional homes passed. Amortization expense is expected to increase from \$215 million to \$225 million to reflect the increase in capital expenditures and deferred charges and the impact from the completion, in the fourth quarter of fiscal 2007, of the purchase price allocation of the Cabovisão acquisition, which included the revaluation of tangible and intangible assets. As a result

of the revised projections, free cash flow is now expected to reach \$70 million from the \$65 million initially projected.

Consolidated

The Company is also revising its guidelines to reflect the discontinuity of the TQS operations. Subsequent to the above adjustments in the cable sector and in the television operations, revenue should stand at approximately \$1,090 million, operating income before amortization should increase from \$431 million to \$445 million, free cash flow should increase from \$73 million to \$75 million and net income should remain essentially the same to approximately \$22 million.

<i>(\$ million, except customer data)</i>	Revised Projections Fiscal 2008 April 10, 2008	Revised Projections Fiscal 2008 January 9, 2008	Projections Fiscal 2008
Consolidated Financial Guidelines			
Revenue	1,090	1,120	1,190
Operating income before amortization	445	431	425
Net income	22	22	30
Free cash flow	75	73	65
Cable sector-			
<i>Financial Guidelines</i>			
Revenue	1,060	1,050	1,050
Operating income before amortization	440	425	425
Operating margin	41% to 42%	40% to 41%	40% to 41%
Financial expense	72	72	72
Amortization	225	215	215
Net income	123	118	118
Capital expenditures and deferred charges	275	260	260
Free cash flow	70	65	65
<i>Customer Addition Guidelines</i>			
Basic Cable service	15,000	30,000	30,000
HSI services	75,000	75,000	75,000
Digital Television service	54,000	54,000	54,000
Telephony service	81,000	100,000	100,000
RGUs	225,000	259,000	259,000

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.

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 1, 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 4 and 5 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 until later this year. The Company believes that there is a reasonable likelihood that the Federal Court's decision will be reversed. The Company has accrued \$10.2 million with respect to these fees for fiscal year 2007 and the first six months 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 a 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's 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 consolidated balance sheet, with changes in fair value recorded in the consolidated statement 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 statements on September 1, 2007 and February 29, 2008.

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 statement of income. Any hedge ineffectiveness is recognized in the consolidated statement 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 second quarter and first six-month period ended February 29, 2008 increased derivative financial instruments liabilities by \$1.5 million and \$9.3 million, increased future income tax liabilities by \$0.3 million and \$0.5 million, increased non-controlling interest by \$0.4 million and \$0.6 million and increased accumulated other comprehensive income by \$0.2 million and \$0.3 million, respectively.

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 adjustments 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 adjustments in accumulated other comprehensive income, net of income taxes and non-controlling interest. 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, and with changes in fair value recorded in the consolidated statement of income. On September 1, 2007 and as at February 29, 2008, 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 gain on dilution, loss from discontinued operations and income tax adjustments, net of non-controlling interest.

Cash flow from operations

Cash flow from operations is used by COGECO's management and investors to evaluate cash flow generated by operating activities from continuing operations, 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		Six months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Cash flow from operating activities	\$ 92,942	\$ 61,484	\$ 139,546	\$ 51,738
Changes in non-cash operating items	(7,568)	1,869	27,205	76,812
Cash flow from operations	\$ <u>85,374</u>	\$ <u>63,353</u>	\$ <u>166,751</u>	\$ <u>128,550</u>

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		Six months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Cash flow from operations	\$ 85,374	\$ 63,353	\$ 166,751	\$ 128,550
Acquisition of fixed assets	(58,533)	(44,819)	(109,346)	(111,818)
Increase in deferred charges	(6,094)	(6,046)	(13,611)	(13,258)
Assets acquired under capital leases – as per Note 12 b)	(1,373)	(2,027)	(1,446)	(2,232)
Free cash flow	\$ <u>19,374</u>	\$ <u>10,461</u>	\$ <u>42,348</u>	\$ <u>1,242</u>

Net income excluding gain on dilution, loss from discontinued operations and income tax adjustments net of non-controlling interest.

Net income excluding gain on dilution, loss from discontinued operations and income tax adjustments, net of non-controlling interest, is used by COGECO's management and investors in order to evaluate what would have been the net income excluding gain on dilution, loss from discontinued operations and income tax adjustments net of non-controlling interest. This allows the Company to isolate the one time adjustments in order to evaluate the net income from continuing operations.

(\$000)	Quarters ended		Six months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Net income	\$ 15,890	\$ 34,546	\$ 5,914	\$ 41,297
Adjustments:				
Loss (gain) on dilution	(25)	(30,990)	82	(30,983)
Discontinued operations	425	2,109	18,057	2,204
Income tax adjustments net of non-controlling interest	(7,909)	-	(7,909)	-
Net income excluding above adjustments	\$ <u>8,381</u>	\$ <u>5,665</u>	\$ <u>16,144</u>	\$ <u>12,518</u>

ADDITIONAL INFORMATION

This MD&A was prepared on April 10, 2008. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

ABOUT COGECO

COGECO is a diversified communications company. Through its Cogeco Cable subsidiary, COGECO provides approximately 2,625,000 revenue-generating units (RGUs) to 2,390,000 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, Quebec City, Trois-Rivières and Sherbrooke, as well as the 93³ station in Quebec 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).

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

Analyst Conference Call: **Friday, April 11, 2008 at 11:00 A.M. (EDT)**
Media representatives may attend as listeners only.

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

Canada/USA Access Number: 1-866-321-8231
International Access Number: + 1 416-642-5213
Confirmation Code: 7255545
By Internet at www.cogeco.ca/investors

A rebroadcast of the conference call will be available until April 19 by dialing:

Canada and USA access number: 1 888-203-1112
International access number: + 1 647 436-0148
Confirmation code: 7255545

**Supplementary Quarterly Financial Information
(unaudited)**

Quarters ended	February 29 / 28,		November 30,		August 31,		May 31,	
	2008 ⁽¹⁾	2007 ⁽¹⁾	2007 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾	2006
<i>(\$000, except percentages and per share data)</i>								
Revenue	\$ 271,894	\$ 238,378	\$ 260,255	\$ 230,233	\$ 251,300	\$ 181,419	\$ 249,424	\$ 161,381
Operating income from continuing operations before amortization	109,346	87,478	101,209	87,371	100,595	73,000	95,791	65,648
<i>Operating margin</i>	<i>40.2%</i>	<i>36.7%</i>	<i>38.9%</i>	<i>37.9%</i>	<i>40%</i>	<i>40.2%</i>	<i>38.4%</i>	<i>40.7%</i>
Amortization	56,346	44,018	53,039	44,755	54,723	35,259	47,725	29,509
Financial expense	17,373	23,915	17,368	21,614	18,924	16,747	21,603	14,025
Income taxes	(14,426)	4,233	9,277	6,535	(7,480)	(12,389)	8,055	8,710
Loss (gain) on dilution	(25)	(30,990)	107	7	(27,011)	-	64	-
Non-controlling interest	33,763	9,647	13,762	7,619	24,240	20,652	13,318	7,517
Income from continuing operations	16,315	36,655	7,656	6,846	37,097	12,749	5,025	5,862
Loss from discontinued operations	(425)	(2,109)	(17,632)	(95)	(6,713)	(2,449)	(1,966)	(333)
Net income (loss)	15,890	34,546	(9,976)	6,751	30,384	10,300	3,059	5,529
Cash flow from operations	85,374	63,353	81,377	65,197	78,153	56,759	76,862	51,474
Earnings (loss) per share								
Basic								
Income from continuing operations	\$ 0.98	\$ 2.21	\$ 0.46	\$ 0.41	\$ 2.23	\$ 0.77	\$ 0.30	\$ 0.35
Loss from discontinued operations	(0.03)	(0.13)	(1.06)	(0.01)	(0.40)	(0.15)	(0.12)	(0.02)
Net income	0.95	2.08	(0.60)	0.41	1.82	0.62	0.18	0.33
Diluted								
Income from continuing operations	0.97	2.20	0.46	0.41	2.21	0.77	0.30	0.35
Loss from discontinued operations	(0.03)	(0.13)	(1.06)	(0.01)	(0.40)	(0.15)	(0.12)	(0.02)
Net income	0.95	2.07	(0.60)	0.41	1.81	0.62	0.18	0.33

⁽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