



PRESS RELEASE
For immediate release

COGECO
ANNOUNCES ITS FINANCIAL RESULTS FOR THE FOURTH QUARTER
AND FISCAL YEAR 2003

Montreal, October 20, 2003 - COGECO Inc. announced today its financial results for the fourth quarter and fiscal year ended August 31, 2003.

Mr. Louis Audet, President and Chief Executive Officer, noted: "Fourth quarter results confirmed COGECO's achievement of key strategic objectives set for fiscal 2003. Existing cable and broadcasting operations generated \$13.2 million of free cash flow for the year, a first positive result since 1998. Given the first full year of integrating TQS, COGECO's recurring net income has declined. However, the Company is in the process of rebuilding its bottom line."

"On the cable side, annual operating income grew by 9%, exceeding its initial 6% target. Basic service customer losses were lesser than anticipated and high-speed Internet and digital sales enjoyed strong growth. On the broadcast side, annual operating income grew by 7%, exceeding its 5% target due to the performance of the TQS network. The competitive position of the radio operations was improved with the launch of a RYTHME FM station in Québec City in August. In addition, two other RYTHME FM stations in Sherbrooke and Trois-Rivières should be launched in September 2004", concluded Mr. Audet.

PERFORMANCE HIGHLIGHTS

In fiscal 2003, COGECO exceeded most of its financial and customer additions objectives.

	Original Target	Revised Target	Actual Results	Conclusion (vs) Original
<i>Variation over fiscal 2002</i>				
Cable Sector				
Revenue	5%	5 to 6%	7%	Exceeded
Operating Income ⁽¹⁾	6%	6 to 7%	9%	Exceeded
Media Sector				
Revenue	50%	50%	48%	Essentially achieved
Operating Income	5%	5%	7%	Exceeded
Loss of basic service customers	19,100	10,770 to 19,100	15,711	Exceeded
Digital terminal additions	25,000	32,000 to 35,000	38,137	Exceeded
High-speed Internet additions	55,000	45,000 to 50,000	46,987	Not achieved

(1) Operating Income is defined herein as operating income before depreciation, amortization and unusual items as detailed further and is a standard measure that is commonly reported in the telecommunications and media industry for comparison purposes. Operating Income is not a defined term under Generally Accepted Accounting Principles (GAAP) and should be treated accordingly. This information should be read in conjunction with the financial statements for a reconciliation of the operating income to net income under GAAP.

Financial highlights are:

	Three months ended August 31,			Years ended August 31,		
	(\$'000s except percentages and per share data)					
	<u>2003</u>	<u>2002</u>	<u>%</u>	<u>2003</u>	<u>2002</u>	<u>%</u>
	(unaudited)	(unaudited)	Change	(audited)	(audited)	Change
Revenue	\$ 148,836	\$ 136,403	9.1	\$ 603,774	\$ 531,998	13.5
Operating Income	52,947	44,007	20.3	203,097	187,305	8.4
Net income (loss)						
Basic	\$ 2,334	\$ (2,492)	--	\$ 9,899	\$ 40,417	(75.5)
From recurring operations	2,334	1,152	102.6	9,899	11,613	(14.8)
Cash Flow ⁽¹⁾	37,620	31,862	18.1	137,447	125,461	9.6
Capital expenditures and increase in deferred charges	27,657	40,527	(31.8)	124,237	156,071	(20.4)
Free Cash Flow ⁽²⁾	9,963	(8,665)	--	13,210	(30,610)	--
Per share data						
Basic net income (loss)	\$ 0.14	\$ (0.15)	--	\$ 0.61	\$ 2.49	(75.5)
Basic net income from recurring operations	0.14	0.07	100.0	0.61	0.72	(15.3)
Cash Flow	2.31	1.96	17.9	8.46	7.73	9.4

(1) Cash Flow is defined as cash flow from operating activities before changes in non-cash working capital items and unusual items.

(2) Free Cash Flow is defined as Cash Flow (see definition above) less capital expenditures (including assets acquired under capital leases not reflected in the statements of cash flow) and increase in deferred charges. Free Cash Flow is not a defined term under GAAP and should be treated accordingly.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Certain statements in this analysis may constitute forward-looking statements that involve risks and uncertainties. Future results will be affected by a number of factors with respect to technology, markets, competition and regulations including factors described in the section "Uncertainties and main risk factors" of this analysis and the Company's Annual Report. Therefore, actual results may be materially different from those expressed or implied by such forward-looking statements. This analysis should also be read in conjunction with the Management's Discussion and Analysis included in the Company's Annual Report and Financial Statements and the Notes thereto.

OPERATING RESULTS

During the fourth quarter, revenue rose by \$12.4 million or 9.1% compared to the same period last year. Cable revenues went up by 11.4% driven by improved penetration of high-speed Internet services as well as rate increases. Media revenues declined by 1.3% mainly attributable to the departure, during the second quarter, of a FM 93 Québec City station radio host. During fiscal 2003, cable sector revenues grew by 7.0% while media revenues increased by 48.2% due to the TQS acquisition on February 15, 2002, for 43.7%, and as a result of organic growth for the residual 4.5%.

During the fourth quarter, Operating Income moved up by 20.3% compared to the same period last year. The cable and media sectors contributed to an increase of \$6.4 million and \$3.5 million respectively, offset by an increase of \$1.0 million in head office expenses and consolidation eliminations.

FIXED CHARGES

(\$000s except percentages)	Three months ended August 31,			Years ended August 31,		
	<u>2003</u>	<u>2002</u>	<u>% Change</u>	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Depreciation and amortization						
Property, plant & equipment	\$ 25,548	\$ 22,953	11.3	\$ 96,678	\$ 87,673	10.3
Deferred charges	3,471	3,275	6.0	14,938	10,590	41.1
Total	<u>\$ 29,019</u>	<u>\$ 26,228</u>	10.6	<u>\$ 111,616</u>	<u>\$ 98,263</u>	13.6
Financial expense	<u>\$ 15,124</u>	<u>\$ 15,606</u>	(3.1)	<u>\$ 62,776</u>	<u>\$ 60,816</u>	3.2

Depreciation and amortization rose as a result of the cable system modernization program, capital expenditures linked to high-speed Internet and digital services and higher deferred charges. Amortization of deferred charges mainly includes subsidies related to sales of home terminal devices, a portion of the advertising expenses related to net additions of digital and high-speed Internet customers. Amortization also includes new services launch costs and up-front financing costs related to new debt financings.

For the fourth quarter, financial expense decreased compared to the same period last year. This decline occurred as the level of Indebtedness (defined as bank indebtedness, long-term debt and deferred credit) was lower due to Free Cash Flow generated and an increase in non-cash working capital items. For fiscal 2003, financial expense went up because of the issuance in November 2001 of Senior Secured Notes related to the cable sector bearing a higher average interest rate than the Term Facilities. Also, short-term interest rates on the Term Facilities were higher in fiscal 2003. The average interest rate was 7.3% in fiscal 2003 compared to 7.0% in fiscal 2002.

UNUSUAL ITEMS

The Company recorded no unusual items in fiscal 2003. For the fourth quarter of fiscal 2002, unusual items amounting to \$5.6 million before income taxes stemmed primarily from a write-off of a minority investment in Stornoway Communications because of disappointing audience results. For the first nine months of fiscal 2002, the unusual items before income taxes stemmed from a \$33.8 million gain on dilution further to the TQS acquisition and a \$4.9 million charge related to staffing reductions in the cable sector.

NET INCOME

For the fourth quarter, net income from recurring operations amounted to \$2.3 million, or \$0.14 per share, compared to \$1.2 million, or \$0.07 per share, for the same period last year. Net income from recurring operations increased because of strong Operating Income growth. Net income amounted to \$2.3 million, or \$0.14 per share, for the fourth quarter, compared to a loss of \$2.5 million, or \$0.15 per share, for the same period last year.

In fiscal 2003, net income from recurring operations amounted to \$9.9 million, or \$0.61 per share, compared to \$11.6 million, or \$0.72 per share, in fiscal 2002. This decrease was partly attributable to declining profitability of the radio operations due to the departure of a key host. In addition, since COGECO has reduced its proprietary interest in the television operations to 60% on February 15, 2002, the Company has retained a lesser share of profits compared to the previous fiscal year. The partnership agreement was concluded upon the acquisition of the TQS network. In fiscal 2003, net income amounted to \$9.9 million, or \$0.61 per share, compared to \$40.4 million, or \$2.49 per share in fiscal 2002. The decrease in net income is mainly related to unusual items recorded in fiscal 2002 as discussed above.

CASH FLOW AND LIQUIDITY

(\$000s)	Three months ended August 31,		Years ended August 31,	
	2003	2002	2003	2002
Operating Activities				
Cash Flow	\$ 37,620	\$ 31,862	\$ 137,447	\$ 125,461
Net changes in non-cash working capital items	40,320	51,257	12,805	15,907
Unusual item	--	--	--	(4,925)
	<u>\$ 77,940</u>	<u>\$ 83,119</u>	<u>\$ 150,252</u>	<u>\$ 136,443</u>
Investing Activities	<u>\$ (27,466)</u>	<u>\$ (40,824)</u>	<u>\$ (123,436)</u>	<u>\$ (224,782)</u>
Financing Activities	<u>\$ (50,475)</u>	<u>\$ (42,295)</u>	<u>\$ (26,816)</u>	<u>\$ 86,184</u>

Cash flow from operating activities includes Cash Flow, net changes in non-cash working capital items and unusual items. For the fourth quarter, Cash Flow is higher than last year by \$5.8 million or 18.1% from both sectors. During the fourth quarter, net changes in non-cash working capital items declined by \$10.9 million compared to last year due mainly to increased investments in broadcasting rights to improve TQS's programming. Refer to the "Unusual Items" section above for the cash flow impact.

Investing activities related to capital expenditures and increase in deferred charges decreased from \$39.7 million to \$27.6 million for the fourth quarter and from \$155.3 million to \$123.5 million for fiscal 2003. Capital expenditures related to cable system upgrades declined by \$7.7 million for the fourth quarter and \$11.6 million for fiscal 2003 considering the satisfactory state of the cable infrastructure. 87% of households are currently served by two-way broadband plant and digital services are offered to almost all households. For the fourth quarter, capital expenditures related to customer premise equipment increased by \$4.2 million since customer purchases of digital terminals were less than the same period last year. For fiscal 2003, capital expenditures related to support capital in the cable sector decreased by \$9.1 million essentially because fewer information technology projects were initiated.

For fiscal 2002, investing activities included an amount of \$66.6 million related to the acquisition, in partnership with Bell Globemedia, of an 87% interest in television network TQS. As COGECO already held a 13% interest in the network, COGECO currently holds a 60% proprietary interest and CTV Television (a subsidiary of Bell Globemedia) owns the balance.

Additions to deferred charges went down by \$5.9 million and \$11.9 million for the fourth quarter and fiscal 2003 respectively, compared to the same periods last year. For fiscal 2003, no deferred financing costs were incurred and subsidies on digital terminals sold were lower.

Both the cable and media sectors contributed to generated Free Cash Flow of \$10.0 million during the fourth quarter. For fiscal 2003, Free Cash Flow of \$13.2 million was realized despite an initial investment of \$8.5 million to introduce the video-on-demand (VOD) service. Considering the quality of the existing cable infrastructure, the cable sector, which incurs most of the capital expenditures, believes it can pursue its growth while maintaining its investing activities in fixed assets and deferred charges at or below the current level. Declining unit prices of customer premise devices and numerous technology changes and improvements should also lead to this decline in capital expenditures and deferred charges.

Net repayment of long-term debt amounted to \$36.9 million and bank indebtedness declined by \$13.1 million during the fourth quarter. Those variations stemmed mainly from Free Cash Flow amounting to \$10.0 million and non-cash working capital items increasing by \$40.3 million. During the fourth quarter of last year, net repayment of long-term debt totaled \$17.2 million and bank indebtedness declined by \$24.5 million. These fluctuations arose mainly from a Free Cash Flow deficit of \$8.7 million and non-cash working capital items increasing by \$51.3 million.

At August 31, 2003, the cable subsidiary had utilized \$110.0 million of its \$400.0 million Term Facility and COGECO had drawn \$18.5 million of its \$40.0 million Term Facility. Going forward, COGECO and Cogeco Cable expect to generate additional Free Cash Flow and consequently available liquidity should further improve.

FINANCIAL POSITION

Since August 31, 2002, significant changes in the balance sheet include broadcasting rights, fixed assets, Indebtedness and accounts payable and accrued liabilities.

Broadcasting rights increased by \$11.4 million as TQS made additional investments to improve its programming schedule. Fixed assets increased by \$9.5 million as capital expenditures exceeded depreciation. At August 31, 2003, the Company performed an impairment test of broadcasting licenses, customer base and goodwill and concluded that no decline in value existed.

Indebtedness decreased by \$23.2 million as \$13.2 million of Free Cash Flow was generated and non-cash working capital items increased by \$12.8 million. Cogeco Cable's US\$150 million Senior Secured Notes Series A translated into Canadian dollars declined by \$26.0 million as the Canadian dollar appreciated. Since the Senior Secured Notes Series A are fully hedged, the decline was fully offset by an increase in the deferred credit. The deferred credit represents the difference between the quarter end exchange rate and the exchange rate on the cross-currency swap agreements, which fix the liability for interest and principal payments on the Senior Secured Notes Series A. Finally, accounts payable and accrued liabilities increased by \$17.9 million as use of working capital was managed tightly.

CABLE SECTOR

Customer Statistics

	<u>August 31, 2003</u>	<u>Net additions (losses) ⁽¹⁾</u>				<u>% Penetration ⁽²⁾</u>	
		<u>Fourth Quarter</u>		<u>Fiscal Year</u>		<u>August 31,</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenue generating units ⁽³⁾	1,188,369	6,998	2,520	64,011	41,405		
Basic service customers	820,657	(6,536)	(8,198)	(15,711)	(42,398)		
High-speed Internet customers ⁽⁴⁾	205,179	9,442	9,947	46,987	50,254	28.5	22.1
Digital terminals ⁽⁵⁾	183,087	5,504	7,492	38,137	39,658	22.8	18.4
Bundled service customers ⁽⁶⁾	288,080	12,167	9,090	46,394	53,760	35.1	28.9

(1) For the fourth quarter of fiscal 2002, the high-speed Internet customer count was reduced to exclude the 6,126 pending orders and presented as such in the above table.

(2) As a percentage of basic service customers in areas served.

(3) Including basic service, Internet service and digital service customers.

(4) 5,652 Internet Lite and 577 Internet Pro customers are included. Including pending orders, the number would amount to 210,974 compared to 199,689 at May 31, 2003.

(5) 77% of terminals at August 31, 2003 were purchased compared to 62% a year earlier.

(6) 48% of bundled service customers had the digital service at August 31, 2003 compared to 44% a year earlier.

Effective marketing and customer service combined with the popularity of bundling resulted in revenue generating units rising by 5.7% in fiscal 2003. The loss in basic service customers has decreased during the fourth quarter and in fiscal 2003 compared to the same periods last year, despite the rate increases discussed in the "Revenue" section.

During the fourth quarter, high-speed Internet additions were slightly lower compared to the same period last year. However, Cogeco Cable was able to maintain an attractive product mix as Internet Lite, a lower margin service, represented only 16% of net additions. Digital terminal additions were lower during the fourth quarter compared to the same period last year. However, terminal additions during fiscal 2003 exceeded the revised target established in the second quarter.

Operating Results

	<u>Three months ended August 31,</u>			<u>Years ended August 31,</u>		
	<u>2003</u>	<u>2002</u>	<u>% Change</u>	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Revenue	\$ 124,921	\$ 112,178	11.4	\$ 479,293	\$ 447,984	7.0
Operating costs	73,861	67,335	9.7	288,080	271,928	5.9
Management fees - COGECO Inc.	788	994	(20.7)	7,869	7,710	2.1
Operating Income	50,272	43,849	14.6	183,344	168,346	8.9
Operating margin	40.2%	39.1%		38.3%	37.6%	

(\$000s except percentages)

Revenue

During the fourth quarter, revenue rose by \$12.7 million or 11.4% compared to the same period last year. This growth resulted from the improved high-speed Internet access penetration rate as discussed in the "Customer Statistics" section. Also, for customers subscribing to basic service only, average monthly rate increases of about \$2.50 in Québec and \$2.75 in Ontario were implemented in August 2002 and January 2003, respectively. Cogeco Cable introduced further rate adjustments effective in June for the Ontario customer base and in July for the Québec digital customer base. These adjustments resulted in incremental average monthly rates of approximately \$1.75 per basic service customer in Ontario and approximately \$2.20 per digital customer in Québec.

Operating Costs

For the fourth quarter, network fees increased compared to the same period last year. The rise stemmed from increased penetration of bundled services and program supplier fee increases. However, network fees as a percentage of revenue have decreased mainly because of lower Internet Protocol (IP) transport costs incurred to service an increasing number of high-speed Internet customers. Further savings were achieved from relocating the TSN channel to the basic service in Ontario in January 2003 and from lower contributions to the Canadian production fund since April 2003 as a result of changes to the Canadian Radio-Television and Telecommunications Commission's (CRTC) regulation.

The rise in other operating costs is largely attributable to marketing acquisition costs incurred to increase revenue generating units, pole attachment fee increases and costs incurred to improve customer support services. Since financial results have improved in fiscal 2003, a corporate bonus to employees was recorded amounting to \$3.0 million in fiscal 2003 of which \$1.2 million was accrued in the fourth quarter. No corporate performance bonuses were earned in fiscal 2002.

Operating Income

For the fourth quarter, Operating Income improved by 14.6% compared to the same period last year as a result of revenue growth outpacing operating cost increases. Cogeco Cable's focus on improving its Operating Income margin has resulted in the margin moving up from 39.1% to 40.2% during the fourth quarter.

MEDIA SECTOR

Expansion of the RYTHME FM Network

A new RYTHME FM station in Québec City was launched in August and additional RYTHME FM stations in Sherbrooke and Trois-Rivières should be launched in September 2004. The Sherbrooke and Trois-Rivières licences were awarded last June by the CRTC. The development of the radio network should improve the competitive position versus other private radio networks in the province of Québec.

Operating Results

(\$000s except percentages)	Three months ended August 31,			Years ended August 31,		
	<u>2003</u>	<u>2002</u>	<u>% Change</u>	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Revenue	\$ 23,915	\$ 24,225	(1.3)	\$ 124,481	\$ 84,014	48.2
Operating costs	20,528	24,334	(15.6)	106,616	67,261	58.5
Operating Income	3,387	(109)	--	17,865	16,753	6.6
Operating margin	14.2%	(0.4%)		14.4%	19.9%	

Revenue

During the fourth quarter, radio revenue declined by 3.4% mainly as a result of the departure, during the second quarter, of a FM 93 Québec City station radio host. However, changes in the radio station were implemented in order to curtail market share erosion and rebuild advertising revenue. During fiscal 2003, radio revenue decreased by 1.9%.

During the fourth quarter, television revenue declined by 0.9% as a result of the lower Spring audience ratings. To improve its Fall audience ratings, TQS launched new programs and strengthened its pre-existing programming schedule. During fiscal 2003, television revenue increased by 54.6% due to the TQS acquisition on February 15, 2002 and by 6.0% as a result of organic growth.

Operating Costs

During the fourth quarter, operating costs declined by 15.6% mainly because of lower television programming costs and barter sales as well as a \$0.5 million gain on the sale of a minority interest in Stornoway Communications.

Operating Income

For the fourth quarter, Operating Income margin increased compared to the same period last year mainly due to lower television programming costs and a \$0.5 million gain on the sale of a minority interest in Stornoway Communications. For fiscal 2003, Operating Income increased compared to last year as a result of the full year impact of the TQS acquisition and organic television growth. The lower Operating Income margin in fiscal 2003 results from the impact of the recently acquired TQS network. The network incurs a greater portion of programming costs compared to affiliated stations.

DIVIDEND DECLARATION

At its meeting of October 17, 2003, the Board of Directors of COGECO declared a quarterly dividend of \$0.0525 per share for subordinate and multiple voting shares, payable on November 14, 2003, to shareholders on record on October 31, 2003.

FISCAL 2004 FINANCIAL GUIDELINES

Cable Sector

Cogeco Cable is maintaining its fiscal 2004 financial guidelines announced last quarter and is providing its targets with respect to customer additions.

Effective marketing and customer service combined with the popularity of bundling services should further improve customer retention and make cable services a more competitive offering as a whole. However, the strength of the competition in the regions served by Cogeco Cable could partly compromise the attainment of this objective. Based on the current competitive environment, the cable subsidiary anticipates basic service customer losses of 11,000 to 13,000; this is less than the 15,711 loss in fiscal 2003. Based on current demand, Cogeco Cable forecasts that it will add 35,000 to 40,000 high-speed Internet customers and 33,000 to 38,000 digital terminals by August 31, 2004.

Cogeco Cable expects to achieve internal revenue growth between 5% and 6%. About half of the growth should stem from rate increases implemented last January and during the fourth quarter of fiscal 2003. Increased penetration of high-speed Internet and other services should contribute to the balance of the rise in revenue. The cable sector expects to achieve an Operating Income margin between 39% and 40% resulting in the Operating Income growing by 8% to 10%. Revenue growth and continued tight cost control will contribute to the improvement in margin.

Cogeco Cable expects that depreciation of fixed assets and amortization of deferred charges will increase by 8%. The rate of growth in depreciation and amortization is expected to decline, as capital expenditures and deferred charges continue to remain stable or be reduced. Management expects Cash Flow to finance capital expenditures and deferred charges planned at \$117 million. Cogeco Cable expects to generate Free Cash Flow of \$15 million to \$20 million. Generated Free Cash Flow should be applied to reduce indebtedness while improving Cogeco Cable's leverage ratios. As indebtedness is expected to decline, financial expense should decrease by 1%.

Media Sector

The media sector is maintaining its financial guidelines announced last quarter. Revenue growth of 10% to 13% and Operating Income margin of 12% to 13% are expected.

Consolidated Financial Outlook

Given the cable and media sector financial guidelines, net income of about \$10 million should be generated from Operating Income growth outpacing fixed charges increases.

RISK FACTORS AND UNCERTAINTIES

The following risks and uncertainties facing COGECO serve as an update to the ones described in the Company's 2002 annual report and the 2003 quarterly reports.

Cogeco Cable has concluded a new agreement commencing on September 1, 2003 for the continued use and maintenance of the customer management system used in Ontario and supplied by DST Innovis. Cogeco Cable will continue to use a different customer management platform in Québec and has implemented substantial changes separately to that platform rather than taking an integrated systems approach. These developments bring more certainty and predictability of costs for the customer management function in the medium term. The media sector is in the process of implementing a new traffic management system for its radio and television operations.

The current IT environment, combined with the extensive reliance on information systems for the conduct of activities and operations in both business sectors, involves significant risks of data loss and business interruption in the event of major disasters, terrorist action, unauthorized access, or malicious tampering. Insurance undertakers no longer provide coverage for these risks, which are managed through internal controls, security and disaster recovery plans and procedures under the existing insurance programs. There is no assurance that these plans and procedures will effectively prevent or limit loss of data or business interruption in a particular event, or that data or business recovery will take place as planned.

Cable Sector

Rivalry between broadband service competitors, although intense, has recently shifted to some extent from retail price cutting to value propositions in the form of bundles of discrete services for a single price, incentives on terminal equipment required to receive the services, and time-limited introductory offers for new customers. Largely as a result of this shift in competitive pricing strategies, retail prices have tended to be more stable and have actually moved upward for the distribution of programming services over the last fiscal year. This has had a positive impact on Cogeco Cable's operating margins. However, there is no assurance that this trend will continue.

Cogeco Cable's main competitor, Bell Canada, has decided to offer service bundles that include video and audio programming, high-speed Internet and telephony services with single integrated billing. Cogeco Cable has not rolled out telephony services or concluded joint marketing arrangements with alternative telephone service providers, and may face a new competitive challenge as a result. The bundling of telephone services with video and Internet services by Bell Canada and other incumbent local exchange carriers is currently under review by the CRTC.

Cogeco Cable pays retransmission fees for distant television and radio signals under tariffs approved under the authority of the *Copyright Act* (Canada). Rights collectives have filed new tariffs proposing substantial increases in retransmission fees. Rights collectives have also filed proposed tariffs respectively for pay audio services distributed to residential customers, and for background music services distributed to commercial establishments. These tariffs are currently under review by the Copyright Board.

Cogeco Cable has benefited for its high-speed Internet transmission and connectivity requirements from the large capacity of installed fiber transmission facilities available from carriers in Canada and the intense price rivalry in that sector. As the sector further consolidates and excess capacity is absorbed by the market, cost efficiencies may be more difficult to achieve in the future for IP transport facilities.

Following two recent decisions of the Supreme Court of Canada on section 43 of the *Telecommunications Act* (Canada), the jurisdiction of the CRTC to set terms for access to municipal street allowances and property for cable and other telecommunications carrier facilities in case of a dispute has been affirmed, but the CRTC cannot set terms for the use of the support structures owned by electric power utilities. Contract renewals with electric power utilities are pending for approximately two thirds of the poles used by Cogeco Cable in Ontario. The Company expects that its average cost per pole will likely rise in the next few years but cannot determine the extent of the increase at this time.

The collective agreement in the Québec Division of Cogeco Cable expired on December 31, 2002, and negotiations for a renewal term are under way. Approximately 27% of the Cogeco Cable's aggregate workforce is covered by this collective agreement. While labour relations are considered satisfactory and negotiations are progressing in the normal course, the impact of renewal terms will not be known until negotiations are concluded. Management does not expect any labour disruptions at this time. There are no collective agreements in the Ontario Division.

Media Sector

The media sector has launched a RYTHME FM station in Québec City in August 2003 and will launch other RYTHME FM stations in Sherbrooke and Trois-Rivières in 2004 to improve its competitive position versus other private radio networks in the province of Québec. Furthermore, TQS has committed additional resources to launch new programs starting with the Fall 2003 broadcast season. For example, TQS has entered into a production and license agreement with an independent production house for *Loft Story*, a reality show, that provides for a fixed funding commitment. Notwithstanding these planned initiatives, there is no assurance that additional audience, advertising market share or profits will follow as planned.

As the use of the Internet increases and IP broadband distribution technology improves, increasing quantities of audio and video information and entertainment material is exchanged or consumed via the Internet. While audio or video programs streamed over the Internet have not overtaken conventional broadcasting delivery, there can be no assurance on the future impact of changing consumer patterns in this regard.

The collective agreements of TQS in Québec City and Saguenay have expired and both are now in the conciliation stage. The Trois-Rivières agreement has also expired. The media sector considers that its labour relations are satisfactory.

COGECO or its subsidiaries of the media sector are exposed to claims arising from alleged defamatory statements as part of conducting radio and television broadcasting activities. Most of the pending claims arose in connection with certain talk show programs aired by the FM 93 radio station prior to 2002. COGECO is of the view that all pending claims are without merit and will continue to defend itself through the normal court process.

ABOUT COGECO

COGECO is a diversified communications company. Through its Cogeco Cable subsidiary, COGECO provides about 1,188,000 units of cable distribution and telecommunication services to about 1,397,000 households passed in its service areas. Through its two-way broadband cable infrastructure, Cogeco Cable provides its mostly residential customers with video and audio services, both in analogue and digital form, as well as high-speed Internet access services. Through its Cogeco Radio-Television subsidiary, COGECO operates the TQS network, six TQS television stations, and three CBC affiliated television stations in partnership with CTV Television. Cogeco Radio-Television also wholly owns and operates RYTHME FM radio stations in Montreal and Québec City as well as FM 93 in Québec City. Two other RYTHME FM stations in Sherbrooke and Trois-Rivières should be launched next September. COGECO's subordinate voting shares are listed on the Toronto Stock Exchange (CGO). The subordinate voting shares of Cogeco Cable are also listed on the Toronto Stock Exchange (CCA).

- 30 -

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Conference Call: **Discussion of quarterly results on Monday October 20, 2003,
at 11:00 a.m. ET
Broadcast via the Internet at www.cogeco.com**

New Website: We invite you to visit our new website and the Investor Relations section at www.cogeco.com

COGECO INC.

- 13 -

Cable Statistics

	August 31, 2003	August 31, 2002
Homes Passed		
Ontario	954,912	940,565
Quebec	442,574	434,929
	1,397,486	1,375,494
Revenue Generating Units		
Ontario	861,790	815,572
Quebec	326,579	308,786
	1,188,369	1,124,358
Basic Service Customers		
Ontario	584,864	596,155
Quebec	235,793	240,213
	820,657	836,368
Discretionary Service Customers		
Ontario	466,090	479,182
Quebec	173,730	164,849
	639,820	644,031
Pay-TV Service Customers		
Ontario	83,739	88,571
Quebec	29,875	27,913
	113,614	116,484
High-Speed Internet Service Customers		
Ontario	171,406	131,480
Quebec	33,773	26,712
	205,179	158,192
Digital Customers		
Ontario	105,520	87,937
Quebec	57,013	41,861
	162,533	129,798
Digital Terminals		
Ontario	122,998	100,746
Quebec	60,089	44,204
	183,087	144,950
Bundled Service Customers		
Ontario	221,452	186,147
Quebec	66,628	55,539
	288,080	241,686

COGECO INC.
CONSOLIDATED STATEMENTS OF INCOME

<i>(In thousands of dollars, except per share data)</i>	Three months ended August 31		Twelve months ended August 31	
	2003	2002	2003	2002
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	\$ 148,836	\$ 136,403	\$ 603,774	\$ 531,998
Operating costs	95,889	92,396	400,677	344,693
Operating income before depreciation and amortization	52,947	44,007	203,097	187,305
Depreciation and amortization	29,019	26,228	111,616	98,263
Income before undernoted items	23,928	17,779	91,481	89,042
Unusual items (gain) (note 3)	-	5,611	-	(23,255)
Financial expense	15,124	15,606	62,776	60,816
Income (loss) before income taxes and the following items	8,804	(3,438)	28,705	51,481
Income taxes				
Current (recovery)	246	(2,753)	5,065	3,922
Future	2,722	1,251	6,419	4,370
	2,968	(1,502)	11,484	8,292
Non-controlling interest	3,206	687	7,026	2,903
Share in the results of a company subject to significant influence	296	(131)	296	(131)
Net income (loss)	\$ 2,334	\$ (2,492)	\$ 9,899	\$ 40,417
Earnings (loss) per share (note 9)				
Basic	\$ 0.14	\$ (0.15)	\$ 0.61	\$ 2.49
Diluted	0.14	(0.15)	0.61	2.46

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Twelve months ended August 31	
<i>(In thousands of dollars)</i>	2003	2002
	(audited)	(audited)
Balance at beginning	\$ 228,491	\$ 191,487
Net income	9,899	40,417
Excess of price paid over the attributed value of subordinate voting shares redeemed	(74)	(3)
Dividends on multiple voting shares	(388)	(388)
Dividends on subordinate voting shares	(3,025)	(3,022)
Balance at end	\$ 234,903	\$ 228,491

COGECO INC.
CONSOLIDATED BALANCE SHEETS

<i>(In thousands of dollars)</i>	August 31 2003 (audited)	August 31 2002 (audited)
Assets		
Fixed assets	\$ 792,453	\$ 782,981
Deferred charges	41,057	39,653
Broadcasting licenses and customer base	1,042,498	1,042,498
Goodwill	27,925	27,925
Broadcasting rights	29,996	18,620
Investments	460	756
Accounts receivable	63,533	64,296
Income tax receivable	40	6,183
Prepaid expenses	3,892	5,165
	\$ 2,001,854	\$ 1,988,077
Liabilities and Shareholders' equity		
Liabilities		
Bank indebtedness (note 5)	\$ 3,035	\$ 4,644
Long-term debt (note 6)	792,640	840,198
Deferred credit (note 7)	30,795	4,830
Pension plan liabilities and accrued employees benefits	7,311	6,278
Accounts payable and accrued liabilities	149,870	131,968
Deferred and prepaid income	15,452	17,852
Future income tax liabilities	172,613	166,194
Non-controlling interest	480,122	473,080
	1,651,838	1,645,044
Shareholders' equity		
Capital stock (note 8)	115,113	114,542
Retained earnings	234,903	228,491
	350,016	343,033
	\$ 2,001,854	\$ 1,988,077

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

<i>(In thousands of dollars)</i>	Three months ended August 31		Twelve months ended August 31	
	2003	2002	2003	2002
	(unaudited)	(unaudited)	(audited)	(audited)
Cash flow from operating activities				
Net income (loss)	\$ 2,334	\$ (2,492)	\$ 9,899	\$ 40,417
Unusual items net of related income taxes and non-controlling interest	-	3,644	-	(28,804)
Net income from recurring operations	2,334	1,152	9,899	11,613
Items not affecting cash and cash equivalents				
Depreciation and amortization	29,019	26,228	111,616	98,263
Amortization of long-term financing costs	406	476	1,658	1,986
Future income taxes	2,722	1,251	6,419	4,370
Future income taxes related to unusual items	-	1,967	-	3,480
Non-controlling interest	3,206	687	7,026	2,903
Portion of unusual items attributable to non-controlling interest	-	-	-	2,069
Other	(67)	101	829	777
Cash flow from operating activities before undernoted items	37,620	31,862	137,447	125,461
Unusual item	-	-	-	(4,925)
Change in non-cash working capital items	40,320	51,257	12,805	15,907
	77,940	83,119	150,252	136,443
Cash flow from investing activities				
Acquisition of fixed assets	(26,271)	(32,534)	(106,405)	(126,258)
Increase in deferred charges	(1,281)	(7,211)	(17,118)	(29,031)
Acquisition of investments	-	-	-	(3,385)
Business acquisition (note 2)	-	(1,204)	-	(66,571)
Other	87	125	87	463
	(27,465)	(40,824)	(123,436)	(224,782)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	(13,145)	(24,476)	(1,609)	4,644
Increase in long-term debt	-	194	-	417,919
Repayment of long-term debt	(36,868)	(17,207)	(22,307)	(405,721)
Issue of subordinate voting shares	635	48	661	210
Purchase of subordinate voting shares for cancellation	(127)	-	(164)	(6)
Dividends on multiple voting shares	(97)	(97)	(388)	(388)
Dividends on subordinate voting shares	(756)	(757)	(3,025)	(3,022)
Issue of subordinate voting shares by a subsidiary to non-controlling interest, net of issue costs	1	-	134	132
Purchase of subordinate voting shares for cancellation by a subsidiary	(118)	-	(118)	-
Contribution from non-controlling interest of a subsidiary	-	-	-	72,416
	(50,475)	(42,295)	(26,816)	86,184
Net change in cash and cash equivalents	-	-	-	(2,155)
Cash and cash equivalents at beginning	-	-	-	2,155
Cash and cash equivalents at end	\$ -	\$ -	\$ -	\$ -

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2003

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

1. Basis of presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly the financial position of COGECO Inc. as at August 31, 2003 and 2002 as well as its results of operations and its cash flow for the three and twelve month periods ended August 31, 2003 and 2002.

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

Foreign exchange forward contracts

In June 2003, the Company's subsidiary, Cogeco Cable Inc., entered into foreign exchange forward contracts to hedge a portion of anticipated purchases in US dollars. These foreign exchange forward contracts are accounted for, under the accrual method, as hedges and, accordingly, the carrying value are not adjusted to reflect their current market value. At August 31, 2003, foreign exchange forward contracts have a nominal value of US \$13,301,000 and expire at different dates until August 16, 2004. The exchange rate of these forward contracts is CDN \$1.3873.

Disclosure of guarantees

In February 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 14 («AcG-14»), Disclosure of Guarantees, which provides assistance regarding the identification of guarantees and requires a guarantor to disclose the significant details of guarantees that have been given. A guarantee is a contract or an indemnification agreement that contingently requires the Company to make payments based on changes in an underlying, related to an asset, a liability or an equity security of the guaranteed party or based on a third party failure to perform under an obligating agreement. It could be also an indirect guarantee of the indebtedness of another party.

In the normal course of business, the Company and its subsidiaries enters into agreements containing features that meet the criteria for a guarantee including the following:

Businesses and assets disposal

In connection with the sale of businesses or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Company's subsidiaries, Cogeco Cable Inc. and Cogeco Radio-Television Inc., have agreed to indemnify the purchasers against claims related to events which occurred prior to the sale. The term and amount of such indemnification will sometimes be limited by the agreement. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability required to be paid to guaranteed parties. In management's opinion, the likelihood that a significant liability will be incurred under these obligations is low. As at August 31, 2003, no liability has been recorded associated with these indemnifications.

Long-term debt

Under the terms of the Senior Secured Notes and the Second Secured Debentures Series A, the Company's subsidiary, Cogeco Cable Inc., has agreed to indemnify the other parties against changes in regulation relative to withholding taxes. These indemnifications extend for the term of the related financings and do not provide any limit on the maximum potential liability. The nature of the indemnification agreement prevents the Company from estimating the maximum potential liability it could be required to pay. As at August 31, 2003, no liability has been recorded associated with these indemnifications.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2003

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

1. Basis of presentation (continued)

Loan guarantee

The Company's subsidiary, Cogeco Radio-Television Inc., and its subsidiary TQS Inc. have guaranteed the credit facility of a general partnership, Canal Indigo, up to a maximum amount of \$800,000. As at August 31, 2003, no liability has been recorded associated with this loan guarantee.

Moveable hypothecs

The Company's subsidiary, Cogeco Radio-Television Inc., has granted moveable hypothecs in favor of its lessors on broadcasting and production equipments for a value of \$900,000.

Employees and contractual indemnification agreements

The Company's subsidiary, Cogeco Radio-Television Inc., and its subsidiary TQS Inc. indemnify certain of its employees or contractual, against charges, costs, and expenses as a result of any lawsuit, or any judicial or administrative proceeding in which the directors and officers are sued as a result of their service. The claims covered by such indemnification are subject to statutory or other legal limitation period. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements. The Company has purchased employees' and contractual's liability insurance with a deductible per loss. As at August 31, 2003, no liability has been recorded associated with these indemnifications.

2. Business acquisition

On February 15, 2002, the Company's subsidiary, Cogeco Radio-Television Inc., completed the acquisition of an 86% interest in television network TQS, in partnership with Bell Globemedia, to increase their ownership to 99%. Cogeco Radio-Television Inc. contributed its television assets and its 12.9% interest in TQS Inc. while Bell Globemedia contributed cash of \$72,416,000. Subsequently, Cogeco Radio-Television Inc. acquired the remaining 1.1% interest from non-controlling shareholders. As a result of these transactions, Cogeco Radio-Television Inc. owns a 60% indirect interest in TQS Inc.

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2003***(amounts in tables are in thousands of dollars, except per share data)***2. Business acquisition (continued)**

The net assets acquired and consideration paid for this transaction are as follows :

	Three months ended August 31, 2002 (unaudited)	Twelve months ended August 31, 2002 (audited)
Assets acquired		
Fixed assets	\$ -	\$ 13,348
Deferred charges	305	305
Broadcasting licences	-	23,366
Goodwill	4,094	27,925
Broadcasting rights	-	22,911
Investments	-	201
Future income tax assets	(1,600)	5,915
	<u>2,799</u>	<u>93,971</u>
Assumed liabilities		
Bank indebtedness	-	2,193
Working capital deficiency	109	6,550
Long-term debt	191	12,452
Pension plan liabilities and accrued employees benefits	1,295	1,604
	<u>1,595</u>	<u>22,799</u>
Net assets acquired	1,204	71,172
Investment previously accounted for	-	(6,794)
Paid in cash	<u>\$ 1,204</u>	<u>\$ 64,378</u>

The allocation of the purchase price related to the acquisition of TQS Inc. was preliminary as at May 31, 2002 and was modified following the completion of the valuation of assets acquired and liabilities assumed. Other costs related to the acquisition were still unknown at the time of the financial statements and were adjusted during the fourth quarter of last fiscal year.

3. Unusual items

During fiscal year of 2002, the Company realized a gain on dilution of \$34,443,000, \$652,000 during the fourth quarter, resulting from the issuance of common shares by a subsidiary of Cogeco Radio-Television Inc. in connection with the acquisition of TQS Inc. (note 2).

During the first quarter of the last fiscal year, the Company's subsidiary, Cogeco Cable Inc., completed a staff reduction program and as a result, a charge of \$4,925,000 has been recorded for the payment of employee severances.

Finally, during the fourth quarter of 2002, the Company's subsidiary, Cogeco Radio-Television Inc., has written off its investment of \$5,671,000 in Stornoway Communications Limited Partnership as well as incurred restructuring charges related to the production service of TQS Inc. amounting to \$592,000, made up of employee severances.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2003

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

4. Segmented information

The Company's activities are divided into two business segments: Cable and Media. The Cable segment is comprised of all cable and high-speed Internet access operations, and the Media segment is comprised of radio and television operations.

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

Three months ended August 31,	Cable		Media		Head Office and eliminations		Consolidated	
	2003 (unaudited)	2002 (unaudited)	2003 (unaudited)	2002 (unaudited)	2003 (unaudited)	2002 (unaudited)	2003 (unaudited)	2002 (unaudited)
Revenue	\$ 124,921	\$ 112,178	\$ 23,915	\$ 24,225	\$ -	\$ -	\$ 148,836	\$ 136,403
Operating costs	74,649	68,329	20,528	24,334	712	(267)	95,889	92,396
Operating income before depreciation and amortization	50,272	43,849	3,387	(109)	(712)	267	52,947	44,007
Depreciation and amortization	28,193	25,280	754	910	72	38	29,019	26,228
Income before other items	22,079	18,569	2,633	(1,019)	(784)	229	23,928	17,779
Unusual items	-	-	-	5,611	-	-	-	5,611
Financial expense	14,704	15,250	97	54	323	302	15,124	15,606
Income taxes	3,111	855	91	(2,407)	(234)	50	2,968	(1,502)
Net assets employed ⁽¹⁾	\$ 1,705,747	\$ 1,715,378	\$ 125,495	\$ 118,512	\$ 5,290	\$ 4,367	\$ 1,836,532	\$ 1,838,257
Total assets	1,830,517	1,830,282	164,388	153,008	6,949	4,787	2,001,854	1,988,077
Goodwill	-	-	27,925	27,925	-	-	27,925	27,925
Acquisition of fixed assets	24,462	28,830	2,040	3,704	(231)	-	26,271	32,534

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

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2003***(amounts in tables are in thousands of dollars, except per share data)***4. Segmented information (continued)**

<i>Twelve months ended August 31,</i>	Cable		Media		Head Office and eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Revenue	\$ 479,293	\$ 447,984	\$ 124,481	\$ 84,014	\$ -	\$ -	\$ 603,774	\$ 531,998
Operating costs	295,949	279,638	106,616	67,261	(1,888)	(2,206)	400,677	344,693
Operating income before depreciation and amortization	183,344	168,346	17,865	16,753	1,888	2,206	203,097	187,305
Depreciation and amortization	107,158	95,073	4,271	3,038	187	152	111,616	98,263
Income before other items	76,186	73,273	13,594	13,715	1,701	2,054	91,481	89,042
Unusual items (gain)	-	4,925	-	(28,180)	-	-	-	(23,255)
Financial expense	61,113	59,645	414	1,958	1,249	(787)	62,776	60,816
Income taxes	7,194	4,915	3,217	1,444	1,073	1,933	11,484	8,292
Net assets employed ⁽¹⁾	\$ 1,705,747	\$ 1,715,378	\$ 125,495	\$ 118,512	\$ 5,290	\$ 4,367	\$ 1,836,532	\$ 1,838,257
Total assets	1,830,517	1,830,282	164,388	153,008	6,949	4,787	2,001,854	1,988,077
Goodwill	-	-	27,925	27,925	-	-	27,925	27,925
Acquisition of fixed assets	100,385	121,323	6,251	4,935	(231)	-	106,405	126,258

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

5. Bank indebtedness

The operating line of credit available to the indirect subsidiary of the company, TQS Inc., has been increased from \$5,000,000 to \$10,000,000.

6. Long-term debt

	Maturity	Interest rate	August 31 2003	August 31 2002
			(audited)	(audited)
Parent company				
Term Facility	2006 ⁽¹⁾	4.91 ⁽²⁾	\$ 18,500	\$ 19,000
Subsidiaries				
Term Facility	2007	4.48 ⁽²⁾	110,000	129,000
Senior Secured Debentures Series 1	2009	6.75	150,000	150,000
Senior Secured Notes				
Series A – US \$150 million	2008	6.83 ⁽³⁾	207,855	233,820
Series B	2011	7.73	175,000	175,000
Second Secured Debentures Series A	2007	8.44	125,000	125,000
Obligations under capital leases	2007	6.58 – 9.53	1,753	2,407
Preferred shares ⁽⁴⁾	2006	-	4,320	5,720
Other	-	-	212	251
			\$ 792,640	\$ 840,198

(1) COGECO Inc.'s \$ 40,000,000 Term Facility has been extended for an additional year.

(2) Average interest rate as of August 31, 2003, including stamping fees.

(3) Cross-currency swap agreements have resulted in an effective interest rate of 7.254% on the Canadian dollar equivalent of the U.S. debt.

(4) 4,320,000 preferred shares, 5.5% cumulative dividend, redeemable and retractable to a maximum of \$1,400,000 annually.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2003

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

7. Deferred credit

The deferred credit represents the amount which would have been payable at August 31, 2003 under cross-currency swaps entered into by the Company's subsidiary, Cogeco Cable Inc., to hedge Senior Secured Notes Series A denominated in US dollars. Amounts payable or receivable under currency swaps are recorded concurrently with the unrealized gains and losses on the debt obligations being hedged.

8. Capital stock

Authorized, an unlimited number of:

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

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

	August 31 2003 (audited)	August 31 2002 (audited)
Issued		
1,849,900 multiple voting shares	\$ 12	\$ 12
14,465,777 subordinate voting shares (14,406,253 as at August 31, 2002)	115,101	114,530
	\$ 115,113	\$ 114,542

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

	Twelve months ended August 31, 2003 (audited)		Twelve months ended August 31, 2002 (audited)	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning	14,406,253	\$ 114,530	14,385,113	\$ 114,323
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	70,824	661	21,440	210
Purchase of shares for cancellation	(11,300)	(90)	(300)	(3)
Balance at end	14,465,777	\$ 115,101	14,406,253	\$ 114,530

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2003***(amounts in tables are in thousands of dollars, except per share data)***8. Capital stock (continued)****Stock-based plans**

The Company established, for the benefit of its employees and those of certain of its subsidiaries, an Employee Stock Purchase Plan and a Stock Option Plan for certain executives which are described in the consolidated financial statements for the year ended August 31, 2002. During fiscal year 2003, no stock options have been granted to employees. As permitted by CICA Handbook section 3870, the Company does not record any compensation expense for options granted to employees. If compensation cost had been recognized using the fair value-based method at the grant date, the Company's net income and earnings per share for the three and twelve month periods ended August 31, 2003 and 2002 would have been reduced to the following pro forma amounts:

	Three months ended August 31		Twelve months ended August 31	
	2003	2002	2003	2002
	(unaudited)	(unaudited)	(audited)	(audited)
Net income (loss)				
As reported	\$ 2,334	\$ (2,492)	\$ 9,899	\$ 40,417
Pro forma	2,253	(2,569)	9,575	40,110
Basic earnings (loss) per share				
As reported	\$ 0.14	\$ (0.15)	\$ 0.61	\$ 2.49
Pro forma	0.14	(0.16)	0.59	2.47
Diluted earnings (loss) per share				
As reported	\$ 0.14	\$ (0.15)	\$ 0.61	\$ 2.46
Pro forma	0.14	(0.16)	0.59	2.44

The fair value of each option granted in 2002 was estimated on the grant date for purposes of the pro forma disclosures using the Binomial option pricing model based on the following assumptions:

Expected dividend yield	1.25%
Expected volatility	40%
Risk-free interest rate	4.63%
Expected life in years	5.4

The fair value of stock options granted for the year ended August 31, 2002 was \$8.40 per option.

As at August 31, 2003, the Company had outstanding stock options providing for the subscription of 567,476 subordinate voting shares. These stock options can be exercised at various prices ranging from \$6.50 to \$37.50 and at various dates up to October 19, 2011.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2003

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

9. Earnings per share

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

	Three months ended August 31		Twelve months ended August 31	
	2003 (unaudited)	2002 (unaudited)	2003 (audited)	2002 (audited)
Net income (loss)	\$ 2,334	\$ (2,492)	\$ 9,899	\$ 40,417
Weighted average number of multiple voting and subordinate voting shares outstanding	16,252,562	16,246,588	16,254,656	16,239,512
Effect of dilutive stock options	141,273	130,723	99,436	198,171
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,393,835	16,377,311	16,354,092	16,437,683
Earnings (loss) per share				
Basic	\$ 0.14	\$ (0.15)	\$ 0.61	\$ 2.49
Diluted	0.14	(0.15)	0.61	2.46

10. Comparative figures

Certain comparative figures have been reclassified in order to conform with the presentation adopted in the current period.