



**PRESS RELEASE**  
**For immediate release**

**COGECO**  
**ANNOUNCES THE FINANCIAL RESULTS FOR THE FIRST QUARTER**  
**OF FISCAL YEAR 2002**

**Montreal, January 15, 2002** – COGECO Inc. announced today the financial results for the first quarter of fiscal 2002.

**OPERATING RESULTS**

Financial highlights for the three months ended November 30 are:

(\$000s except percentage and net earnings per share)

**(unaudited)**

	<u>2001</u>	<u>2000</u>	<u>% Change</u>
Revenue	125,968	115,424	9.1
Operating income <sup>(1)</sup>	46,849	42,076	11.3
Operating margin	37.2%	36.5%	
Depreciation & amortization	23,164	21,678	6.9
Financial expense	14,037	13,347	5.2
Net income			
Basic	2,710	50,318	
Excluding unusual items	4,053	3,041	
Net earnings per share			
Basic	0.17	3.11	
Excluding unusual items	0.25	0.19	

<sup>(1)</sup> Before depreciation and amortization.

Consolidated revenue for the first quarter increased by \$10.5 million or 9%. The cable and media sectors have both contributed to the increased revenue in the first quarter of fiscal 2002. Revenue in the cable sector increased by 10% in the first quarter of fiscal 2002, compared to the same period last year. Part of the growth, approximately \$6.8 million, is attributable to the acquisition of cable systems while internal revenue growth amounted to approximately \$3.1 million or 3%. Internal growth results from improved penetration for high-speed Internet access and rate increases. With regards to the media sector, revenue increased by 5% in the first quarter of fiscal 2002, compared to the same period last year, which was an outstanding quarter. Quebec City station FM-93 further strengthened its leading position in the market, and Montreal station 105.7 RYTHME FM achieved a breakthrough, as evidenced in the Fall of 2001, with an increase in its hours tuned of 43% over the previous year.

Operating income before depreciation and amortization increased by 11% for the first quarter of fiscal 2002 compared to the same period last year. Operating margin for the first quarter is 37.2% compared to 36.5% last year. Operating margin improvement stems from the cable sector.

The cable sector's operating income before depreciation and amortization increased by 8% in the first quarter of fiscal 2002, compared to the same period last year. Cogeco Cable's focus on improving operating margin before depreciation and amortization resulted in the margin increasing from 35.3% in the first quarter of fiscal 2001 to 36.3% in the first quarter of fiscal 2002. With regard to the media segment, operating margin before depreciation and amortization for the first quarter is 40.1% compared to 41.2 % last year.

Depreciation and amortization increased by 7% and financial expense by 5% for the first quarter of fiscal 2002. The increase in depreciation results from the cable system modernization program, the capital expenditures related to high-speed Internet access and digital services, and recent cable system acquisitions. As a result of the adoption by the Company of the new accounting requirements of the Canadian Institute of Chartered Accountants, broadcasting licences and customer base ceased to be amortized effective September 1, 2001. The new recommendations also require that the Company reviews its intangible assets for impairment as of the date of adoption of the new recommendations and at least annually in subsequent periods. Management has completed its review that indicates that intangible assets are not impaired as at September 1, 2001. In the first quarter of fiscal 2001, amortization of broadcasting licences and customer base amounted to \$2.9 million (\$2.0 million after income taxes). Financial expense has increased as a result of recent cable system acquisitions, the higher average interest rate on Senior Secured Notes issued last November 1st by Cogeco Cable and capital expenditures exceeding internally generated cash flow from recurring operations. However, management expects that in fiscal 2002 planned capital expenditures should be essentially financed by cash flow generated by operations.

As part of an overall cost reduction plan that Cogeco Cable started to implement in the second quarter of fiscal 2001, Cogeco Cable has further reduced its staffing, mostly last November, by some 100 full-time equivalent employees. As a result of this staffing reduction, a charge of \$4.9 million was recorded as an unusual item in the first quarter of fiscal 2002. For the first quarter of fiscal 2001, the unusual item stemmed from a gain on dilution of \$47.3 million resulting from the issuance of approximately 4.6 million subordinate voting shares of Cogeco Cable.

Net income for the first quarter of fiscal 2002, excluding unusual items, amounted to \$4.1 million, or \$0.25 per share, compared to \$3.0 million, or \$0.19 per share, for the same period last year. Net income for the first quarter of fiscal 2002, amounted to \$2.7 million, or \$0.17 per share, compared to \$50.3 million, or \$3.11 per share, last year.

## **CASH FLOW AND CAPITAL RESOURCES**

For the first quarter of fiscal 2002, cash flow from recurring operations amounted to \$31.7 million, or \$1.95 per share, compared to \$28.6 million, or \$1.77 per share, for the same period last year, an increase of 11%. For the first quarter of fiscal 2002, capital expenditures and deferred charges (mostly related to digital terminal sale subsidies) decreased from \$60.4 million to \$42.8 million. As of mid-August, Cogeco Cable has extended an offer, with the view of increasing customer loyalty and reducing capital expenditures, whereby customers can now purchase a digital terminal for as little as \$99.

On November 1, 2001, Cogeco Cable completed, pursuant to a private placement, the issue of 6.83% Series A Senior Secured Notes for US \$150 million maturing October 31, 2008, and 7.73% Series B Senior Secured Notes for CDN \$175 million maturing October 31, 2011. The aggregate gross proceeds from the issue of these Notes amounted to approximately CDN \$414 million. Net proceeds of approximately CDN \$410 million, after underwriters' fees and other expenses, have been applied to reduce Cogeco Cable's bank debt. In addition, Cogeco Cable completed a cross-currency swap agreement with Canadian financial institutions to fully hedge its financial obligations with respect to the US denominated Series A Senior Secured Notes. Taking into consideration this cross-currency swap agreement, the interest rate effectively incurred by Cogeco Cable for the Series A Senior Secured Notes is 7.254%.

## **RECENT DEVELOPMENTS**

### **Cable Sector**

On November 16, 2001, Cogeco Cable completed the transition of its high-speed Internet service to become a fully independent service for its approximately 102,000 Ontario high-speed Internet customers and ceased to do business with [Excite@Home](#). Consequently, Cogeco Cable now serves its Ontario customers with an autonomous solution that is comparable with the service provided since 1996 under the trademark Rapidus to approximately 22,000 Quebec customers. Capital expenditures incurred in the first quarter for the transition amounted to only \$7.6 million.

### **Media Sector**

Based on the popularity of the Rythme FM concept, CRTI has filed with the Canadian Radio-television and Telecommunications Commission (CRTC) an application for new licences to operate RYTHME FM stations in Quebec City, Trois-Rivières, Sherbrooke and Chicoutimi/Jonquière. The Montreal station will act as the lead station and will provide the other stations with network programming. However, these other stations will produce and manage their own local programming on weekdays and weekends during peak morning and afternoon hours.

On September 18, 2001, COGECO and Bell Globemedia Inc. signed an agreement to acquire jointly Quebecor's 86% interest in the TQS television network and stations. Last December 7th, the CRTC authorized the transfer of the controlling interest in TQS from Quebecor Inc. to COGECO and Bell Globemedia.

Cogeco Radio-Television and the CBC recently reached an agreement in principle establishing a renewed affiliation agreement with respect to stations CKTM-TV, CKSH-TV and CKTV-TV, respectively in the Trois-Rivières, Sherbrooke and Chicoutimi/Jonquière regions, which agreement will bind the parties at least until August 31, 2008. According to this agreement, COGECO retains control of the broadcasting licences and continues to operate the three stations affiliated to the Radio-Canada network. CBC, pursuant to the agreement, becomes responsible for the production of regional newscasts from separate newsrooms and with editorial control for these affiliated stations.

## **RISK FACTORS AND UNCERTAINTIES**

There have been no material changes in the uncertainties and main risk factors facing the Company since the year ended August 31, 2001. Uncertainties and main risk factors are described in the Company's Annual Report.

## **DIVIDEND DECLARATION**

At its meeting of January 11, 2002, 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 February 8, 2002 to shareholders on record on January 25, 2002.

## **CABLE SECTOR CUSTOMER STATISTICS**

The number of basic service customers has decreased by 9,693, which represents approximately 1% of the total customer base, since August 31, 2001. As at November 30, 2001, the number of customers to the high-speed Internet access service stood at 124,289, an increase of 16,351 customers or 15% during the first quarter. Moreover, an additional 14,276 digital terminals were put in service to end the first quarter of fiscal 2002 with 119,568 terminals, a 14% increase. With these high-speed Internet customer and digital terminal additions, Cogeco Cable is well on target to meet its goal of adding 40,000 high-speed Internet customers and 25,000 digital terminals by the end of fiscal 2002. As at November 30, 2001, high-speed Internet penetration as a percentage of 2-way homes passed was 12% and digital service penetration as a percentage of the offered base was 14%. As at November 30, 2001, 215,818 customers had subscribed to Cogeco Cable's offering of bundled services, up from 187,926 customers as at August 31, 2001. 39% of customers subscribing to the service bundles had the digital service.

## **FORWARD-LOOKING FINANCIAL EXPECTATIONS**

The forward-looking statements below involve risks and uncertainties. Future results will be affected by a number of factors including those described in the uncertainties and main risk factors section of the Company's Annual Report. Therefore, actual results may be materially different from those expressed or implied by such forward-looking statements.

### **Cable Sector**

As a result of the cable sector's basic service customer losses during the first quarter, management has slightly modified its fiscal 2002 revenue projections. The losses are mainly attributable to increased direct-to-home satellite competitive pressures. Both satellite providers are making significant investments to build market share. As customer satisfaction and retention

remain Cogeco Cable's key focus, management is in the process of making some pricing readjustments that it feels are required in the circumstances. Cogeco Cable expects to achieve revenue growth between 6% and 8%, of which approximately 2% should be realized from acquisitions completed in fiscal 2001 and the balance from internal revenue growth. Internal revenue growth should stem mainly from the March and July 2001 rate increases for the discretionary tiers in Ontario and Quebec respectively, and the growth in penetration of high-speed Internet access. Cogeco Cable expects that its operating margin before depreciation and amortization will improve gradually in fiscal 2002 as a result of an ongoing cost reduction and process improvement plan.

## **Media Sector**

As a result of the economic impact on the advertising industry, management has slightly revised its fiscal 2002 projections for revenue and operating income before depreciation and amortization. The media sector expects to achieve organic revenue growth of approximately 5% and operating income before depreciation and amortization growth of approximately 10%.

COGECO is active in the communications sector. Through its Cogeco Cable subsidiary, COGECO provides nearly 1 million units of cable distribution and telecommunication services to approximately 1,362,000 households passed in its service areas. Through its Cogeco Radio-Television subsidiary, COGECO operates six television stations and two radio stations in Quebec. 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).

Certain statements in this press release 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 regulation 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.

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Conference Call: Discussion of quarterly results on January 15, 2002 at 11:00 a.m. ET  
Broadcast via the Internet at [www.cogeco.com](http://www.cogeco.com)

**COGECO INC.**

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**Cable Statistics**

	November 30, 2001	August 31, 2001
<b>Homes Passed</b>		
Ontario	932,105	930,324
Quebec	429,518	428,556
	<b>1,361,623</b>	<b>1,358,880</b>
<b>Basic Service Customers</b>		
Ontario	616,139	622,612
Quebec	252,934	256,154
	<b>869,073</b>	<b>878,766</b>
<b>Discretionary Service Customers - Tier 1</b>		
Ontario	497,141	507,589
Quebec	172,490	176,437
	<b>669,631</b>	<b>684,026</b>
<b>Discretionary Service Customers - Tier 2</b>		
Ontario	425,392	429,043
Quebec	2,141 *	3,162
	<b>427,533</b>	<b>432,205</b>
<b>Discretionary Service Customers - Tier 3</b>		
Ontario	364,297	364,531
Quebec	2,057 *	2,229
	<b>366,354</b>	<b>366,760</b>
<b>Pay-TV Service Customers</b>		
Ontario	81,156	80,392
Quebec	28,790	28,234
	<b>109,946</b>	<b>108,626</b>
<b>Internet Service Customers</b>		
High-Speed Cable Modem		
Ontario	102,392	88,038
Quebec	21,897	19,900
	<b>124,289</b>	<b>107,938</b>
<b>Digital Customers</b>		
Ontario	75,323	65,572
Quebec	33,894	30,677
	<b>109,217</b>	<b>96,249</b>
<b>Digital Terminals</b>		
Ontario	85,274	74,615
Quebec	34,294	30,677
	<b>119,568</b>	<b>105,292</b>
<b>Customers of bundled services</b>		
Ontario (launched March 1, 2000)	171,136	153,672
Quebec (launched July 9, 2000)	44,682	34,254
	<b>215,818</b>	<b>187,926</b>

\* Available to customers who have the Digital Video Service.

**COGECO INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

Three months ended November 30

<i>(In thousands of dollars, except per share data)</i>	<b>2001</b>	2000
<b>Revenue</b>	<b>\$ 125,968</b>	\$ 115,424
Operating costs	<b>79,119</b>	73,348
<b>Operating income before depreciation and amortization</b>	<b>46,849</b>	42,076
Depreciation and amortization (Note 2)	<b>23,164</b>	21,678
<b>Operating income before unusual items</b>	<b>23,685</b>	20,398
Unusual items (Note 4)	<b>4,925</b>	(47,277)
<b>Operating income</b>	<b>18,760</b>	67,675
Financial expense	<b>14,037</b>	13,347
<b>Income before income taxes and the following items</b>	<b>4,723</b>	54,328
<b>Income taxes</b>		
Current	<b>1,844</b>	810
Future	<b>1,183</b>	2,973
	<b>3,027</b>	3,783
Non-controlling interest	<b>(1,014)</b>	218
Share in the results of an affiliated company	-	9
<b>Net income</b>		
<b>Basic</b>	<b>\$ 2,710</b>	\$ 50,318
<b>Excluding unusual items</b>	<b>4,053</b>	3,041
<b>Earnings per share</b>		
<b>Basic</b>	<b>\$ 0.17</b>	\$ 3.11
<b>Diluted</b>	<b>0.16</b>	3.04
<b>Earnings per share excluding unusual items</b>		
<b>Basic</b>	<b>0.25</b>	0.19
<b>Diluted</b>	<b>0.24</b>	0.18
Weighted average number of outstanding multiple voting shares and subordinate voting shares	<b>16,235,013</b>	16,177,424

**COGECO INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(unaudited)

Three months ended November 30

<i>(In thousands of dollars, except per share data)</i>	<b>2001</b>	2000
<b>Cash flow from operating activities</b>		
Net income	\$ 2,710	\$ 50,318
Unusual items net of related income taxes and non-controlling interest	1,343	(47,277)
Net income from recurring operations	4,053	3,041
Items not affecting cash and cash equivalents		
Depreciation and amortization	23,164	21,678
Amortization of long-term financing costs	430	430
Future income taxes	1,183	2,973
Future income taxes related to unusual items	1,513	-
Non-controlling interest	(1,014)	218
Portion of unusual items attributable to non-controlling interest	2,069	-
Other	253	244
<b>Cash flow from recurring operations</b>	<b>31,651</b>	<b>28,584</b>
Change in non-cash working capital items	(36,823)	(13,738)
	<b>(5,172)</b>	<b>14,846</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed assets	(37,709)	(60,361)
Increase in deferred charges	(5,070)	-
Acquisition of investments	(3,305)	(97)
Business acquisitions	-	(42,481)
Other	246	674
	<b>(45,838)</b>	<b>(102,265)</b>
<b>Cash flow from financing activities</b>		
Increase in long-term debt	416,659	95,296
Repayment of long-term debt	(384,077)	(141,551)
Dividends on multiple voting shares	(97)	(100)
Dividends on subordinate voting shares	(755)	(749)
Issue of subordinate voting shares by a subsidiary to non-controlling interest, net of issue costs	-	95,762
Purchase of subordinate voting shares for cancellation by a subsidiary	-	(220)
Dividends paid by a subsidiary to non-controlling interest	-	(631)
	<b>31,730</b>	<b>47,807</b>
<b>Net change in cash and cash equivalents</b>	<b>(19,280)</b>	<b>(39,612)</b>
<b>Cash and cash equivalents at beginning</b>	<b>2,155</b>	<b>3,078</b>
<b>Cash and cash equivalents at end</b>	<b>\$ (17,125)</b>	<b>\$ (36,534)</b>
<b>Cash flow per share from recurring operations</b>		
Basic	\$ 1.95	\$ 1.77
Diluted	1.92	1.73

**COGECO INC.**  
**CONSOLIDATED BALANCE SHEETS**

	November 30	August 31
<i>(In thousands of dollars)</i>	<b>2001</b>	2001
	<b>(unaudited)</b>	(audited)
<b>Assets</b>		
Fixed assets	\$ 747,408	\$ 730,378
Broadcasting licences and customer base	1,019,189	1,019,132
Deferred charges	24,780	22,893
Investments	13,330	10,032
Accounts receivable	54,445	48,860
Prepaid expenses	3,672	7,239
	<b>\$ 1,862,824</b>	<b>\$ 1,838,534</b>
<b>Liabilities and Shareholders' equity</b>		
<b>Liabilities</b>		
Long-term debt and term facilities	\$ 853,252	\$ 832,121
Bank indebtedness	17,125	(2,155)
Deferred credit	2,730	-
Accounts payable and accrued liabilities	61,348	90,407
Deferred and prepaid income	16,608	17,413
Future income tax liabilities	173,022	171,853
Non-controlling interest	431,059	432,073
	<b>1,555,144</b>	<b>1,532,712</b>
<b>Shareholders' equity</b>		
Capital stock	114,335	114,335
Retained earnings	193,345	191,487
	<b>307,680</b>	<b>305,822</b>
	<b>\$ 1,862,824</b>	<b>\$ 1,838,534</b>

**COGECO INC.**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
(unaudited)

Three months ended November 30

<i>(In thousands of dollars)</i>	<b>2001</b>	2000
Balance at beginning	<b>\$ 191,487</b>	\$ 129,753
Changes in accounting policies	-	(2,199)
Net income	<b>2,710</b>	50,318
Excess of price paid over the attributed value of shares redeemed	-	-
Dividends on multiple voting shares	<b>(97)</b>	(100)
Dividends on subordinate voting shares	<b>(755)</b>	(749)
Balance at end	<b>\$ 193,345</b>	\$ 177,023

# COGECO INC.

## Notes to Consolidated Financial Statements

(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 November 30, 2001 and August 31, 2001 as well as its results of operations and its cash flow for the three-month periods ended November 30, 2001 and 2000.

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 for the adoption of new accounting recommendations on customer base (see note 2).

### 2. Accounting policies

#### A. Changes in accounting policies

During the first quarter, the Company adopted prospectively the new CICA recommendations of Handbook section 3062 - Goodwill and other intangible assets. Under the new section, goodwill and intangible assets with a deemed indefinite life are no longer amortized but tested for impairment annually, or more frequently, if changes in circumstances indicate a potential impairment. As a result of adopting the new recommendations, the Company ceased to amortize its broadcasting licences and customer base effective September 1, 2001. Section 3062 also requires the Company to perform a transitional assessment of whether there is an indication that intangible assets with an indefinite useful life are impaired as at September 1, 2001. The Company has completed its assessment and concluded that no impairment existed as at September 1, 2001.

The following table shows the effect of applying the new recommendations on net income and basic and diluted earnings per share for the first quarter of fiscal year 2001:

Net income	\$ 50,318
Amortization of broadcasting licences and customer base, net of income taxes	<u>2,005</u>
Adjusted net income	<u>\$ 52,323</u>
Net income per share	\$ 3.11
Amortization of broadcasting licences and customer base, net of income taxes	<u>0.12</u>
Adjusted net income per share basic	<u>\$ 3.23</u>
Adjusted net income per share diluted	<u>\$ 3.16</u>

#### B. Foreign currency translation

Assets and liabilities denominated in foreign currency are translated in Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at transaction date for nonmonetary items. Income and expenses are translated at average rates prevailing during the period. Exchange gains and losses on translating long-term debt are included in deferred credits or deferred charges and, except for hedged items, are amortized over the remaining life of the debt. Other exchange gains and losses are included in net income for the period.

## COGECO INC.

### Notes to Consolidated Financial Statements

(unaudited)

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

#### C. Derivative financial instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include rate swap and cap agreements and currency swap agreement. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments under the accrual method, as hedges and accordingly, the carrying values of the financial instruments are not adjusted to reflect their current market value. Net receipts or payments arising from derivative instruments are recognized in financial expense.

#### 3. Business acquisitions

During the first quarter of fiscal year 2001, the Company's subsidiary, Cogeco Cable Inc., completed the following transactions:

- a) In September 2000, the acquisition of all the outstanding shares of Câblo Distribution G inc., Télécâble Provincial inc. and Lindsay CATV System Limited.
- b) In November 2000, the acquisition of all the outstanding shares of Cablevue (Quinte) Limited and related companies and of Médiacâble inc.

The net assets acquired and the consideration for these transactions are as follows:

	Three months ended November 30 2000
<b>Assets acquired</b>	
Working capital deficiency	\$ (1,178)
Fixed assets	15,958
Deferred Charges	19
Investments	-
Customer base	110,124
	124,923
<b>Assumed liabilities</b>	
Future income taxes	889
Long-term debt	25
Redeemable preferred shares	-
	914
<b>Net assets acquired</b>	124,009
Less: deposit on acquisition	-
<b>Total consideration</b>	124,009
<b>Paid in Cogeco Cable Inc. shares</b>	81,528
<b>Paid in cash</b>	\$ 42,481

# COGECO INC.

## Notes to Consolidated Financial Statements

(unaudited)

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

### 4. Unusual items

In the first quarter of 2002, Cogeco Cable pursued its staffing reduction program. As a result, a charge of \$4,925,000 has been recorded as an unusual item for the payment of employee severances. For the first quarter of fiscal 2001, the unusual item stemmed from a gain on dilution of \$47,277,000 resulting from the issuance of approximately 4.6 million subordinate voting shares of Cogeco Cable.

### 5. Segmented Information

The Company's activities are divided into two business segments: Cable and Media. The Cable segment is comprised of all cable 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:

	Cable		Media		Head Office and eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
<i>Three months ended November 30,</i>								
Revenue	\$ 113,583	\$ 103,674	\$ 12,385	\$ 11,750	\$ -	\$ -	\$ 125,968	\$ 115,424
Operating costs	72,388	67,048	7,419	6,910	(688)	(610)	79,119	73,348
Operating income before depreciation and amortization	41,195	36,626	4,966	4,840	688	610	46,849	42,076
Depreciation and amortization	22,655	20,947	471	646	38	85	23,164	21,678
Operating income before unusual items	18,540	15,679	4,495	4,194	650	525	23,685	20,398
Unusual items (gain)	4,925	-	-	-	-	(47,277)	4,925	(47,277)
Financial expense	13,823	12,902	895	902	(681)	(457)	14,037	13,347
Income taxes	1,467	2,402	764	511	796	870	3,027	3,783
Net assets employed	1,728,472	1,473,533	43,659	36,713	12,737	16,644	1,784,868	1,526,890
Acquisition of fixed assets	37,375	60,159	334	191	0	11	37,709	60,361

**COGECO INC.****Notes to Consolidated Financial Statements**

(unaudited)

*(amounts in tables are in thousands of dollars, except per share data)***6. Long-term debt and term facilities**

	Maturity	Interest rate	November 30 2001 (unaudited)	August 31 2001 (audited)
<b>Parent company</b>				
Term facility	2006	3.30% <sup>(1)</sup>	\$ 18,000	\$ 15,000
Other	-	-	2,801	2,549
<b>Subsidiaries</b>				
Term facility	2007	4.60 <sup>(1)</sup>	134,000	518,000
Senior Secured Debentures, Series 1	2009	6.75	150,000	150,000
Second Secured Debentures, Series A	2007	8.44	125,000	125,000
Senior – Secured Notes				
Series A – US \$150 million	2008	6.83	235,920	-
Series B	2011	7.73	175,000	-
Obligations under capital leases	2005	5.75 – 13.45	4,408	4,485
Preferred shares <sup>(2)</sup>	2006	-	7,120	7,120
Other	-	-	1,003	967
			<u>\$ 853,252</u>	<u>\$ 823,121</u>

(1) Average interest rate on debt as of November 30, 2001, including stamping fees and excluding the impact of interest rate swap and cap agreements.

(2) 7,120,000 preferred shares 5.5% cumulative dividend, redeemable and retractable to a maximum of \$1,400,000 annually beginning in 2002.

**Senior Secured Notes**

The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. The Notes are redeemable at the Company's subsidiary, Cogeco Cable Inc., option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a makewhole premium.

The Company's subsidiary, Cogeco Cable Inc., has entered on November 1, 2001, into cross-currency interest rate agreements to fix the liability for interest and principal payments on the Senior Notes US \$150 million which have an interest coupon rate of 6.83%. These agreements have resulted in an effective interest rate of 7.25% on the Canadian \$ equivalent of the US debt. The exchange rate applicable to the principal portion of the debt has been fixed at \$1.5910 Canadian.

The foreign exchange gain on longterm debt amounts to \$2,730,000 at November 30, 2001.

# COGECO INC.

## Notes to Consolidated Financial Statements

(unaudited)

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

### 7. Capital Stock and Stock Option Plan

#### 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.

	November 30, 2001 (unaudited)	August 31, 2001 (audited)
<b>Issued</b>		
1,849,900 multiple voting shares	\$ 12	\$ 12
14,385,113 subordinate voting shares	114,323	114,323
	<b>\$ 114,335</b>	<b>\$ 114,335</b>

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

	November 30, 2001 (unaudited)		August 31, 2001 (audited)	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning	14,385,113	\$ 114,323	14,269,524	\$ 113,686
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	-	-	57,589	637
Conversion of multiple voting shares to subordinate voting shares	-	-	58,000	-
Purchase of shares for cancellation	-	-	-	-
Balance at end	<b>14,385,113</b>	<b>\$ 114,323</b>	14,385,113	\$ 114,323

#### Stock Option Plan

As at November 30, 2001, the Company had outstanding stock options providing for the subscription of 653,076 subordinate voting shares. These stock options could be exercised at various prices from \$4.275 to \$37.50 and at various dates up to October 19, 2011.

**COGECO INC.****Notes to Consolidated Financial Statements**

(unaudited)

*(amounts in tables are in thousands of dollars, except per share data)***8. Earnings per share**

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

	Three months ended November 30	
	2001	2000
Net income		
Basic	\$ 2,710	\$ 50,318
Excluding unusual items net of related income taxes and non-controlling interest	4,053	3,041
Weighted average number of multiple voting shares and subordinate voting shares outstanding	16,235,013	16,177,424
Effect of dilutive stock options	223,790	363,518
Weighted average number of diluted multiple voting shares and subordinate voting shares outstanding	16,458,803	16,540,942
Earnings per share		
Basic	\$ 0.17	\$ 3.11
Diluted	0.16	3.04
Earnings per share excluding unusual items		
Basic	0.25	0.19
Diluted	0.24	0.18

**9. Subsequent event**

On September 18, 2001, the Company together with Bell Globemedia announced the conclusion of an agreement to acquire 86% of the outstanding shares of TQS inc. CRTC approval was obtained on December 7, 2001. The transaction should be finalized during the second quarter of fiscal year 2002.