PRESS RELEASE
For immediate release

Cogeco Cable revises its guidance due to strong first quarter 2007 results

Montréal, January 11, 2007 – Today, Cogeco Cable Inc. (TSX: CCA) announced its financial results for the first quarter ended November 30, 2006.

Growth from business acquisition

The newly acquired Portuguese operations, Cabovisão-Televisão por Cabo, S.A. (Cabovisão), is on its way to achieving its 2007 financial projections, supported by the increase of about 21,300 revenue generating units (RGUs[1]). "Cabovisão is progressing according to our plan", said Mr. Louis Audet, President and CEO of Cogeco Cable. The Portuguese operations generated revenue of $54.1 million while operating income before amortization was $18.3 million for an operating margin of 33.9%.

Exceptional growth from the Canadian operations propels financial results

"The Canadian operation's first quarter of fiscal 2007 was certainly one of Cogeco Cable's best. RGU growth increased revenue and operating income before amortization, thus exceeding our expectations," continued Mr. Audet. During the first quarter, the Canadian operations reported very strong RGU increases, with more than 93,000 net additions compared to about 61,000 for the same period last year. First quarter revenue grew by 17.1% compared to the same period last year, reaching $167.9 million while operating income before amortization improved by 14%, reaching $65.3 million.

Solid consolidated financial results

On a consolidated basis, revenue increased by 54.8%, operating income before amortization by 46% and net income by 39.3% compared to the same period last year. The Corporation's first quarter operating margin was 37.7% compared to 40% last year due to newly acquired Cabovisão's lower but rising operating margin.

Improved 2007 financial projections

The first quarter's higher than expected results from the Canadian operations lead the Corporation to revise most of its projections upwards for the fiscal 2007. Management expects to add between 287,000 and 305,000 RGUs, consolidated revenue should reach $925 million, operating income before amortization should reach approximately $355 million, while the operating margin should remain at about 38%.

"For the following quarters, we will continue to provide to our customers a superior offering, through various improvements. We look forward to the rest of fiscal 2007 with a high degree of confidence, thanks to the commitment of dedicated teams in Canada and in Portugal," concluded Mr. Audet.

[1] Revenue generating units (RGUs) represent the sum of basic service, High Speed Internet (HSI) service, Digital Television service and Telephony service customers.

FINANCIAL HIGHLIGHTS

($000s, except percentages and per share data)	Quarters ended November 30, (unaudited) 2006	2005	% Change
Revenue	$ 222,002	$ 143,413	54.8
Operating income before amortization	83,662	57,302	46.0
Net income	12,535	8,998	39.3
Cash flow from operations [1]	62,060	43,389	43.0
Less:			
Capital expenditures and increase in deferred charges	74,383	33,678	-
Free cash flow [1]	(12,323)	9,711	-
Per share data			
Basic net income	$ 0.31	$ 0.23	34.8

[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.

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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 "Uncertainties and main risk factors" of the Corporation's 2006 annual 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 Corporation's financial statements, and the notes thereto, prepared in accordance with Canadian GAAP and the MD&A included in the Corporation's 2006 Annual Report. Throughout this discussion, all amounts are in Canadian dollars unless otherwise indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CORPORATE STRATEGIES AND OBJECTIVES

Cogeco Cable's objectives are to improve profitability and create shareholder value. The strategies for reaching those objectives are constant corporate growth through the diversification and improvement of products and services as well as clientele and territories; effective management of capital; and tight cost control and business processes. The Corporation measures its performance with regard to these objectives with revenue growth, RGU[1] growth and free cash flow[2]. Below are the recent achievements in furtherance of Cogeco Cable's objectives.

Continuous improvement of the service offering and a larger customer base

Canadian operations

- Digital Television services:
  - Significant upgrade of Cogeco Cable's High Definition (HD) Television offering in Québec, now with 11 HD channels;
  - Addition of two new HD channels (A&E HD and HDNet) to the Ontario Digital Television line-up;
  - Addition of Anime Network On Demand, a new subscription Video on Demand (VOD) service;
  - Addition to Cogeco On Demand of "*Lance et compte I, II et III*" in Québec and "*Survivor: Cook Islands*" in all territories served by Cogeco Cable.
- Digital Telephony service:
  - Available to 72% of homes passed in Cogeco Cable's territories, as at November 30, 2006;
  - Since September 1, 2006, deployment of the Digital Telephony service in Corunna, Bright's Grove, Lindsay, Niagara-on-the-Lake and St. Catharines, in Ontario, as well as St-Sauveur, Piedmont, Ste-Adèle, St-Jovite, Mont-Tremblant, Alma, Roberval, Ste-Agathe, Thetford Mines and Montmagny in Québec.

Portuguese operations and its integration

- Cabovisão is in the process of completing its plan to launch its Digital Television offering for the deployment during fiscal 2007;
- The integration process advances according to plan. Customer service is a key activity on which the Integration Committee is focusing.

Continuous improvement of networks and equipment

- During the first quarter of fiscal 2007, the Corporation has invested in its infrastructure including head-ends and upgrade/rebuild for an amount approximating $23 million.

Tight control over costs, business processes

- First quarter of fiscal 2007 operating costs of the Canadian operations increased by 17.9% essentially in line with revenue growth during the same period;
- The design of internal controls over financial reporting as per National Instrument 52-109 is still underway. As discussed in the 2006 annual MD&A, the Corporation had identified certain material weaknesses in the design of internal controls over financial reporting and there have been no changes to the identified material weaknesses since August 31, 2006.

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[1] See « Customer statistics" section for detailed explanations.
[2] See " Non-GAAP financial measures " section for explanations.

RGU Growth

As at November 30, 2006, the consolidated number of RGUs increased by 5.2% to reach nearly 2.3 million units. As at August 31, 2006, the Corporation had anticipated RGU growth of between 9% and 10% for the full year, as compared to a year earlier. Following higher than anticipated HSI, Digital Television, Digital Telephony and basic cable customer growth during the first quarter 2007, management has revised its guidelines to 13% to 14% RGU growth by August 31, 2007. Please consult the ''Fiscal 2007 financial guidelines'' section for further details.

Revenue Growth

During the first quarter of fiscal 2007, revenue for the Canadian operations increased by 17.1% to reach \$167.9 million mainly due to stronger RGU growth. In its fiscal 2007 revised projections announced at the end of the last quarter of fiscal 2006, the Corporation had expected to achieve revenue growth between 10% and 12%. The Portuguese subsidiary generated revenue of \$54.1 million during the first quarter of fiscal 2007, as expected by management.

Free Cash Flow

For the first quarter, Cogeco Cable generated a negative free cash flow of \$12.3 million compared to a positive free cash flow of \$9.7 million for the same period last year mainly due to higher capital expenditures necessary to sustain RGU growth, including the acquisition of customer premise equipment amounting to approximately \$12 million to serve expected RGU growth in the coming months. Capital expenditures and deferred charges amounted to \$74.4 million of which \$64.8 million was intended to support Canadian operations and the remainder was earmarked for the Portuguese operations. In light of the stronger than expected RGU growth in the first quarter of fiscal 2007, capital expenditures and deferred charges are expected to reach \$255 million. Fiscal 2007 revised free cash flow should be between \$10 million to \$15 million. Please consult the ''Fiscal 2007 financial guidelines'' section for further details.

CUSTOMER STATISTICS

Canadian operations

		Net additions Quarters ended November 30,		% of Penetration[1] [4] November 30,	
	November 30, 2006	2006	2005	2006	2005
RGUs[2]	1,648,951	93,015	60,770		
Basic service customers	849,417	16,240	10,903		
HSI service customers[3]	372,015	28,935	22,993	47.0	39.9
Digital Television service customers	348,588	21,224	21,415	42.0	32.9
Digital Telephony service customers	78,931	26,616	5,459	12.9	2.7

(1) As a percentage of basic service customers in areas served.
(2) Represent the sum of basic service, HSI service, Digital Television service and Digital Telephony service customers.
(3) Customers subscribing only to Internet services totalled 61,336 as at November 30, 2006 compared to 61,208 as at August 31, 2006.
(4) An audit of homes passed in Ontario has been completed during the first quarter of fiscal 2007 and, as a result, the number of homes passed has been reduced by 42,386.

All services generated higher growth in the first quarter compared to the same period last year, except for the Digital Television service. During the first quarter, the growth in Digital Telephony is mostly attributable to the launch of this service in new markets. Coverage of homes passed has now reached 72% compared to 21% last year. The net additions of basic service customers in the first quarter reached 16,240, which represents the highest growth in many years, compared to a gain of

10,903 for the same period last year. The number of net additions of HSI service stood at 28,935 compared to 22,993 for the same period last year, which is also a new high. The growth of HSI and basic service customers compared to the same period last year is mostly due to the enhancement of the product offering, the impact of the bundled offer of Television, HSI and Digital Telephony services (Cogeco Complete Connexion), and promotional activities.

The net additions of Digital Television service customers stood at 21,224 about equal to 21,415 for the same period last year. Customers continue to demonstrate strong interest in the HD technology.

Portuguese Operations

	November 30, 2006	Net additions Quarter ended November 30, 2006	% of Penetration[1] November 30, 2006
RGUs[2]	650,305	21,264	—
Basic service customers	276,947	7,253	—
HSI service customers	144,355	8,077	52.1
Telephony service customers	229,003	5,934	82.7

(1) As a percentage of basic service customers in areas served.
(2) Represent the sum of basic service, HSI service and Telephony service customers.

For the first quarter, all services generated customer growth in line with the Corporation’s guidelines. Basic service grew by 7,253 customers, HSI by 8,077 customers and Telephony by 5,934 customers.

ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Cogeco Cable’s accounting policies and estimates since August 31, 2006. A description of these policies and estimates can be found in the Corporation’s 2006 annual MD&A.

RELATED PARTY TRANSACTIONS

Cogeco Cable is a subsidiary of COGECO Inc., which holds 39.2% of the Corporation’s equity shares, representing 86.6% of the Corporation’s voting shares. Under a management agreement, the Corporation pays COGECO Inc. monthly management fees equal to 2% of its total revenue for certain executive, administrative, legal, regulatory, strategic and financial planning, and additional services. In 1997, management fees were capped at $7 million per year, subject to annual upward adjustments based on increases in the Consumer Price Index in Canada. Accordingly, for fiscal 2007, management fees have been set at a maximum of $8.6 million. Management fees for the first quarter of fiscal 2007 stood at $4.4 million compared to $2.9 million for the same period last year. Most of the increase of $1.6 million is due to the revenue generated from the acquisition of Cabovisão. Furthermore, Cogeco Cable granted 318,735 stock options to COGECO Inc.’s employees during the first quarter of 2007, compared to 31,743 in the first quarter of 2006. From the 318,735 stock options granted in the first quarter of fiscal 2007, 262,400 are conditional to the achievement of certain yearly financial objectives by the Portuguese subsidiary, Cabovisão, over a period of three years. Details regarding the management agreement and stock options granted to COGECO Inc.’s employees are provided in the MD&A of the Corporation’s 2006 annual report. There were no other material related party transactions during fiscal years 2007 and 2006.

OPERATING RESULTS

($000s, except percentages)	Quarters ended November 30, 2006	2005	% Change
Revenue	$ 222,002	$ 143,413	54.8
Operating costs	133,900	83,243	60.9
Management fees - COGECO Inc.	4,440	2,868	54.8
Operating income before amortization	83,662	57,302	46.0
Operating margin	37.7 %	40.0 %	

Revenue

Consolidated revenue for the first quarter increased by $78.6 million to reach $222 million.

For the first quarter, revenue for the Canadian operations rose by $24.5 million or 17.1% compared to the same period in fiscal 2006. This growth is explained mainly by an increase in the number of HSI, Digital Telephony, Digital Television and basic service customers as mentioned in the "Customer Statistics" section, together with rate increases implemented in June and August of 2006. Monthly rate increases of at most $3 per customer and averaging $2 per basic service customer took effect on June 15, 2006 in Ontario and on August 1, 2006 in Québec.

The Portuguese subsidiary's revenue amounted to $54.1 million for the first quarter of fiscal 2007. Monthly rate increases of at most $3 (€2) per HSI and Telephony customer thus averaging $1 per basic customer took effect on November 1, 2006.

Operating Costs

For the first quarter of fiscal 2007, consolidated operating costs increased by $50.7 million to reach $133.9 million.

For the first quarter, Canadian operations' operating costs including network fees but excluding management fees payable to COGECO Inc. rose by $14.9 million or 17.9%. During the first quarter, network fees increased by 16.2% compared to the same period the year before. Network fees increase was mainly attributable to the introduction of Digital Telephony service and RGU growth. The increase in other operating costs was related to servicing additional RGUs, including Digital Telephony. For the first quarter, Cabovisão's operating costs amounted to $35.7 million.

Operating Income Before Amortization

For the first quarter of fiscal 2007, consolidated operating income before amortization increased by $26.4 million to reach $83.7 million. Cabovisão's operating income before amortization for the first quarter amounted to $18.3 million.

For the first quarter, operating income before amortization for the Canadian operations rose by 14%, compared to the same period last year as the increase in revenue outpaced the rise in operating costs. Cogeco Cable's operating margin for the Canadian operations decreased slightly from 40% to 38.9% in the first quarter of fiscal 2007, as a result of the launch of the Digital Telephony service. The Portuguese operations generated an operating margin of 33.9% for the first quarter. As a result, Cogeco Cable's first quarter 2007 operating margin declined to 37.7% from 40% for the same period last year, as expected.

FIXED CHARGES

($000s, except percentages)	Quarters ended November 30, 2006	2005	% Change
Amortization	$ 44,309	$ 28,277	56.7
Financial expense	21,221	13,582	56.2

For the first quarter, amortization amounted to $44.3 million compared to $28.3 million for the same period last year. Amortization for the Canadian operations amounted to $31.7 million during the quarter compared to $28.3 million for the same period last year. The increase in amortization is due to the higher level of capital expenditures arising from the demand for customer premise equipment, scalable infrastructure, upgrade/rebuild, support capital and deferred charges. Amortization for the first quarter of the Portuguese operations amounted to $12.6 million.

During the first quarter, financial expense increased by $7.6 million compared to the same period last year. This is due to the higher level of Indebtedness (defined as bank indebtedness and long-term debt) required to finance the acquisition of the Portuguese subsidiary, Cabovisão.

INCOME TAXES

For the first quarter of fiscal 2007, income taxes amounted $5.6 million compared to $6.4 million in fiscal 2006. Income taxes for the Canadian operations amounted to $4.2 million for the first quarter of fiscal 2007 compared to $6.4 million for the same period last year despite the growth in operating income before amortization. The income tax decrease for the Canadian operations was mainly attributable to the elimination of Canadian federal capital tax on January 1, 2006. Income tax for the first quarter of the Portuguese operations amounted to $1.4 million and represented essentially withholding taxes payable on financial expense of Cabovisão.

NET INCOME

Net income for first quarter of fiscal 2007 amounted to $12.5 million, or $0.31 per share, compared to $9 million, or $0.23 per share, for the same period last year. Net income has increased essentially due to the growth in operating income before amortization exceeding those of the fixed charges.

CASH FLOW AND LIQUIDITY

($000s)		Quarters ended November 30, 2006		2005
Operating Activities				
Cash flow from operations	$	62,060	$	43,389
Changes in non-cash operating items		(71,909)		(42,787)
	$	(9,849)	$	602
Investing Activities (1)	$	(74,070)	$	(33,678)
Financing Activities (1)	$	29,695	$	53,698
Net change in cash and cash equivalents	$	(54,224)	$	20,622
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		1,616		-
Cash and cash equivalents at beginning		71,516		61
Cash and cash equivalents at end	$	18,908	$	20,683

(1) Excludes assets acquired under capital leases.

For the first quarter of fiscal 2007, cash flow from operations reached $62 million, 43% higher than the result achieved for the comparable period last year, primarily due to the increase in operating income before amortization net of financial expense. Changes in non-cash operating items generated greater cash outflows than the same period last year, mainly as a result of a decrease in accounts payable and accrued liabilities resulting from non recurring payments made by the Portuguese subsidiary, Cabovisão, following the terms of the acquisition.

Investing activities, including capital expenditures segmented according to the National Cable Television Association (NCTA) standard reporting categories, are as follows:

($000s)		Quarters ended November 30, 2006		2005
Customer Premise Equipment (1)	$	39,417	$	15,423
Scalable Infrastructure		11,986		3,672
Line Extensions		2,551		2,552
Upgrade / Rebuild		10,856		6,974
Support Capital		2,361		1,392
Total Capital Expenditures (2)	$	67,171	$	30,013
Deferred charges and others		7,104		3,665
Total other investing activities	$	74,275	$	33,678

(1) Includes mainly new and replacement drops as well as home terminal devices.
(2) Includes capital leases, which are excluded from the statements of cash flow.

During the first quarter, capital expenditures increased compared to last year mainly as a result of the following factors:

- The increase in customer premise equipment expenditures for the first quarter of fiscal 2007 resulted from a greater demand for HSI and Digital Telephony services, from a rise in the number of digital terminals rented to customers and from a greater ratio of digital terminals per digital home. Furthermore, customer premise equipment representing approximately $12 million was acquired by the Corporation at the end of the quarter to serve expected RGU growth in the coming months.

- The growth in capital expenditures for scalable infrastructure was mainly attributable to the support of the Digital Telephony rollout for the Canadian operations.

- The increase in capital expenditures associated with the network upgrade and rebuild program for the Canadian operations rose due to the acceleration of the program to expand the bandwidth to 750 MHz and 550 MHz for the Ontario and Québec networks, respectively, and to improve network reliability. An increase in the number of households with access to the two-way service was also a factor and the percentage of customers with access to the two-way service rose from 90% as at November 30, 2005 to 93% as at November 30, 2006.

Capital expenditures by the Portuguese operations amounted to $9.6 million during the first quarter, essentially to support RGU growth.

The first quarter increase in deferred charges is explained by higher reconnect costs attributable to the significant level of RGU increase.

The Corporation incurred a deficit in free cash flow for the first quarter of fiscal 2007 in the amount of $12.3 million compared to a surplus of $9.7 million in the preceding year. The first quarter free cash flow decrease over the same period last year is due to a higher level of capital expenditures (including the acquisition of customer premise equipment amounting to approximately $12 million at the end of the quarter) and deferred charges generated by better-than-projected RGU growth and to support the Digital Telephony service roll-out, partly offset by the growth in operating income before amortization.

During the first quarter, the level of Indebtedness increased by $31.1 million due to a decrease of $71.9 million in non-cash operating items explained by the repayment of certain suppliers subsequent to the Cabovisão acquisition and a free cash flow deficit of $12.3 million, mostly offset by a $54.2 million decrease in cash and cash equivalents. For the same period last year, Indebtedness increased by $55.3 million mainly due to a decline in non-cash operating items of $42.8 million and a net change in cash and cash equivalents of $20.6 million, partly offset by generated free cash flow of $9.7 million. In addition, a dividend of $0.04 per share for subordinate and multiple voting shares, totalling $1.6 million, was paid during the first quarter of fiscal years 2007 and 2006.

As at November 30, 2006, Cogeco Cable had a working capital deficiency of $332.7 million compared to $314.9 million as at August 31, 2006. The greater deficiency is mainly attributable to negative free cash flow generated and the depreciation of the Canadian dollar over the euro currency. Cogeco Cable maintains a working capital deficiency due to a low level of accounts receivable since the majority of the Corporation’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 Corporation generally uses cash and cash equivalents to reduce Indebtedness.

As at November 30, 2006 the Corporation had used $658 million of its $900 million Term Facility.

FINANCIAL POSITION

Since August 31, 2006, there have been major changes to ‘’Fixed Assets’’, ‘’Preliminary Goodwill’’, ‘’Accounts Payable and accrued liabilities’’, ‘’Indebtedness’’, ‘’Cash and cash equivalents’’ and ‘’Foreign currency translation adjustment’’.

The $47.2 million rise in fixed assets is mainly related to increased capital expenditures to sustain RGU growth during the quarter as well as anticipated growth in the following months. The increase of $28.9 million in preliminary goodwill and $11.8 million in foreign currency translation adjustment is the result of the appreciation of the euro currency over the Canadian dollar. The $65.1 million and $52.6 million reductions in accounts payable and accrued liabilities and cash and cash equivalents respectively, are related to payments made with regards to the acquisition of Cabovisão. Indebtedness increased by $63.5 million as a result of the depreciation of the Canadian dollar over the euro currency and the factors previously discussed in the “Cash Flow and Liquidity” section.

A description of Cogeco Cable’s share data as of December 31, 2006 is presented in the table below:

	Number of shares/options	Amount ($000s)
Common Shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	24,328,683	532,541
Options to Purchase Subordinate Voting Shares		
Outstanding options	1,274,647	
Exercisable options	564,186	

The number of outstanding options has increased significantly during the first quarter of fiscal 2007. With regards to the acquisition of Cabovisão - Televisão por Cabo, S.A., the Corporation granted 376,000 conditional stock options with an exercise price of $26.63. These 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, over a period of three years.

In the normal course of business, Cogeco Cable has incurred financial obligations, primarily in the form of long-term debt, operating and capital leases and guarantees. Cogeco Cable’s obligations, discussed in the 2006 annual MD&A, have not materially changed since August 31, 2006.

DIVIDEND DECLARATION

At its January 10, 2007 meeting, the Board of Directors of Cogeco Cable declared a quarterly eligible dividend of $0.06 per share for subordinate and multiple voting shares, payable on February 7, 2007, to shareholders of record on January 24, 2007. Continued improvement of the Corporation’s financial results explain the increase of 50% of the dividend from $0.04 to $0.06 per share.

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 US 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 CDN$1.5910. Amounts due under the US$150 million Senior Secured Notes Series A increased by CDN$5.5 million during the first quarter compared to August 31, 2006 due to the Canadian dollar’s depreciation. Since the Senior Secured Notes Series A are fully hedged, the fluctuation is offset by a variation in deferred credit described in Note 7 of the first quarter 2007 interim financial statements. The $67.3 million deferred credit represents the difference between the quarter-end exchange rate and the exchange rate on the cross-currency swap agreements, which determine the liability for interest and principal payments on the Senior Secured Notes Series A.

As noted in the MD&A of the 2006 annual report, the Corporation's investment in the Portuguese subsidiary, Cabovisão, is exposed to market risk attributable to fluctuations in foreign currency exchange rate, primarily changes in the values of the Canadian dollar versus the euro. This risk is mitigated since the major part of the purchase price for Cabovisão was borrowed directly in euros. This debt is designated as a hedge of net investments in self-sustaining subsidiaries and accordingly the Corporation realized a foreign exchange gain of $11.8 million in the first quarter of fiscal 2007 which is deferred and recorded in the foreign currency translation adjustment.

FISCAL 2007 FINANCIAL GUIDELINES

Given the stronger-than-expected demand for basic cable, Digital Television, HSI and Digital Telephony services during the first quarter and various service enhancements offered recently, Cogeco Cable has revised upward its 2007 guideline for basic cable, Digital Television, HSI and Digital Telephony customer additions. Subsequent to these adjustments, projected revenue and operating income before amortization were revised upward. The operating margin should remain at about 38% even with the continued deployment of the Digital Telephony to occur during the course of fiscal 2007.

As a result of increased customer additions, Cogeco Cable will have to purchase more digital terminals, cable modems and equipment. Consequently, management is raising its guidance for capital expenditures and deferred charges from between $225 million and $230 million to $255 million, and for amortization from $182 million to $192 million. The Corporation should generate free cash flow of $10 million to $15 million. Projected net income should stand at about $48 million.

In furtherance of its existing line of business and external growth strategy, the Corporation may investigate further cable system acquisition opportunities, including cable systems located outside Canada over time.

Consolidated

($ million, except customer data)	Revised Projections January 10, 2007 Fiscal 2007	Projections October 16, 2006 Fiscal 2007
Financial Guidelines		
Revenue	925	880 to 885
Operating income before amortization	355	335 to 338
Operating margin	About 38%	About 38%
Financial expense	87	85
Amortization	192	182
Net income	48	45
Capital expenditures and deferred charges	255	225 to 230
Free cash flow	10 to 15	20 to 25
Customer Addition Guidelines		
Basic service	37,000 to 40,000	25,000 to 30,000
HSI service	85,000 to 90,000	55,000 to 60,000
Digital Television service	60,000 to 65,000	55,000 to 60,000
Telephony service	105,000 to 110,000	67,000 to 72,000
RGUs	287,000 to 305,000	202,000 to 222,000

Canadian operations

($ million, except customer data)	Revised Projections January 10, 2007 Fiscal 2007	Projections October 16, 2006 Fiscal 2007
Financial Guidelines		
Revenue	701	665 to 670
Operating income before amortization	280	264 to 267
Operating margin	About 40%	About 40%
Capital expenditures and deferred charges	210	180 to 183
Customer Addition Guidelines		
Basic service	12,000 to 15,000	0 to 5,000
HSI service	60,000 to 65,000	30,000 to 35,000
Digital Television service	60,000 to 65,000	55,000 to 60,000
Telephony service	80,000 to 85,000	42,000 to 47,000
RGUs	212,000 to 230,000	127,000 to 147,000

Portuguese operations

($ million, except customer data)	Revised Projections January 10, 2007 Fiscal 2007	Projections October 16, 2006 Fiscal 2007
Financial Guidelines		
Revenue	224	215
Operating income before amortization	75	71
Operating margin	About 33%	About 33%
Capital expenditures and deferred charges	45	45 to 47
Customer Addition Guidelines		
Basic service	25,000	25,000
HSI service	25,000	25,000
Telephony service	25,000	25,000
RGUs	75,000	75,000

Financial guidelines for the Portuguese operations were revised only to reflect the improvement of the euro currency compared to the Canadian dollar. As a result, for guideline purposes the euro is converted at an average rate of $1.45 while the Corporation was using an average rate of $1.40 last October.

UNCERTAINTIES AND MAIN RISK FACTORS

There has been no significant change in the risk factors and uncertainties facing Cogeco Cable as described in the Corporation's MD&A of the 2006 annual report.

NON-GAAP FINANCIAL MEASURES

This section describes Non-GAAP financial measures used by Cogeco Cable 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" and "free cash flow".

Cash Flow from Operations

Cash flow from operations is used by Cogeco Cable'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 Corporation 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,	
	2006	**2005**
Cash flow from operating activities	$ (9,849)	$ 602
Changes in non-cash operating items	71,909	42,787
Cash flow from operations	$ 62,060	$ 43,389

Free Cash Flow

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

($ 000)	Quarters ended November 30,	
	2006	**2005**
Cash flow from operations	$ 62,060	$ 43,389
Acquisition of fixed assets	(66,966)	(30,013)
Increase in deferred charges	(7,212)	(3,665)
Assets acquired under capital leases – as per Note 10 b)	(205)	-
Free cash flow	$ (12,323)	$ 9,711

ADDITIONAL INFORMATION

This MD&A was prepared on January 10, 2007. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR Web site at www.sedar.com.

ABOUT COGECO CABLE

Cogeco Cable (www.cogeco.ca), a telecommunications company offering a diverse range of services to its customers in Canada and in Portugal, is the second largest cable operator in Ontario, Québec and Portugal, in terms of the number of basic cable service customers served. The Corporation invests in state-of-the-art broadband network facilities, delivers a wide range of services over these facilities with great speed and reliability at attractive prices, and strives to provide both superior customer care and growing profitability to satisfy its customers' varied electronic communication needs. Through its two-way broadband cable networks, Cogeco Cable provides its residential and commercial customers with analog and digital video and audio services, high speed Internet access as well as telephony services. The Corporation provides about 1,649,000 revenue-generating units (RGUs) to approximately 1,439,000 homes passed in its Canadian service territory and about 650,000 RGUs to approximately 829,000 homes passed in its Portuguese service territory. Cogeco Cable's subordinate voting shares are listed on the Toronto Stock Exchange (CCA).

Source: **Cogeco Cable Inc.**
Pierre Gagné
Vice President, Finance and Chief Financial Officer
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Information: **Media**
Marie Carrier
Director, Corporate Communications
Tel.: (514) 874-2600

Analyst Conference Call: **Thursday, January 11, 2007 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 dialling 10 minutes before the start of the Conference:

Canada/USA Access Number: 1 800 967-7134
International Access Number: +1 719 457-2625
Confirmation Code: 8541008
By Internet at: www.cogeco.ca/investors

A rebroadcast of the conference call will be available until January 16, 2007 by dialling:
Canada and USA access number: 1 888 203-1112
International access number: + 1 719 457-0820
Confirmation code: 8541008

Supplementary Quarterly Financial Information

Quarters ended ($000, except percentages and per share data)	November 30, 2006	November 30, 2005	August 31, 2006	August 31, 2005	May 31, 2006	May 31, 2005	February 28, 2006	February 28, 2005
Revenue	$ 222,002	$ 143,413	$ 174,875	$ 140,178	$ 153,956	$ 140,071	$ 147,757	$ 138,389
Operating income before amortization	83,662	57,302	72,864	60,720	63,244	58,310	59,568	55,297
Operating margin	*37.7 %*	*40.0 %*	*41.7 %*	*43.3 %*	*41.1 %*	*41.6 %*	*40.3 %*	*40.0 %*
Amortization	44,309	28,277	34,801	29,460	29,048	31,396	28,656	31,988
Financial expense	21,221	13,582	16,374	14,004	13,634	13,954	13,776	13,840
Income taxes (recovery)	5,597	6,445	(12,298)	6,220	8,191	4,715	6,936	3,856
Net income	12,535	8,998	33,987	11,036	12,371	8,245	10,200	5,613
Cash flow from operations	62,060	43,389	56,714	46,509	49,696	43,562	44,940	41,675
Net income per share	$ 0.31	$ 0.23	$ 0.85	$ 0.28	$ 0.31	$ 0.21	$ 0.26	$ 0.14

Cogeco Cable’s operating results are not generally subject to material seasonal fluctuations. However, the loss of basic service customers is usually greater, and the addition of HSI customers is generally lower in the third quarter, mainly due to students leaving campuses at the end of the school year. Cogeco Cable offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski. Furthermore, the third and fourth quarters’ operating margin is usually higher as lower or no management fees are paid to COGECO Inc. Under a Management Agreement, Cogeco Cable pays a fee equal to 2% of its total revenue subject to a maximum amount.

COGECO CABLE INC.

Customer Statistics

	November 30, 2006	August 31, 2006
Homes Passed		
Ontario **(1)**	**961,976**	1,002,187
Québec	**477,132**	474,717
Canada	**1,439,108**	1,476,904
Portugal	**829,152**	826,369
Total	**2,268,260**	2,303,273
Revenue Generating Units		
Ontario	**1,170,287**	1,104,157
Québec	**478,664**	451,779
Canada	**1,648,951**	1,555,936
Portugal	**650,305**	629,041
Total	**2,299,256**	2,184,977
Basic Service Customers		
Ontario	**599,376**	587,289
Québec	**250,041**	245,888
Canada	**849,417**	833,177
Portugal	**276,947**	269,694
Total	**1,126,364**	1,102,871
Discretionnary Service Customers		
Ontario	**469,976**	463,783
Québec	**197,669**	192,895
Canada	**667,645**	656,678
Portugal	**-**	-
Total	**667,645**	656,678
Pay TV Service Customers		
Ontario	**85,884**	84,425
Québec	**40,815**	38,455
Canada	**126,699**	122,880
Portugal	**55,689**	54,089
Total	**182,388**	176,969
High Speed Internet Service Customers		
Ontario	**290,018**	269,328
Québec	**81,997**	73,752
Canada	**372,015**	343,080
Portugal	**144,355**	136,278
Total	**516,370**	479,358
Digital Video Service Customers		
Ontario	**227,314**	213,556
Québec	**121,274**	113,808
Canada	**348,588**	327,364
Portugal	**-**	-
Total	**348,588**	327,364
Telephony Service Customers		
Ontario	**53,579**	33,984
Québec	**25,352**	18,331
Canada	**78,931**	52,315
Portugal	**229,003**	223,069
Total	**307,934**	275,384

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

COGECO CABLE INC.
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended November 30,	
(In thousands of dollars, except per share data)	**2006**	2005
	(unaudited)	(unaudited)
Revenue		
Service	**$ 221,114**	$ 142,759
Equipment	**888**	654
	222,002	143,413
Operating costs	**133,900**	83,243
Management fees – COGECO Inc.	**4,440**	2,868
Operating income before amortization	**83,662**	57,302
Amortization (note 3)	**44,309**	28,277
Operating income	**39,353**	29,025
Financial expense (note 7)	**21,221**	13,582
Income before income taxes	**18,132**	15,443
Income taxes (note 4)	**5,597**	6,445
Net income	**$ 12,535**	$ 8,998
Earnings per share (note 5)		
Basic	**$ 0.31**	$ 0.23
Diluted	**0.31**	0.22

COGECO CABLE INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Three months ended November 30,	
(In thousands of dollars)	**2006**	2005
	(unaudited)	(unaudited)
Balance at beginning	**$ 117,760**	$ 58,604
Net income	**12,535**	8,998
Dividends on multiple voting shares	**(628)**	(628)
Dividends on subordinate voting shares	**(972)**	(972)
Balance at end	**$ 128,695**	$ 66,002

COGECO CABLE INC.
CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)	November 30, 2006	August 31, 2006
	(unaudited)	(audited)
Assets		
Current		
Cash and cash equivalents	**$ 18,908**	$ 71,516
Restricted cash	**512**	569
Accounts receivable	**48,107**	43,728
Income tax receivable	**787**	-
Prepaid expenses	**6,710**	6,265
	75,024	122,078
Income tax receivable	**892**	-
Fixed assets	**1,068,703**	1,021,538
Deferred charges	**48,847**	47,327
Customer base (note 6)	**989,552**	989,552
Preliminary goodwill (note 6)	**451,040**	422,108
	$ 2,634,058	$ 2,602,603
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	**$ 29,322**	$ -
Accounts payable and accrued liabilities	**217,954**	283,087
Income tax liabilities	**3,908**	444
Deferred and prepaid income	**29,654**	26,652
Current portion of long-term debt (note 7)	**126,863**	126,851
	407,701	437,034
Long-term debt (note 7)	**1,224,265**	1,190,126
Deferred and prepaid income	**11,458**	10,525
Pension plans liabilities and accrued employees benefits	**2,366**	2,091
Future income tax liabilities	**219,841**	217,636
	1,865,631	1,857,412
Shareholders' equity		
Capital stock (note 8)	**630,689**	630,458
Contributed surplus – stock-based compensation	**1,683**	1,425
Retained earnings	**128,695**	117,760
Foreign currency translation adjustment (note 9)	**7,360**	(4,452)
	768,427	745,191
	$ 2,634,058	$ 2,602,603

COGECO CABLE INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended November 30,	
(In thousands of dollars)	**2006**	2005
	(unaudited)	(unaudited)
Cash flow from operating activities		
Net income	**$ 12,535**	$ 8,998
Items not affecting cash and cash equivalents		
Amortization (note 3)	**44,309**	28,277
Amortization of deferred financing costs	**646**	241
Future income taxes (note 4)	**3,911**	5,620
Other	**659**	253
	62,060	43,389
Changes in non-cash operating items (note 10a))	**(71,909)**	(42,787)
	(9,849)	602
Cash flow from investing activities		
Acquisition of fixed assets (note 10b))	**(66,966)**	(30,013)
Increase in deferred charges	**(7,212)**	(3,665)
Decrease in restricted cash	**91**	-
Other	**17**	-
	(74,070)	(33,678)
Cash flow from financing activities		
Increase in bank indebtedness	**29,322**	15,646
Increase in long-term debt	**10,000**	40,000
Repayment of long-term debt	**(8,255)**	(348)
Issue of subordinate voting shares	**228**	-
Dividends on multiple voting shares	**(628)**	(628)
Dividends on subordinate voting shares	**(972)**	(972)
	29,695	53,698
Net change in cash and cash equivalents	**(54,224)**	20,622
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**1,616**	-
Cash and cash equivalents at beginning	**71,516**	61
Cash and cash equivalents at end	**$ 18,908**	$ 20,683

See supplemental cash flow information in note 10.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly the financial position of Cogeco Cable Inc. as at November 30, 2006 and August 31, 2006 as well as its results of operations and its cash flow for the three month periods ended November 30, 2006 and 2005.

While management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with Cogeco Cable Inc.'s annual consolidated financial statements. These unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements.

2. Segmented Information

The Corporation's activities are comprised of all cable, high-speed Internet access and telephony services. The Corporation considers its cable distribution, high-speed Internet access and telephony activities as a single operating segment. The Corporation's activities are carried out in Canada and in Portugal.

The Portugal segment includes operating results since the date of the acquisition of control on August 1, 2006.

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

	Canada		Portugal		Consolidated	
Three months ended November 30, (unaudited)	**2006**	2005	**2006**	2005	**2006**	2005
Revenue	**$ 167,931**	$ 143,413	**$ 54,071**	$ -	**$ 222,002**	$ 143,413
Operating costs	**98,160**	83,243	**35,740**	-	**133,900**	83,243
Management fees	**4,440**	2,868	**-**	-	**4,440**	2,868
Operating income before amortization	**65,331**	57,302	**18,331**	-	**83,662**	57,302
Amortization	**31,704**	28,277	**12,605**	-	**44,309**	28,277
Operating income	**33,627**	29,025	**5,726**	-	**39,353**	29,025
Financial expense	**21,764**	13,582	**(543)**	-	**21,221**	13,582
Income taxes	**4,218**	6,445	**1,379**	-	**5,597**	6,445
Net income	**7,645**	8,998	**4,890**	-	**12,535**	8,998
Net assets employed (1) (2)	**$ 1,714,890**	$ 1,642,485	**$ 641,194**	$ -	**$ 2,356,084**	$ 1,642,485
Total assets (2)	**1,846,144**	1,782,332	**787,914**	-	**2,634,058**	1,782,332
Fixed assets (2)	**771,954**	704,590	**296,749**	-	**1,068,703**	704,590
Preliminary goodwill (2)	**-**	-	**451,040**	-	**451,040**	-
Acquisition of fixed assets	**57,588**	30,013	**9,583**	-	**67,171**	30,013

(1) Total assets less cash and cash equivalents, accounts payable and accrued liabilities, and deferred and prepaid income.
(2) As at November 30, 2006 and 2005.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

3. Amortization

	Three months ended November 30,	
	2006	2005
	(unaudited)	(unaudited)
Fixed assets	**$ 39,263**	$ 22,949
Deferred charges	**5,046**	5,328
	$ 44,309	$ 28,277

4. Income Taxes

	Three months ended November 30,	
	2006	2005
	(unaudited)	(unaudited)
Current	**$ 1,686**	$ 825
Future	**3,911**	5,620
	$ 5,597	$ 6,445

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,	
	2006	2005
	(unaudited)	(unaudited)
Income taxes at combined income tax rate of 35.14 % (35.09 % in 2005)	**$ 6,371**	$ 5,419
Loss or income subject to lower or higher tax rates	**(50)**	(8)
Increase in income taxes as a result of increase in substantially enacted tax rates	**-**	162
Large corporation tax	**-**	825
Effect of foreign income tax rate differences	**(824)**	-
Other	**100**	47
Income taxes at effective income tax rate	**$ 5,597**	$ 6,445

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

5. Earnings per Share

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

	Three months ended November 30,	
	2006	2005
	(unaudited)	(unaudited)
Net income	**$ 12,535**	$ 8,998
Weighted average number of multiple voting and subordinate voting shares outstanding	**40,002,441**	39,984,586
Effect of dilutive stock options [(1)]	**224,302**	195,214
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	**40,226,743**	40,179,800
Earnings per share		
Basic	**$ 0.31**	$ 0.23
Diluted	**0.31**	0.22

[(1)] For the three months period ended November 30, 2006, 141,740 stock options (143,248 in 2005) 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.

6. Customer Base and Preliminary Goodwill

	Customer base	**Preliminary goodwill**
	(unaudited)	**(unaudited)**
Balance as at August 31, 2006	**$ 989,552**	**$ 422,108**
Foreign currency translation adjustment	**-**	**28,932**
Balance as at November 30, 2006	**$ 989,552**	**$ 451,040**

As mentioned in the Corporation's 2006 annual consolidated financial statements, management is currently carrying out a more specific analysis and changes will be made to the allocation of the excess of consideration over net assets acquired as the information becomes available. For example, since the measurement of the fair value of fixed assets had not yet been completed at the time of the preliminary allocation, fixed assets have been presented at cost. The measurement of indefinite and finite-lived intangible assets is also under way. Furthermore, in accordance with the Portuguese Companies Income Tax Code, accumulated tax losses can not be deducted if the ownership of at least 50% of the social capital changes from the moment when the tax losses were generated, unless an authorization is granted before such change in the ownership takes place. To this effect, a request for preservation of tax losses was filed by Cabovisão on July 28, 2006. These losses have not been included in the preliminary purchase price allocation. Finally, the Corporation did not complete the assessment of possible costs related to the restructuring and integration of the activities of Cabovisão potentially giving rise to the recognition of a liability in the allocation of the purchase price. As a result, the actual amounts allocated to the identifiable assets acquired and liabilities assumed and the related operating results will vary according to the amounts initially recorded, and such differences could be significant.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

7. Long-Term Debt

	Maturity	Interest rate		**November 30, 2006**		August 31, 2006
				(unaudited)		(audited)
Parent company						
Term Facility						
Term loan	2011	5.42 (1)	**$**	**150,000**	$	150,000
Term loan – €17,358,700	2011	4.69 (1)		**26,274**		24,573
Revolving loan						
Canadian currency	2011	5.46 (1)		**10,000**		–
Euro currency – €311,500,000 (€317,000,000 as at August 31, 2006)	2011	4.69 (1)		**471,486**		448,745
Senior Secured Debentures Series 1	2009	6.75		**150,000**		150,000
Senior – Secured Notes						
Series A – US $150 million	2008	6.83 (2)		**171,330**		165,795
Series B	2011	7.73		**175,000**		175,000
Second Secured Debentures Series A	2007	8.44		**125,000**		125,000
Deferred credit (3)	2008	–		**67,320**		72,855
Subsidiaries						
Obligations under capital leases	2010	6.42 – 8.36		**4,718**		5,009
				1,351,128		1,316,977
Less: current portion				**126,863**		126,851
			$	**1,224,265**	$	1,190,126

(1) Average interest rate on debt as at November 30, 2006, 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.

(3) The deferred credit represents the amount which would have been payable as at November 30, 2006 and August 31, 2006 under cross-currency swaps entered into by the Corporation to hedge Senior Secured Notes Series A denominated in US dollars.

Interest on long-term debt for the three month period ended November 30, 2006 amounted to $20,246,000 ($13,048,000 in 2005).

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

8. Capital Stock

Authorized, an unlimited number

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, could be issued in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

		November 30, 2006		August 31, 2006
		(unaudited)		(audited)
Issued				
15,691,100 multiple voting shares	**$**	**98,346**	$	98,346
24,321,339 subordinate voting shares (24,308,112 as at August 31, 2006)		**532,343**		532,112
	$	**630,689**	$	630,458

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

	Three months ended November 30, 2006			Twelve months ended August 31, 2006		
	(unaudited)			(audited)		
	Number of shares		**Amount**	Number of shares		Amount
Balance at beginning	**24,308,112**	**$**	**532,112**	24,293,486	$	531,874
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	**13,227**		**228**	14,626		228
Compensation expense previously recorded in contributed surplus for options exercised	**-**		**3**	-		10
Balance at end	**24,321,339**	**$**	**532,343**	24,308,112	$	532,112

COGECO CABLE INC.
Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

8. Capital Stock (continued)

Stock-based plans

The Corporation established 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 Corporation's annual consolidated financial statements. During the first quarter, the Corporation granted 197,407 stock options (123,342 in 2005) with an exercise price of $26.63 ($29.05 in 2005) of which 56,335 stock options (31,743 in 2005) were granted to COGECO Inc.'s employees. The Corporation 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 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 Corporation records compensation expense for options granted on or after September 1, 2003. As a result, a compensation expense of $261,000 ($163,000 in 2005) was recorded for the three months period ended November 30, 2006. If compensation expense had been recognized using the fair value-based method at the grant date for options granted between September 1, 2001 and August 31, 2003, the Corporation's net income and earnings per share for the three month period ended November 30, 2005 would have been reduced to the following pro forma amounts:

		Three months ended November 30,
		2005
		(unaudited)
Net income		
As reported	$	8,998
Pro forma		8,978
Basic earnings per share		
As reported	$	0.23
Pro forma		0.22
Diluted earnings per share		
As reported	$	0.22
Pro forma		0.22

The fair value of each option granted 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:

	2006		2005	
Expected dividend yield	**1.27**	**%**	1.27	%
Expected volatility	**32**	**%**	39	%
Risk-free interest rate	**4.05**	**%**	3.70	%
Expected life in years	**4.0**		4.0	

The fair value of stock options granted for the three month period ended November 30, 2006 was $7.37 ($9.46 in 2005) per option.

As at November 30, 2006, the Corporation had outstanding stock options providing for the subscription of 1,274,647 subordinate voting shares. These stock options, which include 376,000 conditional stock options, can be exercised at various prices ranging from $7.05 to $40.75 and at various dates up to October 13, 2016.

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

9. Foreign Currency Translation Adjustment

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

		Three months ended November 30, 2006		Twelve months ended August 31, 2006
		(unaudited)		(audited)
Effect of exchange rate variation on translation of net investments in self-sustaining foreign subsidiaries	**$**	**29,758**	$	(12,412)
Effect of exchange rate variation on translation of long-term debt designated as hedge of net investments in self-sustaining subsidiaries (net of income taxes of $1,703,000 for the twelve month period ended August 31, 2006)		**(22,398)**		7,960
	$	**7,360**	$	(4,452)

10. Statements of Cash Flow

a) Changes in non-cash operating items

	Three months ended November 30,			
		2006		2005
		(unaudited)		(unaudited)
Accounts receivable	**$**	**(3,253)**	$	(1,036)
Income tax receivable		**(1,593)**		(286)
Prepaid expenses		**(360)**		568
Accounts payable and accrued liabilities		**(73,915)**		(43,548)
Income tax liabilities		**3,280**		(678)
Deferred and prepaid income		**3,932**		2,193
	$	**(71,909)**	$	(42,787)

COGECO CABLE INC.

Notes to Consolidated Financial Statements
November 30, 2006
(amounts in tables are in thousands of dollars, except per share data)

10. Statements of Cash Flow (continued)

b) Other information

	Three months ended November 30,			
		2006		2005
		(unaudited)		(unaudited)
Fixed asset acquisitions through capital leases	**$**	**205**	$	-
Interest paid		**24,132**		15,957
Income taxes paid		**889**		1,789

11. Employee Future Benefits

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

	Three months ended November 30,			
		2006		2005
		(unaudited)		(unaudited)
Contributory defined benefit pension plans	**$**	**230**	$	174
Defined contribution pension plan and collective registered retirement savings plan		**528**		383
	$	**758**	$	557