



PRESS RELEASE
For immediate release

COGECO
ANNOUNCES ITS FINANCIAL RESULTS FOR THE THIRD QUARTER
OF FISCAL YEAR 2003
AND ITS FINANCIAL OUTLOOK FOR FISCAL 2004

Montreal, June 30, 2003 - COGECO Inc. announced today its financial results for the third quarter of fiscal year 2003 and its financial outlook for fiscal 2004.

According to Mr. Louis Audet, President and Chief Executive Officer: "Existing cable and broadcasting operations generated \$10 million of free cash flow during the last quarter. COGECO expects continuing growth in sales, free cash flow and profits given the highly advanced state of its two-way broadband cable infrastructure and the positioning of its radio stations as well as that of TQS as a complete television network for the Province of Québec."

"On the cable side, notable successes in bundling and sales of digital and high-speed Internet services have resulted in operating income growth of 10% in the last quarter. On the broadcast side, the successful integration of the TQS network acquired in February 2002 has continued to show positive results."

"Those accomplishments have laid the foundation for management's expectations in fiscal 2004 regarding operating income growth of 8% to 10% and free cash flow to continue improving," concluded Mr. Audet.

Financial highlights are:

	Three months ended May 31, (unaudited)			Nine months ended May 31, (unaudited)		
	2003	2002	% Change	2003	2002	% Change
(\$000s except percentages and per share data)						
Revenue	\$ 156,126	\$ 145,898	7.0	\$ 454,938	\$ 395,595	15.0
Operating Income ⁽¹⁾	53,484	50,379	6.2	150,150	143,298	4.8
Net income						
Basic	\$ 3,402	\$ 3,747	(9.2)	\$ 7,565	\$ 42,909	(82.4)
Excluding unusual items ⁽²⁾	3,402	3,963	(14.2)	7,565	10,461	(27.7)
Cash Flow ⁽³⁾	36,690	34,396	6.7	99,827	93,599	6.7
Capital expenditures and Deferred charges	26,598	35,304	(24.7)	96,580	115,544	(16.4)
Free Cash Flow ⁽⁴⁾	10,092	(908)	--	3,247	(21,945)	--
Per share data						
Basic net income	\$ 0.21	\$ 0.23	(8.7)	\$ 0.47	\$ 2.64	(82.2)
Basic net income excluding Unusual items	0.21	0.24	(12.5)	0.47	0.64	(26.6)
Cash Flow	2.26	2.12	6.6	6.14	5.76	6.6

- (1) Operating Income is defined herein as operating income before depreciation, amortization, financial expense, income taxes, unusual items as detailed further and is a standard measure that is commonly reported in the telecommunications industry for comparison purposes. Operating income is not a defined term under 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.
- (2) See "Unusual Items" section for further details.
- (3) Cash Flow is defined as cash flow from operating activities before changes in non-cash working capital items and unusual items.
- (4) Free Cash Flow is defined as Cash Flow (see definition above) less capital expenditures and deferred charges. Free Cash Flow is not a defined term under Generally Accepted Accounting Principles (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 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 third quarter, revenue rose by \$10.2 million or 7.0% compared to the same period last year. Cable revenues went up by 8.9% driven by improved penetration of high-speed Internet and digital services as well as rate increases. Media revenues increased by 0.9% stemming from TQS's organic growth offsetting decreased radio revenue. This decrease was mainly related to the departure during the second quarter of a radio host of the FM 93 Quebec City station. During the first nine months, the cable sector's revenues grew by 5.5% while media revenues increased by 62.8% due to the TQS acquisition on February 15, 2002 and by 4.7% as a result of organic growth.

During the third quarter, Operating Income moved up by 6.2% compared to the same period last year. The cable sector contributed to a \$4.3 million increase while the media sector generated a \$1.5 million decline mainly as a result of a restructuring charge.

FIXED CHARGES

(\$000s except percentages)	Three months ended May 31,			Nine months ended May 31,		
	<u>2003</u>	<u>2002</u>	%	<u>2003</u>	<u>2002</u>	%
			<u>Change</u>			<u>Change</u>
Depreciation and amortization						
Property, plant & equipment	\$ 24,110	\$ 22,272	8.3	\$ 71,130	\$ 64,720	9.9
Deferred charges	3,963	2,758	43.7	11,467	7,315	56.8
Total	<u>\$ 28,073</u>	<u>\$ 25,030</u>	12.2	<u>\$ 82,597</u>	<u>\$ 72,035</u>	14.7
Financial expense	<u>\$ 15,841</u>	<u>\$ 15,317</u>	3.4	<u>\$ 47,652</u>	<u>\$ 45,210</u>	5.4

Depreciation and amortization rose during the third quarter compared to the same period last year. Most of the increased depreciation and amortization results from the cable system modernization program, capital expenditures related to high-speed Internet and digital services and higher deferred charges. Deferred charges mainly include subsidies related to sales of home terminal devices.

During the third quarter, financial expense increased compared to the same period last year as short-term interest rates increased by approximately 1.4%. For the first nine months, 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 Facility.

UNUSUAL ITEMS

The Company recorded no unusual items during the first nine months of fiscal 2003. For the third quarter of fiscal 2002, the unusual item arose from a \$0.2 million downward adjustment to the gain on dilution further to the TQS acquisition. For the first nine months of fiscal 2002, the unusual items 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 cable sector.

NET INCOME

For the third quarter, net income, excluding unusual items, amounted to \$3.4 million, or \$0.21 per share, compared to \$4.0 million, or \$0.24 per share, for the same period last year.

CASH FLOW AND LIQUIDITY

(\$000s)	Three months ended May 31,		Nine months ended May 31,	
	2003	2002	2003	2002
Operating Activities				
Cash Flow	\$ 36,690	\$ 34,396	\$ 99,827	\$ 93,599
Net changes in non-cash working capital items	(14,685)	(1,860)	(27,515)	(38,735)
Unusual items	--	--	--	(4,925)
	<u>\$ 22,005</u>	<u>\$ 32,536</u>	<u>\$ 72,312</u>	<u>\$ 49,939</u>
Investing Activities	<u>\$ (26,546)</u>	<u>\$ (36,186)</u>	<u>\$ (95,971)</u>	<u>\$ (180,573)</u>
Financing Activities	<u>\$ (6,695)</u>	<u>\$ 12,837</u>	<u>\$ 12,123</u>	<u>\$ 99,359</u>

Cash flow from operating activities includes Cash Flow, net changes in non-cash working capital items and unusual items. For the third quarter, Cash Flow is higher than last year by \$2.3 million or 6.7% due to the cable sector. During the third quarter, net changes in non-cash working capital items declined by \$12.8 million compared to last year as accounts payable and accrued liabilities decreased by \$15.6 million. Refer to the "Unusual Items" section above for the cash flow impact.

For the third quarter of fiscal 2003, investing activities related to capital expenditures and deferred charges decreased from \$35.3 million to \$26.5 million. This decline is mainly attributable to a decrease in capital expenditures related to upgrades given that more than 86% of households are currently served by two-way broadband plant. For the first nine months of fiscal 2002, investing activities included an amount of \$65.4 million related to the acquisition of an 86% interest in television network TQS. The acquisition was completed in partnership with Bell Globemedia.

During the third quarter and for the first nine months, Free Cash Flow of \$10.1 million and \$3.2 million respectively were generated. The cable sector, which incurs most of the capital

expenditures, believes it can pursue growth while trimming its investing activities given the quality of the existing cable infrastructure.

During the third quarter, total indebtedness increased by \$5.4 million as a result of an increase in non-cash working capital items offsetting Free Cash Flow generated. During the third quarter of last year, total indebtedness increased by \$4.5 million mainly as a result of a Free Cash Flow deficit.

As at May 31, 2003, the Company and its subsidiaries' available liquidity was \$305 million, of which \$271 million related to Cogeco Cable, represented by unused committed bank credit facilities. During the third quarter, TQS inc. has increased its operating line of credit with its lender from \$5 million to \$10 million. The Company expects to generate additional Free Cash Flow and as a result available liquidity should improve.

FINANCIAL POSITION

The following analysis describes significant changes in the balance sheet since August 31, 2002.

Fixed assets increased by \$8.7 million as a result of capital expenditures exceeding depreciation. In addition, the \$10.0 million increase in accounts receivable was mainly related to TQS inc.'s accounts receivable growth as third quarter revenue is usually higher than fourth quarter revenue due to seasonal factors.

The deferred credit increased by \$28.5 million. This 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 \$US150 million Senior Secured Notes Series A of Cogeco Cable. Since the Secured Notes were fully hedged, the increase in deferred credit results from the appreciation of the Canadian dollar and is fully offset by a corresponding decrease in the Senior Secured Notes Series A translated into Canadian dollars. Finally, accounts payable and accrued liabilities decreased by \$17.0 million as investments relating to the cable sector's capital expenditures, including home terminal devices, are higher at the end of the fiscal year.

CABLE SECTOR

Customer Statistics

	May 31, 2003	Net additions (losses)				% Penetration ⁽¹⁾	
		Third Quarter		First Nine Months		May 31,	
		2003	2002	2003	2002	2003	2002
Revenue generating units ⁽²⁾	1,181,371	5,655	5,538	57,013	38,885		
Basic service customers	827,193	(7,662)	(11,237)	(9,175)	(34,200)		
High-speed Internet customers ⁽³⁾	195,737	7,641	10,899	37,545	46,433	27.0	22.1
Digital terminals ⁽⁴⁾	177,583	6,104	6,724	32,633	32,166	21.9	17.7
Bundled service customers ⁽⁵⁾	275,913	3,939	5,851	34,227	44,670	33.4	27.5

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

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

(3) 4,159 Internet Lite and 492 Internet Pro customers are included. Including pending orders, the number would amount to 199,689 compared to 190,926 at February 28, 2003.

(4) 73% of terminals at May 31, 2003 were purchased compared to 59% a year earlier.

(5) 47% of bundled service customers had the digital service at May 31, 2003.

Effective marketing and customer service combined with the continued success of bundling resulted in revenue generating units rising by 5.1% over the last nine months. The loss in basic service customers has decreased during the third quarter by about a third compared to the same period last year, despite the January 2003 rate increase discussed in the "Revenue" section. Cogeco Cable offers its services in several cities with universities and colleges such as Kingston, Windsor, Trois-Rivières and Rimouski. The loss in basic service customers is usually greater in the third quarter, mainly attributable to students leaving their campus at the end of the school year.

During the third quarter, subscriptions to the high-speed Internet service rose by 4.1% and the installed digital terminal base expanded by 3.6% compared to the second quarter. High-speed Internet customer additions in the third quarter were lower than in the same period last year. This decline is partially related to a slowing demand for high-speed Internet as the penetration rate increases. Additionally, Cogeco Cable's current strategy is to maximize profitability per high-speed Internet customer by focusing its acquisition efforts on its high-speed Internet standard and Pro services. Unlike its competitors, high-speed Internet Lite, a lower speed service, is only offered on a retention basis.

Since high-speed Internet customer growth during the first nine months of the current fiscal year was lower than anticipated, management has revised its fiscal 2003 guidance for new customer additions from 55,000 to a range between 45,000 and 50,000. See section on "Forward-looking Financial Expectations" for revised guidelines.

The VOD service is now offered to 85% of homes passed. A marketing awareness campaign was launched in April. In addition, an electronic programming guide with enhanced VOD functionalities will be launched during the fourth quarter of fiscal 2003.

Operating Results

	Three months ended May 31,			Nine months ended May 31,		
	2003	2002	% Change	2003	2002	% Change
Revenue	\$ 120,918	\$ 111,009	8.9	\$ 354,372	\$ 335,806	5.5
Network fees	36,360	35,858	1.4	108,180	106,723	1.4
Other operating costs	36,008	31,152	15.6	106,039	97,870	8.3
Management fees - COGECO Inc.	2,415	2,202	9.7	7,081	6,716	5.4
Operating Income	46,135	41,797	10.4	133,072	124,497	6.9
Operating margin	38.2%	37.7%		37.6%	37.1%	

Revenue

During the third quarter, revenue rose by \$9.9 million or 8.9% compared to the same period last year. This growth resulted from the high-speed Internet access and digital services improved penetration rate as discussed in the "Customer Statistics" section. In addition, a \$5.00 monthly rate increase per high-speed Internet customer was implemented during the fourth quarter of fiscal 2002. Finally, 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. On a yearly basis, these rate increases amount to about \$10 million of additional revenue.

Network Fees

For the third quarter, network fees inched up by \$0.5 million compared to the same period last year. This increase stemmed from specialty TV rate increases as well as the increased customer subscription to bundles. However, 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 regulation.

Other Operating Costs

During the third quarter, other operating costs grew by \$4.9 million compared to the same period last year. A large part of this increase is related to the employee bonus program. During the third quarter of fiscal 2002, a charge related to the bonus program was reversed as financial results were lower than anticipated. However, during the third quarter of fiscal 2003, a charge for bonuses to employees was recorded as financial results have improved. Costs related to marketing incurred to grow revenue generating units, pole attachment and improvements to support services provided to our customers have also contributed to the increase in other operating costs.

Operating Income

For the third quarter, Operating Income improved by 10.4% 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 37.7% to 38.2% during the third quarter.

MEDIA SECTOR

	Three months ended May 31,			Nine months ended May 31,		
	2003	2002	% Change	2003	2002	% Change
Revenue	\$ 35,208	\$ 34,889	0.9	\$ 100,566	\$ 59,789	68.2
Operating costs	28,896	27,081	6.7	86,088	42,927	100.5
Operating Income	6,312	7,808	(19.2)	14,478	16,862	(14.1)
Operating margin	17.9%	22.4%		14.4%	28.2%	

Revenue

During the third quarter, radio revenue declined by 12.6% mainly as a result of the departure during the second quarter of a radio host of the FM 93 Quebec City station. However, changes in the radio station were implemented in order to curtail market share erosion and regain growth. During the first nine months, radio revenue decreased by 1.4%.

During the third quarter, television revenue growth of 3.0% stemmed from improved advertising sales, a more effective sales force and the positioning of TQS as a complete network for the Province of Québec. During the first nine months, television revenue increased by 80.7 % due to the TQS acquisition on February 15, 2002 and by 5.7 % as a result of organic growth.

Operating Costs

During the third quarter, operating costs increased by 6.7% mainly as a result of a \$1.3 million restructuring charge.

Operating Income

For the third quarter, Operating Income margin has declined compared to the same period last year mainly as a result of the restructuring charge.

For the first nine months, the Operating Income has declined compared to the same period last year mainly as a result of the restructuring charge and a \$0.8 million charge related to stock-based compensation plans of TQS. In fiscal 2002, a similar charge was recorded in the fourth quarter.

DIVIDEND DECLARATION

At its meeting of June 27, 2003, the Board of Directors of COGECO declared a quarterly dividend of \$0.0525 per share for subordinate voting shares and multiple voting shares, payable on July 25, 2003, to shareholders on record on July 11, 2003.

RISK FACTORS AND UNCERTAINTIES

No material changes in the uncertainties and main risk factors facing COGECO have occurred since the August 31, 2002 year end. Uncertainties and main risk factors are described in the Company's 2002 Annual Report.

FORWARD-LOOKING FINANCIAL EXPECTATIONS

Fiscal 2003 Financial Guidelines

The Company is maintaining its fiscal 2003 financial guidelines announced last quarter for the cable and media sectors. For the media sector, the guidelines exclude the impact of the restructuring charge in the third quarter. For the cable sector, additional rate increases implemented during the fourth quarter, as described below, will more than offset the downward revisions to high-speed Internet client additions. These additions have been revised from 55,000 to a range between 45,000 and 50,000. See section on "Customer Statistics" for a description of the revision.

Cogeco Cable has implemented rate increases effective June 15 for the Ontario customer base and effective July 2nd for the Quebec digital customer base. In Ontario, an average monthly rate increase of approximately \$1.75 per basic service customer has been implemented. In Quebec, an average monthly rate increase of approximately \$2.20 per digital customer has been implemented. On a yearly basis, these rate increases amount to about \$14 million of additional revenue.

Fiscal 2004 Preliminary Financial Outlook

Cable Sector

Cogeco Cable expects to achieve internal revenue growth between 5% and 6% stemming mainly from rate increases implemented last January and during the fourth quarter of fiscal 2003 and from the growth in penetration of high-speed Internet and digital services. Cogeco Cable 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 control over expenses 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 growth in depreciation and amortization is expected to decline, as capital expenditures and deferred charges have significantly decreased since fiscal 2001. Management expects Cash Flow generated to finance capital expenditures and deferred charges planned at \$117 million. Management expects to generate Free Cash Flow of \$15 million to \$20 million. Free Cash Flow generated should be used to reduce indebtedness and improve Cogeco Cable's leverage ratios. Based on the expected decrease in indebtedness, financial expense should decline by 1%.

Media Sector

The media sector expects to achieve revenue growth between 10% and 13%. The growth should stem mainly from an improvement in the Fall programming schedule of TQS and from advertising rate increases related to a stronger advertising market. An Operating Income margin between 12% and 13% should be achieved resulting in the Operating Income growing by 7% to 10%. Management expects that depreciation and amortization should be flat and that capital expenditures should be about \$6 million.

Consolidated Financial Outlook

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

ABOUT COGECO

COGECO is a diversified communications company. Through its Cogeco Cable subsidiary, COGECO provides about 1,181,000 units of cable distribution and telecommunication services to about 1,389,000 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 Bell Globemedia. Cogeco Radio-Television Inc. also wholly owns and operates radio stations 105.7 RYTHME FM in Montreal and FM 93 in Québec City and will launch a new FM radio station in Québec City next September. COGECO's subordinate voting shares are listed on the Toronto Stock Exchange (CGO). The subordinate voting shares of Cogeco Cable Inc. are also listed on the Toronto Stock Exchange (CCA).

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**Conference Call: Discussion of quarterly results on Wednesday July 2, 2003,
at 10:00 a.m. ET
Broadcast via the Internet at www.cogeco.com**

COGECO INC.

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Cable Statistics

	May 31, 2003	August 31, 2002
Homes Passed		
Ontario	949,404	940,565
Quebec	439,917	434,929
	1,389,321	1,375,494
Revenue Generating Units		
Ontario	857,421	815,572
Quebec	323,950	308,786
	1,181,371	1,124,358
Basic Service Customers		
Ontario	591,654	596,155
Quebec	235,539	240,213
	827,193	836,368
Discretionary Service Customers		
Ontario	472,941	479,182
Quebec	172,949	164,849
	645,890	644,031
Pay-TV Service Customers		
Ontario	87,666	88,571
Quebec	30,165	27,913
	117,831	116,484
High-Speed Internet Service Customers		
Ontario	163,258	131,480
Quebec	32,479	26,712
	195,737	158,192
Digital Customers		
Ontario	102,509	87,937
Quebec	55,932	41,861
	158,441	129,798
Digital Terminals		
Ontario	119,262	100,746
Quebec	58,321	44,204
	177,583	144,950
Bundled Service Customers		
Ontario	214,179	186,147
Quebec	61,734	55,539
	275,913	241,686

COGECO INC.
CONSOLIDATED STATEMENTS OF INCOME

<i>(In thousands of dollars, except per share data)</i>	Three months ended May 31		Nine months ended May 31	
	2003	2002	2003	2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 156,126	\$ 145,898	\$ 454,938	\$ 395,595
Operating costs	102,642	95,519	304,788	252,297
Operating income before depreciation and amortization	53,484	50,379	150,150	143,298
Depreciation and amortization	28,073	25,030	82,597	72,035
Income before undernoted items	25,411	25,349	67,553	71,263
Unusual items (gain) (note 3)	-	216	-	(28,866)
Financial expense	15,841	15,317	47,652	45,210
Income before income taxes and non-controlling interest	9,570	9,816	19,901	54,919
Income taxes				
Current	1,659	1,423	4,819	6,675
Future	2,426	2,147	3,697	3,119
	4,085	3,570	8,516	9,794
Non-controlling interest	2,083	2,499	3,820	2,216
Net income	\$ 3,402	\$ 3,747	\$ 7,565	\$ 42,909
Earnings per share (note 9)				
Basic	\$ 0.21	\$ 0.23	\$ 0.47	\$ 2.64
Diluted	0.21	0.23	0.46	2.61

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(In thousands of dollars)</i>	Nine months ended May 31	
	2003	2002
	(unaudited)	(unaudited)
Balance at beginning	\$ 228,491	\$ 191,487
Net income	7,565	42,909
Excess of price paid over the attributed value of subordinate voting shares redeemed	(10)	(3)
Dividends on multiple voting shares	(291)	(291)
Dividends on subordinate voting shares	(2,269)	(2,265)
Balance at end	\$ 233,486	\$ 231,837

COGECO INC.
CONSOLIDATED BALANCE SHEETS

<i>(In thousands of dollars)</i>	May 31 2003 (unaudited)	August 31 2002 (audited)
Assets		
Fixed assets	\$ 791,712	\$ 782,981
Deferred charges	43,653	39,653
Broadcasting licenses and customer base	1,042,498	1,042,498
Goodwill	27,925	27,925
Broadcasting rights	23,305	18,620
Accounts receivable	74,894	64,934
Income tax receivable	3,491	9,986
Prepaid expenses	7,595	5,165
	\$ 2,015,073	\$ 1,991,762
Liabilities and Shareholders' equity		
Liabilities		
Bank indebtedness (note 5)	\$ 16,180	\$ 4,644
Long-term debt and Term facilities (note 6)	833,879	846,358
Deferred credit (note 7)	33,375	4,830
Accounts payable and accrued liabilities	114,931	131,968
Deferred and prepaid income	17,954	17,852
Future income tax liabilities	173,694	169,997
Non-controlling interest	477,033	473,080
	1,667,046	1,648,729
Shareholders' equity		
Capital stock (note 8)	114,541	114,542
Retained earnings	233,486	228,491
	348,027	343,033
	\$ 2,015,073	\$ 1,991,762

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

<i>(In thousands of dollars)</i>	Three months ended May 31		Nine months ended May 31	
	2003	2002	2003	2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flow from operating activities				
Net income	\$ 3,402	\$ 3,747	\$ 7,565	\$ 42,909
Unusual items net of related income taxes and non-controlling interest	-	216	-	(32,448)
Net income from recurring operations	3,402	3,963	7,565	10,461
Items not affecting cash and cash equivalents				
Depreciation and amortization	28,073	25,030	82,597	72,035
Amortization of long-term financing costs	407	479	1,252	1,510
Future income taxes	2,426	2,147	3,697	3,119
Future income taxes related to unusual items	-	-	-	1,513
Non-controlling interest	2,083	2,499	3,820	2,216
Portion of unusual items attributable to non-controlling interest	-	-	-	2,069
Other	299	278	896	676
Cash flow from operating activities before undernoted items	36,690	34,396	99,827	93,599
Unusual item	-	-	-	(4,925)
Change in non-cash working capital items	(14,685)	(1,860)	(27,515)	(38,735)
	22,005	32,536	72,312	49,939
Cash flow from investing activities				
Acquisition of fixed assets	(22,056)	(27,317)	(80,134)	(93,724)
Increase in deferred charges	(4,490)	(7,987)	(15,837)	(21,820)
Business acquisition (note 2)	-	(1,075)	-	(65,367)
Other	-	193	-	338
	(26,546)	(36,186)	(95,971)	(180,573)
Cash flow from financing activities				
Increase in long-term debt	-	14,055	23,072	444,492
Repayment of long-term debt	(5,855)	(392)	(8,511)	(415,281)
Issue of subordinate voting shares	-	26	26	162
Purchase of subordinate voting shares for cancellation	-	-	(37)	(6)
Dividends on multiple voting shares	(97)	(97)	(291)	(291)
Dividends on subordinate voting shares	(756)	(755)	(2,269)	(2,265)
Issue of subordinate voting shares by a subsidiary to non-controlling interest, net of issue costs	13	-	133	132
Contribution from non-controlling interest of a subsidiary	-	-	-	72,416
	(6,695)	12,837	12,123	99,359
Net change in cash and cash equivalents	(11,236)	9,187	(11,536)	(31,275)
Cash and cash equivalents at beginning	(4,944)	(38,307)	(4,644)	2,155
Cash and cash equivalents at end	\$ (16,180)	\$ (29,120)	\$ (16,180)	\$ (29,120)

COGECO INC.

Notes to Consolidated Financial Statements

May 31, 2003

(unaudited)

(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 May 31, 2003 and August 31, 2002 as well as its results of operations and its cash flow for the three and nine month periods ended May 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.

Disclosure of guarantees

In February 2003, the Canadian Institute of Chartered Accountants 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 an event which occur 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 May 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 May 31, 2003, no liability has been recorded associated with these indemnifications.

COGECO INC.

Notes to Consolidated Financial Statements

May 31, 2003

(unaudited)

(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.

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, for a maximum of \$1,000,000, with a deductible of \$100,000 per loss. As at May 31, 2003, no liability has been recorded associated with these indemnifications.

Director and Officer indemnification agreements

Under the law, the Company and its subsidiaries indemnify its directors or officers, former directors or officers and individuals who act or who have acted at the Company's request to as director or officer of an entity in which the Company is a shareholder, to the extent permitted by law, 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 in connection with the performance of their duties. 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 directors' and officers' liability insurance, for a maximum of \$25,000,000, with a deductible of \$100,000 per loss. As at May 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

May 31, 2003

(unaudited)

(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 May 31, 2002 (unaudited)	Nine months ended May 31, 2002 (unaudited)
Assets acquired		
Working capital deficiency	\$ -	\$ (6,240)
Fixed assets	-	13,347
Broadcasting rights	-	22,911
Broadcasting licences	-	23,366
Goodwill	882	23,831
	882	77,215
Assumed liabilities		
Future income tax liabilities	-	(7,515)
Long-term debt	-	12,569
Non-controlling interest	(193)	-
	(193)	5,054
Net assets acquired	1,075	72,161
Investment previously accounted for	-	6,794
Paid in cash	\$ 1,075	\$ 65,367

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 \$33,791,000 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. As a result, a charge of \$4,925,000 has been recorded as an unusual item for the payment of employee severances.

COGECO INC.**Notes to Consolidated Financial Statements****May 31, 2003**

(unaudited)

*(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:

<i>Three months ended May 31,</i>	Cable		Media		Head Office and eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 120,918	\$ 111,009	\$ 35,208	\$ 34,889	\$ -	\$ -	\$ 156,126	\$ 145,898
Operating costs	74,783	69,212	28,896	27,081	(1,037)	(774)	102,642	95,519
Operating income before depreciation and amortization	46,135	41,797	6,312	7,808	1,037	774	53,484	50,379
Depreciation and amortization	26,853	23,888	1,173	1,104	47	38	28,073	25,030
Income before other items	19,282	17,909	5,139	6,704	990	736	25,411	25,349
Unusual item	-	-	-	216	-	-	-	216
Financial expense	15,396	14,916	134	102	311	299	15,841	15,317
Income taxes	2,074	976	1,492	2,131	519	463	4,085	3,570
Net assets employed ⁽¹⁾	\$ 1,747,342	\$ 1,752,286	\$ 126,628	\$ 120,207	\$ 8,218	\$ 8,966	\$ 1,882,188	\$ 1,881,459
Acquisition of fixed assets	20,244	26,650	1,812	667	-	-	22,056	27,317

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

<i>Nine months ended May 31,</i>	Cable		Media		Head Office and eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 354,372	\$ 335,806	\$ 100,566	\$ 59,789	\$ -	\$ -	\$ 454,938	\$ 395,595
Operating costs	221,300	211,309	86,088	42,927	(2,600)	(1,939)	304,788	252,297
Operating income before depreciation and amortization	133,072	124,497	14,478	16,862	2,600	1,939	150,150	143,298
Depreciation and amortization	78,965	69,793	3,517	2,128	115	114	82,597	72,035
Income before other items	54,107	54,704	10,961	14,734	2,485	1,825	67,553	71,263
Unusual items (gain)	-	4,925	-	(33,791)	-	-	-	(28,866)
Financial expense	46,409	44,395	317	1,904	926	(1,089)	47,652	45,210
Income taxes	4,083	4,060	3,126	3,851	1,307	1,883	8,516	9,794
Net assets employed ⁽¹⁾	\$ 1,747,342	\$ 1,752,286	\$ 126,628	\$ 120,207	\$ 8,218	\$ 8,966	\$ 1,882,188	\$ 1,881,459
Acquisition of fixed assets	75,923	92,493	4,211	1,231	-	-	80,134	93,724

(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

May 31, 2003

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

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 and Term facilities

	Maturity	Interest rate	May 31 2003 (unaudited)	August 31 2002 (audited)
Parent company				
Term Facility	2006 ⁽¹⁾	5.20 ⁽²⁾	\$ 18,500	\$ 19,000
Other	-	-	3,835	3,273
Subsidiaries				
Term Facility	2007	4.83 ⁽²⁾	145,000	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⁾	205,275	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	2,007	2,407
Preferred shares ⁽⁴⁾	2006	-	5,720	5,720
Other	-	-	3,542	3,138
			\$ 833,879	\$ 846,358

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

(2) Average interest rate on debt as of May 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) 5,720,000 preferred shares, 5.5% cumulative dividend, redeemable and retractable to a maximum of \$1,400,000 annually.

7. Deferred credit

Deferred credit represents the amount which would have been payable at May 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.

COGECO INC.

Notes to Consolidated Financial Statements

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

8. Capital stock (continued)

	May 31 2003 (unaudited)	August 31 2002 (audited)
Issued		
1,849,900 multiple voting shares	\$ 12	\$ 12
14,405,577 subordinate voting shares (14,406,253 as at August 31, 2002)	114,529	114,530
	\$ 114,541	\$ 114,542

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

	Nine months ended May 31, 2003 (unaudited)		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	2,724	26	21,440	210
Purchase of shares for cancellation	(3,400)	(27)	(300)	(3)
Balance at end	14,405,577	\$ 114,529	14,406,253	\$ 114,530

Stock-based plans

The Company 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 consolidated financial statements for the year ended August 31, 2002. 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 nine month periods ended May 31, 2003 would have been reduced to the following pro forma amounts:

	Three months ended May 31, 2003 (unaudited)	Nine months ended May 31, 2003 (unaudited)
Net income		
As reported	\$ 3,402	\$ 7,565
Pro forma	3,321	7,322
Basic earnings per share		
As reported	\$ 0.21	\$ 0.47
Pro forma	0.20	0.45
Diluted earnings per share		
As reported	\$ 0.21	\$ 0.46
Pro forma	0.20	0.45

As at May 31, 2003, the Company had outstanding stock options providing for the subscription of 635,576 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

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(unaudited)

(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 May 31		Nine months ended May 31	
	2003 (unaudited)	2002 (unaudited)	2003 (unaudited)	2002 (unaudited)
Net income	\$ 3,402	\$ 3,747	\$ 7,565	\$ 42,909
Weighted average number of multiple voting and subordinate voting shares outstanding	16,255,477	16,243,582	16,255,361	16,237,785
Effect of dilutive stock options	126,287	204,387	85,491	204,387
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,381,764	16,447,969	16,340,852	16,442,172
Earnings per share				
Basic	\$ 0.21	\$ 0.23	\$ 0.47	\$ 2.64
Diluted	0.21	0.23	0.46	2.61

10. Comparative figures

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